



Interim condensed consolidated
financial report

for the period January 1st–June 30th 2014



The KRUK Group

June 30th 2014

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I. Financial highlights

1. Consolidated financial data

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30	Jan 1–Jun 30	Jan 1–Jun 30	Jan 1–Jun 30
For the period	2014	2013	2014	2013
	unaudited	unaudited	unaudited	unaudited
Revenue	263,728	198,924	63,116	47,206
Operating profit	128,612	76,036	30,780	18,044
Profit before tax	99,494	50,630	23,811	12,015
Net profit attributable to owners of the Parent	100,023	50,591	23,938	12,006
Net cash from operating activities	(77,209)	(39,912)	(18,478)	(9,471)
Purchase of debt portfolios at prices as per agreement	(313,308)	(184,314)	(74,982)	(43,739)
Cash recoveries	360,416	239,581	86,256	56,854
Net cash from investing activities	(4,601)	(3,315)	(1,101)	(787)
Net cash from financing activities	115,985	29,270	27,758	6,946
Change in net cash	34,175	(13,957)	8,179	(3,312)
Average number of shares ('000)	16,962	16,900	16,962	16,900
Earnings per share (PLN/EUR)	5.90	2.99	1.41	0.71
Diluted earnings per share (PLN/EUR)	5.74	2.95	1.37	0.70
As at	Jun 30 2014,	Dec 31 2013	Jun 30 2014,	Dec 31 2013
	unaudited		unaudited	
Total assets	1,411,790	1,162,825	339,299	280,388
Non-current liabilities	717,489	513,451	172,436	123,807
Current liabilities	165,125	233,819	39,685	56,380
Equity	529,176	415,555	127,178	100,201
Share capital	17,023	16,959	4,091	4,089
Book value per ordinary share (PLN/EUR)	31.09	24.50	7.47	5.91

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 – 4.1784
- for the comparative period – 4.2140

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

- for the current period – 4.1609
- for the comparative period – 4.1472

2. Separate financial data of KRUK S.A.

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
For period				
Revenue	51,318	54,030	12,282	12,822
Operating loss	(16,805)	(6,907)	(4,022)	(1,639)
Profit/(loss) before tax	140,155	(27,616)	33,542	(6,553)
Net profit/(loss)	140,932	(27,214)	33,728	(6,458)
Net cash from operating activities	(11,014)	(1,256)	(2,636)	(298)
Net cash from investing activities	(114,948)	19,345	(27,510)	4,591
Net cash from financing activities	127,779	(22,974)	30,581	(5,452)
Change in net cash	1,817	(4,885)	435	(1,159)
Average number of shares ('000)	16,962	16,900	16,962	16,900
Earnings per share (PLN/EUR)	8.31	-1.61	1.99	-0.38
Diluted earnings per share (PLN/EUR)	8.22	-1.59	1.97	-0.38
As at	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2014 unaudited	Dec 31 2013
Total assets	1,133,042	842,706	272,307	203,199
Non-current liabilities	713,477	502,301	171,472	121,118
Current liabilities	134,752	200,897	32,385	48,442
Equity	284,813	139,508	68,450	33,639
Share capital	17,023	16,959	4,091	4,089
Book value per ordinary share (PLN/EUR)	16.73	6.95	4.02	1.68

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

- items of or related to the statement of profit or loss and other comprehensive income 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 a given period; the exchange rates thus calculated are:

- for the current period – 4.1784
- for the comparative period – 4.2140

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

- for the current period – 4.1609
- for the comparative period – 4.1472

II. Auditor's report on the review of the interim condensed consolidated financial statements for the period January 1st–June 30th 2014

III. Interim condensed consolidated financial statements for the period January 1st–June 30th 2014

Interim condensed consolidated statement of financial position

As at June 30th 2014,

PLN '000

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Assets			
Cash and cash equivalents	69,433	35,258	28,772
Other receivables	18,846	17,768	7,141
Trade receivables	22,122	9,045	11,268
Current tax asset	-	-	1,025
Investments in debt portfolios and loans	1,262,319	1,063,841	1,004,699
Inventories	453	529	738
Property, plant and equipment	21,409	20,079	17,409
Other intangible assets	11,313	10,408	9,375
Goodwill	1,024	1,024	1,024
Deferred tax asset	3,224	2,421	2,064
Other assets	1,647	2,452	1,917
Total assets	1,411,790	1,162,825	1,085,432
Equity and liabilities			
Liabilities			
Hedge derivatives	1,993	634	-
Trade and other payables	28,063	35,572	33,445
Employee benefit obligations	23,886	23,242	20,123
Current tax liability	-	99	-
Liabilities under borrowings and other debt instruments	828,408	687,459	653,783
Liabilities	264	264	264
Total liabilities	882,614	747,270	707,615
Equity			
Share capital	17,023	16,959	16,900
Share premium	49,876	47,381	45,107
Cash flow hedging reserve	(1,993)	(634)	-
Exchange differences on translating foreign operations	1,586	(7,726)	5,076
Other capital reserves	51,462	48,289	46,536
Retained earnings	411,180	311,157	264,123
Equity attributable to owners of the Parent non-controlling interests	529,134	415,426	377,742
Total equity	529,176	415,555	377,817
Total equity and liabilities	1,411,790	1,162,825	1,085,432

Interim condensed consolidated statement of profit or loss

For the reporting period from January 1st to June 30th 2014

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Revenue	263,728	198,924
Other income	859	674
Employee benefits expense	(67,174)	(54,194)
Depreciation and amortisation expense	(5,522)	(4,460)
Services	(22,044)	(23,310)
Other expenses	(41,235)	(41,598)
	<u>(135,975)</u>	<u>(123,562)</u>
Operating profit	128,612	76,036
Finance income	283	280
Finance costs	(29,401)	(25,686)
Net finance costs	<u>(29,118)</u>	<u>(25,406)</u>
Profit before tax	99,494	50,630
Income tax	570	36
Net profit for the period	<u>100,064</u>	<u>50,666</u>
Net profit attributable to:		
owners of the Parent	100,023	50,591
non-controlling interests	41	75
Net profit for the period	<u>100,064</u>	<u>50,666</u>
Earnings per share		
Basic (PLN)	5.90	2.99
Diluted (PLN)	5.74	2.95

Interim condensed consolidated statement of comprehensive income

For the reporting period from January 1st to June 30th 2014

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Net profit for the period	100,064	50,666
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	9,312	8,850
Cash flow hedges	(1,993)	-
Other comprehensive income, net, for the period	7,319	8,850
Total comprehensive income for the period	107,383	59,516
Total comprehensive income attributable to:		
owners of the Parent	107,342	59,441
non-controlling interests	41	75
Total comprehensive income for the period	107,383	59,516

Interim condensed consolidated statement of changes in equity

Reporting period from January 1st to June 30th 2014

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Equity as at Jan 1 2013	16,900	45,107	-	(3,774)	45,711	213,532	317,476	156	317,632
Net profit for the period	-	-	-	-	-	50,591	50,591	75	50,666
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	8,850	-	-	8,850	-	8,850
Total comprehensive income for the period	-	-	-	8,850	-	50,591	59,441	75	59,516
Contributions from and distributions to owners									
- Payment of dividend	-	-	-	-	-	-	-	(156)	(156)
- Share-based payments	-	-	-	-	825	-	825	-	825
Total contributions from and distributions to owners	-	-	-	-	825	-	825	(156)	669
Total equity as at Jun 30 2013	16,900	45,107	-	5,076	46,536	264,123	377,742	75	377,817
Equity as at Jan 1 2013	16,900	45,107	-	(3,774)	45,711	213,532	317,476	156	317,632
Net profit for the period	-	-	-	-	-	97,625	97,625	129	97,754
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(3,952)	-	-	(3,952)	-	(3,952)
- Valuation of hedging instruments	-	-	(634)	-	-	-	(634)	-	(634)
Other comprehensive income	-	-	(634)	(3,952)	-	-	(4,586)	-	(4,586)
Total comprehensive income for the period	-	-	(634)	(3,952)	-	97,625	93,039	129	93,168
Contributions from and distributions to owners									
- Payment of dividend	-	-	-	-	-	-	-	(156)	(156)
- Issue of shares	59	2,274	-	-	-	-	2,333	-	2,333
- Share-based payments	-	-	-	-	2,578	-	2,578	-	2,578
Total contributions from and distributions	59	2,274	-	-	2,578	-	4,911	(156)	4,755

The KRUK Group

to owners									
Total equity as at Dec 31 2013	16,959	47,381	(634)	(7,726)	48,289	311,157	415,426	129	415,555
Equity as at Jan 1 2014	16,959	47,381	(634)	(7,726)	48,289	311,157	415,426	129	415,555
Comprehensive income for the period									
Net profit for the period	-	-	-	-	-	100,023	100,023	41	100,064
Other comprehensive income	-	-	-	-	-	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	9,312	-	-	9,312	-	9,312
- Valuation of hedging instruments	-	-	(1,359)	-	-	-	(1,359)	-	(1,359)
Other comprehensive income	-	-	(1,359)	9,312	-	-	7,953	-	7,953
Total comprehensive income for the period	-	-	(1,359)	9,312	-	100,023	107,976	41	108,017
- Payment of dividend	-	-	-	-	-	-	-	(128)	(128)
- Issue of shares	64	2,495	-	-	-	-	2,559	-	2,559
- Share-based payments	-	-	-	-	3,173	-	3,173	-	3,173
Total contributions from and distributions to owners	64	2,495	-	-	3,173	-	5,732	(128)	5,604
Total equity as at Jun 30 2014	17,023	49,876	(1,993)	1,586	51,462	411,180	529,134	42	529,176

Interim condensed consolidated statement of cash flows

For the reporting period from January 1st to June 30th

2014

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Cash flows from operating activities		
Net profit for the period	100,064	50,666
<i>Adjustments</i>		
Depreciation of property, plant and equipment	3,978	2,676
Amortisation of intangible assets	1,784	1,784
Net finance costs	24,366	25,136
Gain on sale of property, plant and equipment	(237)	(80)
Equity-settled share-based payment transactions	3,173	825
Income tax	(570)	(36)
Change in other investments	(271)	(886)
Change in debt portfolios purchased	(189,025)	(115,107)
Change in inventories	76	141
Change in receivables	(14,155)	(197)
Change in prepayments and accrued income	805	465
Change in current liabilities, excluding financial liabilities	(6,150)	(5,063)
Change in employee benefit obligations	(715)	1,480
Income tax paid	(332)	(1,716)
Net cash from operating activities	(77,209)	(39,912)
Cash flows from investing activities		
Interest received	283	280
Sale of intangible assets and property, plant and equipment	619	251
Purchase of intangible assets and property, plant and equipment	(5,503)	(3,846)
Net cash from investing activities	(4,601)	(3,315)
Cash flows from financing activities:		
Net proceeds from issue of shares	-	-
Proceeds from issue of debt securities	2,561	135,000
Increase in borrowings	890,434	219,400
Repayment of borrowings	(698,089)	(255,382)
Payments under finance lease agreements	(1,536)	(1,389)
Redemption of debt securities	(53,400)	(43,000)
Interest paid	(23,985)	(25,359)
Net cash from financing activities	115,985	29,270
Total net cash flows	34,175	(13,957)
Cash and cash equivalents at beginning of the period	35,258	42,729
Cash and cash equivalents at end of the period	69,433	28,772

Due to the limited amount of information on revenue from debt collection and spending on debt portfolio purchases, this consolidated statement of cash flows should be read in conjunction with Note 9 to these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

1. Organisation of the KRUK Group

Parent

Name:

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

Registered office:

ul. Legnicka 56
54-204 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 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.

Following the transfer of lending activities from Novum Finance Sp. z o.o. of Wrocław to KRUK S.A. in 2013, on March 17th 2014 the Extraordinary General Meeting of Novum Finance Sp. z o.o. passed a resolution to dissolve the company by liquidation. Michał Zasępa, President of the Management Board of NOVUM Finance Sp. z o.o. w likwidacji (in liquidation), was appointed the company's liquidator. By virtue of a decision dated March 31st 2014, the District Court for Wrocław-Fabryczna of Wrocław, 6th Commercial Division of the National Court Register entered the changes referred to above in the register.

Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A. (RD ERIF BIG S.A.), a subsidiary of Kruk S.A., is a credit reference agency which stores, manages and provides credit information on consumers and businesses.

On April 11th 2014, ROCAPITAL IFN S.A. of Bucharest, Romania, was registered in Romania. It is an operating company whose principal business activities consist in purchasing and servicing mortgage-backed debt portfolios. KRUK S.A. holds 99% of the company's share capital, with the remaining 1% held by KRUK Romania S.r.l. of Bucharest, Romania, a subsidiary of KRUK S.A.

ProsperoCapital Sp. z o.o. of Wrocław, another subsidiary of KRUK S.A., was registered on July 4th 2014. The company's principal business activity comprises other financial service activities n.e.c., including trade in receivables and debt collection, except insurance and pension funding. KRUK S.A. holds 100% of shares in the company's share capital.

On August 19th 2014, the Articles of Association of KRUK Deutschland GmbH of Berlin were executed. The company's principal business activities consist in credit management services, collection of debt portfolios purchased by the KRUK Group in Germany and other European countries, as well as debt trading. KRUK S.A. holds 100% of shares in the company's share capital.

These interim condensed consolidated financial statements for the reporting period from January 1st to June 30th 2014 include the financial statements of the Parent and its subsidiaries (jointly the "Group").

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

As at June 30th 2014, the Management Board of the Parent consisted of:

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

In H1 2014 and by the date of issue of this interim report, the composition of the Management Board of KRUK S.A. did not change.

In H1 2014 and by the date of issue of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change and was as follows:

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

The KRUK Group

As at the date of issue of this report, the Group comprised KRUK S.A. of Wrocław and 16 subsidiaries:

- Kancelaria Prawna RAVEN Krupa & Stańko sp.k. of Wrocław, a law firm providing comprehensive services to support litigation and enforcement, exclusively in connection with the debt collection process carried out by the KRUK Group and its partners;
- Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A. of Warsaw, a credit reference agency serving as a platform for collection, processing and provision of information on natural persons and businesses, both delinquent debtors and timely payers;
- KRUK România s.r.l. of Bucharest, Romania, a company which operates on the market of credit management services and debt purchase;
- Secapital S.a.r.L. of Luxembourg, a special-purpose securitisation vehicle whose business consists chiefly in investing in debt or debt-backed assets;
- Prokura NS FIZ and Prokulus NS FIZ securitisation funds which are securitisation and investment vehicles which employ professional risk assessment and credit management methodologies. All certificates issued by the securitisation funds are held by Secapital S.a.r.l.;
- Secapital Polska Sp. z o.o. of Wrocław, a company acting as a servicer of securitised debt;
- ERIF Business Solutions Sp. z o.o. of Wrocław, a company whose principal business activities consist in the provision of financial and agency services, and support for small and medium-sized enterprises;
- NOVUM FINANCE Sp. z o.o. (w likwidacji) of Wrocław, a company in liquidation;
- KRUK Česká a Slovenská republika s.r.o. of Hradec Kralove, Czech Republic, a company which operates on the market of credit management services and debt purchase;
- KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław, a fund management company;
- KRUK International Z.r.t. of Budapest, Hungary, a company in liquidation.
- InvestCapital Malta Ltd. of Malta, an investment company whose business purpose is to invest in equity assets, including shares in KRUK Group companies;
- RoCapital IFN S.A. of Bucharest, Romania, an operating company, whose principal business activities consist in purchasing and servicing mortgage-backed debt portfolios;
- ProsperoCapital Sp. z o.o. of Wrocław, a debt collection company, whose principal business activities consist in other financial service activities n.e.c., including trade in receivables and debt collection, except insurance and pension funding;

- KRUK Deutschland GmbH of Berlin, a company whose principal business activities consist in credit management services, collection of debt portfolios purchased by the KRUK Group in Germany and other European countries, as well as debt trading.

All the subsidiaries listed above, except ProsperoCapital Sp. z.o.o. and KRUK Deutschland GmbH, were consolidated in these condensed consolidated financial statements as at June 30th 2014 and for the period from January 1st to June 30th 2014.



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

PLN '000	Country	Share capital held (%)	
		31.08.2014	Dec 31 2013
Secapital S.a.r.l. **	Luxembourg	93.8%	93.8%
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. (in liquidation)	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%
Prokulus NS FIZ*	Poland	100%	100%
KRUK International Z.r.t. (in liquidation)	Hungary	100%	100%
InvestCapital Malta Ltd **	Malta	99.5%	99.5%
ProsperoCapital Sp. z o.o.	Poland	100%	-
RoCapital IFN S.A.**	Romania	99%	-
KRUK Deutschland GmbH	Germany	100%	-

* subsidiaries of Secapital Sarl

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

2. Period covered by the financial statements

The financial statements cover the period from January 1st to June 30th 2014, with the comparative data presented for the period from January 1st to June 30th 2013. The consolidated statement of financial position was prepared as at June 30th 2014, while the comparative data was presented as at June 30th 2013 and December 31st 2013. The consolidated statement of changes in equity was prepared for the period from January 1st to June 30th 2014, while the comparative periods were the six-month period from January 1st 2013 to June 30th 2013, and the twelve-month period from January 1st 2013 to December 31st 2013.

3. Statement of compliance

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

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

These financial statements do not contain all the information required to prepare full-year financial statements and therefore should be read in conjunction with the Group's consolidated financial statements prepared as at and for the financial year ended December 31st 2013.

These consolidated financial statements were approved by the Management Board of the Parent (the "Management Board") on August 27th 2014.

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

4. Significant accounting policies

Except for the changes discussed below, the accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2013.

The Group prepares its statement of financial position using a liquidity criterion. With respect to all assets and liabilities, an entity discloses in the notes an amount which is expected to be paid or settled within 12 months following the end of the reporting period (current assets and liabilities), or after 12 months since the end of the reporting period (non-current assets and liabilities).

Amendments to current standards and interpretations

The following amendments to International Financial Reporting Standards and their interpretations, endorsed by the European Union (the "EU IFRS") apply to reporting periods beginning on January 1st 2014:

- *IFRS 10 Consolidated Financial Statements and Separate Financial Statements*

IFRS 10 replaces the part of the former IAS 27 Consolidated and Separate Financial Statements concerning consolidated financial statements, and introduces a new definition of control. IFRS 10 may cause changes within a consolidated group with respect to the possibility of consolidating entities which have been consolidated so far, or conversely, does not introduce any changes in consolidation procedures or transaction accounting methods in consolidated financial statements.

These changes had no impact on the Group's financial position or results of operation.

- *IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures*

IFRS 11 relates to joint arrangements. It defines two categories of joint arrangements: joint operations and joint ventures, and indicates the appropriate methods to account for them.

Application of the standard may result in a change of the method of accounting for joint arrangements (for instance, arrangements previously classified as jointly-controlled entities and accounted for using the proportional consolidation method may now be classified as joint ventures, which are accounted for using the equity method).

IAS 28 has been amended and provides guidelines for applying the equity method to account for joint ventures.

These changes had no impact on the Group's financial position or results of operation.

- *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 requires a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements or associates. Application of this standard may result in more extensive disclosures in the financial statements, including for instance:

- key financial information, including information on the risks associated with the Group's undertakings,
- disclosure of interests in unconsolidated structured entities and the risks associated with such investments,
- information on each undertaking in which there are material non-controlling interests,
- disclosure of any significant judgements and assumptions made in classifying an entity as a subsidiary, a jointly-controlled entity or an associate.

These changes had no impact on the Group's financial position or results of operation.

- *Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27*

These amendments introduce the concept of investment entities which are exempt from the requirement to consolidate subsidiaries, instead measuring those investments at fair value through profit or loss.

These changes had no impact on the Group's financial position or results of operation.

- *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

The amendments to IAS 32 clarify the concept and the consequences of a legally enforceable right to set off a financial asset and a financial liability, and provide additional guidelines as to the offsetting criteria for gross settlement systems (such as clearing houses).

These changes had no impact on the Group's financial position or results of operation.

- *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36*

These amendments removed the unintended consequences of IFRS 13 concerning disclosures required under IAS 36. Also, these amendments have additionally introduced the requirement of disclosure of the recoverable amount of an asset or cash-generating unit (CGU) for which impairment loss was recognised or reversed in the period if the value in use was determined as fair value less costs to sell.

These changes had no impact on the Group's financial position or results of operation.

- *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

Under the amendments to IAS 39, there is no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria specified in IAS 39 are met.

These changes had no effect on the Group's financial position or performance or on the scope of information presented in the Group's condensed consolidated financial statements.

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

- IFRS 9 Financial Instruments (published on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018; until the date of approval of these financial statements, the standard has not been adopted by the EU; as at the date of approval of these financial statements, the process of adoption of the standard for application within the EU was discontinued,
- IFRIC 21 Levies (published on May 20th 2013) – effective for annual periods beginning on or after January 1st 2014; within the EU, effective at the latest for annual periods beginning on or after June 17th 2014,
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published on November 21st 2013) – effective for annual periods beginning on or after July 1st 2014; not adopted by the EU by the date of approval of these financial statements,
- Amendments to IFRS introduced as part of the 2010-2012 improvements cycle (published on December 12th 2013) – some of the amendments are effective for annual periods beginning on or after July 1st 2014, while some are effective prospectively for transactions entered into on or after July 1st 2014; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to the IFRS introduced as part of the 2011-2013 improvements cycle (published on December 12th 2013) – effective for annual periods beginning on or after July 1st 2014; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- IFRS 14 Regulatory Deferral Accounts (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016; no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of this standard; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (published on May 6th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (published on May 12th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- IFRS 15 Revenue from Contracts with Customers (published on May 28th 2014) – effective for annual periods beginning on or after January 1st 2017; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (published on June 30th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IAS 27 Equity Method in Separate Financial Statements (published on August 12th 2014) – effective for annual periods beginning on or after January 1st 2016; until the date of approval of these financial statements, the amendments have not been adopted by the EU,

5. Accounting estimates and judgements

In order to prepare interim consolidated financial statements, the Management Board is required to rely on 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 these estimates. The material assumptions underlying the estimates made by the Group and the applied accounting policies have been presented in the most recent full-year consolidated financial statements as at and for the financial year ended December 31st 2013.

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

6. Financial risk management

Policies of financial risk management have been presented in the most recent full-year consolidated financial statements as at and for the financial year ended December 31st 2013. In the period from January 1st to June 30th 2014, no material changes occurred in the methods of managing financial risk.

7. Reporting and geographical segments

Reporting segments

Below, the Group presents its reporting segments. The President of the Management Board 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.

The performance of each reporting segment is discussed below. The key performance metric for each reporting segment is gross profit, which is disclosed in the internal management reports reviewed by the President of the Management Board. A segment's gross profit is used to measure its 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 segments: Poland, Romania, the Czech Republic and Slovakia.

The Group's operations are also divided into the following geographical segments:

- Poland
- Romania
- Other foreign markets

Reporting segments

PLN '000	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Revenue	263,728	198,924
Purchased debt portfolios	241,200	171,792
Credit management	16,295	22,730
Other products	6,233	4,402
Direct and indirect costs	(95,939)	(89,193)
Purchased debt portfolios	(81,999)	(75,044)
Credit management	(9,925)	(10,487)
Other products	(4,015)	(3,662)
Gross profit	167,789	109,731
Purchased debt portfolios	159,201	96,748
Credit management	6,370	12,243
Other products	2,218	740
Administrative expenses	(32,644)	(28,328)
Depreciation and amortisation expense	(5,522)	(4,460)
Other income	859	674
Other expenses (unallocated)	(1,870)	(1,581)
Finance income/costs	(29,118)	(25,406)
Profit before tax	99,494	50,630
Income tax	570	36
Net profit	100,064	50,666

Geographical segments

<i>PLN '000</i>	Jan 1–Jun 30 2014	Jan 1–Jun 30 2013
	unaudited	unaudited
Revenue	263,728	198,924
Poland	162,140	116,083
Romania	87,933	71,146
Other foreign markets	13,655	11,695

Non-financial assets

<i>PLN '000</i>	Jun 30 2014	Dec 31 2013
	unaudited	
Poland	24,041	24,943
Romania	8,699	5,616
Other foreign markets	1,006	952
	33,746	31,511

8. Seasonality or cyclicity of operations

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

9. Type and amounts of changes in estimates presented in previous financial years, with a material effect on the current period

Purchased debt portfolios

In the reporting period, the Group's expenditure on purchase of debt portfolios was PLN 313,308 thousand (H1 2013: PLN 184,314 thousand), while cash recoveries were PLN 360,416 thousand (H1 2013: PLN 239,581 thousand). For a description of changes in the estimates of the debt portfolios value see Note 10 to the interim condensed consolidated financial statements.

<i>PLN '000</i>	Jun 30 2014	Dec 31 2013	Jun 30 2013
	unaudited		unaudited
Investments			
Investments in debt portfolios measured at fair value	1,252,008	1,053,913	997,178
Loans advanced to other entities	10,311	9,928	7,521
	1,262,319	1,063,841	1,004,699

Investments in debt portfolios measured at fair value

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Current portion of investments in debt portfolios	481,964	439,664	438,862
Non-current portion of investments in debt portfolios	770,044	614,249	558,316
	<u>1,252,008</u>	<u>1,053,913</u>	<u>997,178</u>

PLN '000

Purchased debt portfolios as at Jan 1 2013	873,497
Purchase of debt portfolios	367,188
Purchase price adjustment for discount	(465)
Cash recoveries	(537,727)
Increase/(decrease) in liabilities to debtors due to overpayments	(2,001)
Valuation of loyalty scheme	612
Revenue from debt purchase (interest and revaluation)	355 733
Fair value translation differences (*)	(2,924)
Purchased debt portfolios as at Dec 31 2013	<u>1,053,913</u>
Purchased debt portfolios as at Jan 1 2014	1,053,913
Purchase of debt portfolios at prices as per agreement	313,308
Purchase price adjustment for discount	(4,345)
Cash recoveries	(360,416)
Increase/(decrease) in liabilities to debtors due to overpayments	332
Valuation of loyalty scheme	1,071
Revenue from debt purchase (interest and revaluation)	241 200
Fair value translation differences (*)	6,945
Purchased debt portfolios as at Jun 30 2014	<u>1,252,008</u>

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

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

Revenue

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Revenue from debt purchase	241,200	171,792
Revenue from fee-based credit management services	16,295	22,730
Revenue from other products	6,233	4,189
Revenue from sale of merchandise and materials	-	213
	<u>263,728</u>	<u>198,924</u>

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Interest income adjusted for actual recoveries	240,792	163,907
Revaluation of debt portfolios	18,163	7,885
Cost of debts sold	(17,755)	-
	<u>241,200</u>	<u>171,792</u>
	-	-

Revaluation of debt portfolios

PLN '000

	Jun 30 2014 unaudited	Jun 30 2013 unaudited
Revision of forecast	7,123	(3,652)
Change due to change in discount rate	11,040	11,537
	<u>18,163</u>	<u>7,885</u>
	-	-

The revaluation of debt portfolios pertains to changes in the fair value of purchased debt portfolios which were designated as measured at fair value through profit or loss at the time of their initial recognition.

Employee benefits expense

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Salaries and wages	(51,246)	(43,443)
Other social security contributions	(4,758)	(4,277)
Old-age and disability pension contributions	(7,420)	(5,261)
Contribution to the State Fund for the Disabled	(577)	(388)
Equity-settled cost of stock option plan	(3,173)	(825)
	<u>(67,174)</u>	<u>(54,194)</u>

Finance income

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Interest income on bank deposits	283	280
	<u>283</u>	<u>280</u>

Finance costs

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Interest expense on financial liabilities measured at amortised cost	(24,810)	(24,898)
Settlement of discount	(4,522)	-
Net foreign exchange gains/(losses)	(69)	(788)
	<u>(29,401)</u>	<u>(25,686)</u>

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Total interest income on financial assets	283	280
Total interest expense on financial liabilities	(24,810)	(24,898)

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Exchange differences on translating foreign operations	9,312	8,850
Attributable to:		
owners of the Parent	9,312	8,850
Finance income/(cost) recognised in other comprehensive income	9,312	8,850

Income tax

<i>PLN '000</i>	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Current income tax	215	406
Current income tax expense	215	406
Deferred income tax	(785)	(442)
Origination/reversal of temporary differences	(785)	(442)
Tax expense in profit/(loss)	(570)	(36)

<i>PLN '000</i>	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Profit/(loss) before tax	99,494	50,630
Pre-tax profit for the period (assuming 19% tax rate)	118,189	88,256
Pre-tax loss for the period (assuming 16% tax rate)	(10,640)	(6,048)
Pre-tax loss for the period (assuming 19% tax rate)	(8,055)	(31,578)
Tax calculated at the tax rate applicable in Poland (19%)	21,992	11,272
Tax calculated at the tax rate applicable in Romania (16%)	(1,702)	(968)
Tax calculated at the tax rate applicable in the Czech Republic (19%)	(1,386)	(684)
Non-tax-deductible expenses	18,394	7,266
Tax-exempt income	(36,728)	(16,484)
Income tax at effective tax rate	570	402

Acquisition and sale of property, plant and equipment

In the reporting period, the Group did not acquire or sell any material items of property, plant and equipment or intangible assets.

Cash

<i>PLN '000</i>	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Cash at banks and cash in hand	67,779	34,299	27,813
Short-term deposits	1,654	959	959
	69,433	35,258	28,772

Borrowings and finance lease liabilities

PLN '000

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Non-current liabilities			
Secured borrowings	268,161	50,464	56,043
Liabilities under debt securities (unsecured)	437,676	454,076	404,433
Finance lease liabilities	9,659	8,277	6,558
	715,496	512,817	467,034
Current liabilities			
Current portion of secured borrowings	24,894	50,044	69,549
Liabilities under debt securities (unsecured)	83,754	120,463	114,035
Current portion of finance lease liabilities	4,264	4,135	3,165
	112,912	174,642	186,749

PLN '000	Currency	Nominal interest rate	Maturity	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
			2024			
Borrowings secured on the Group's assets	PLN	1M WIBOR + margin of 1.0-4.25 pp		293,055	100,508	125,592
		3M WIBOR + margin	2018			
Liabilities under debt securities (unsecured)	PLN	3.5-5.0 pp		521,430	574,539	518,468
	PLN	3M WIBOR or 1M EURIBOR + margin	2018			
Finance lease liabilities	EUR	0.68-4.0 pp		13,923	12,412	9,723
				828,408	687,459	653,783

Earnings per share

'000

	Jan 1–Jun 30 2014 unaudited	Jan 1 2013 – Dec 31 2013	Jan 1–Jun 30 2013 unaudited
Number of ordinary shares as at Jan 1	16,959	16,900	16,900
Effect of cancellation and issue of shares	3	14	-
Weighted average number of ordinary shares	<u>16,962</u>	<u>16,914</u>	<u>16,900</u>
<i>PLN</i>			
Earnings per share	<u>5.90</u>	<u>5.77</u>	<u>2.99</u>

'000

	Jan 1–Jun 30 2014 unaudited	Jan 1 2013 – Dec 31 2013	Jan 1–Jun 30 2013 unaudited
Weighted average number of ordinary shares	16,962	16,900	16,900
Effect of share option issue	449	323	248
Weighted average number of ordinary shares (diluted)	<u>17,411</u>	<u>17,223</u>	<u>17,148</u>
<i>PLN</i>			
Earnings per share (diluted)	<u>5.74</u>	<u>5.66</u>	<u>2.95</u>

The statement of financial position is divided into current and non-current items

As at June 30th 2014,

PLN '000

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Assets			
Non-current assets			
Property, plant and equipment	21,409	20,079	17,409
Other intangible assets	11,313	10,408	9,375
Goodwill	1,024	1,024	1,024
Investments in debt portfolios	963,298	614,249	558,316
Deferred tax asset	3,224	2,421	2,064
Total non-current assets	1,000,268	648,181	588,188
Current assets			
Inventories	453	529	738
Investments in debt portfolios and loans	299,021	449,592	446,383
Trade receivables	22,122	9,045	11,268
Current tax asset	-	-	1,025
Other receivables	18,846	17,768	7,141
Other assets	1,647	2,452	1,917
Cash and cash equivalents	69,433	35,258	28,772
Total current assets	411,522	514,644	497,244
Total assets	1,411,790	1,162,825	1,085,432
Equity and liabilities			
Equity			
Share capital	17,023	16,959	16,900
Share premium	49,876	47,381	45,107
Cash flow hedging reserve	(1,993)	(634)	-
Exchange differences on translating foreign operations	1,586	(7,726)	5,076
Other capital reserves	51,462	48,289	46,536
Retained earnings	411,180	311,157	264,123
Equity attributable to owners of the Parent	529,134	415,426	377,742
Non-controlling interests	42	129	75
Total equity	529,176	415,555	377,817
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	715,496	512,817	467,034
Hedge derivatives	1,993	634	-
Total non-current liabilities	717,489	513,451	467,034
Current liabilities			
Current liabilities under borrowings and other debt instruments	112,912	174,642	186,749
Trade and other payables	28,063	35,572	33,445
Current tax liability	-	99	-
Employee benefit obligations	23,886	23,242	20,123
Current provisions	264	264	264
Total current liabilities	165,125	233,819	240,581
Total liabilities	882,614	747,270	707,615
Total equity and liabilities	1,411,790	1,162,825	1,085,432

11. Financial instruments

Fair value

Fair values and carrying amounts of financial assets and liabilities are presented below:

PLN '000	June 30th 2014		Dec 31 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss	1,252,008	1,252,008	1,053,913	1,053,913
Hedge derivatives	(1,993)	(1,993)	(634)	(634)
	<u>1,250,015</u>	<u>1,250,015</u>	<u>1,053,279</u>	<u>1,053,279</u>
Financial assets and liabilities not measured at fair value				
Loans and receivables (*)	51,279	51,279	36,741	36,741
Cash and cash equivalents (*)	69,433	69,433	35,258	35,258
Secured bank borrowings (*)	(293,055)	(293,055)	(100,508)	(100,508)
Unsecured bonds in issue (*)	(521,430)	(521,430)	(574,539)	(574,539)
Finance lease liabilities (*)	(13,923)	(13,923)	(12,412)	(12,412)
Trade and other payables (*)	(28,063)	(28,063)	(35,572)	(35,572)
	<u>(735,759)</u>	<u>(735,759)</u>	<u>(651,032)</u>	<u>(651,032)</u>

(*) Where financial assets and liabilities are not measured at fair value, their carrying amounts are their approximate fair values, given the close due dates and floating interest rates.

Hierarchy of financial instruments

PLN '000	June 30th 2014	Level 3
Financial assets at fair value through profit or loss		1,252,008
Total		1,252,008
PLN '000	June 30th 2014	Level 2
Hedge derivatives		1,993
Total		1,993

Financial assets at fair value through profit or loss

Financial assets are classified as an investment measured at fair value through profit or loss if they are held for trading or were designated as measured at fair value through profit or loss at their initial recognition. Financial assets are designated as measured at fair value through profit or loss if the Group actively manages such investments and adopts decisions concerning their purchase or sale based on their fair value. At initial recognition, transaction cost relating to an investment is recognised in profit or loss of the period at the time it is incurred. All profits or losses relating to such investments are recognised in profit or loss of the period.

Purchased debt portfolios

Purchased debt portfolios comprise high-volume portfolios of overdue consumer debt (such as debt under consumer loans, unpaid utility bills, etc.) purchased by the Group under claim assignment agreements. Prices paid by the Group for such debt portfolios are significantly lower than their nominal value. The Group recognises purchased debt portfolios as financial assets designated as measured at fair value through profit or loss, because the Group manages such portfolios and the results of these operations are assessed based on their fair value.

Purchased debt portfolios are initially recognised at acquisition price, which is equal to their fair value. Costs and expenses relating to debt purchase transactions are recognised in profit or loss of the period.

The Group measures purchased debt portfolios at least four times in a given annual reporting period, not later than as at the end of each calendar quarter. The value of a purchased debt portfolio is determined, as at the measurement date, on the basis of reliably estimated fair value, calculated using an estimation model relying on expected discounted cash flows. A purchased debt portfolio contains a large number of debt items. Each purchased debt portfolio is divided into sub-portfolios with similar parameters (type, nominal value, delinquency period), and separate cash flows are estimated for each sub-portfolio.

Discount rates applied to expected cash flows reflect the credit risk relating to a given portfolio. At initial recognition, the discount rate is the expected internal rate of return reflecting the purchase price and the estimated inflows, determined as at the portfolio purchase date. As at each measurement date, the Group verifies the adopted discount rates to ensure that they reflect the then current risk-free rate and risk premium relating to credit risk of a given portfolio.

On June 28th 2013, the KRUK Management Board passed a resolution to amend the Debt Portfolio Valuation Policy, which forms an appendix to the Accounting Policies. The amendments extended the catalogue of instruments used to determine the risk-free rate. The catalogue was extended to include the possibility to use IRS contracts for the purpose of determining the risk-free rate. IRS contracts are designated as an underlying instrument for determining the risk-free rate applied to measure debt portfolios at fair value.

Estimated inflows from debt portfolios are divided into principal recoveries and interest determined at the discount rate. Recovered principal is recognised as a reduction of carrying amount of the debt portfolios, while the interest received is recognised as revenue earned in a given period. Moreover, changes in fair value resulting from changes in estimated future cash flows for a given debt portfolio and changes in the adopted discount rate are disclosed as revenue earned in a given period. These amounts are disclosed as operating income, because the collection of purchased debt portfolios is conducted with resources whose use is disclosed under operating expenses.

Sensitivity analysis – purchased debt portfolios

If necessary, as at the end of each quarter the Group updates the following parameters which are used to estimate the future cash flows:

- risk-free rate - an increase in the risk-free rate means a drop in fair value;
- risk premium;
- period for which cash flows are estimated – extension of the period reduces fair value of debt portfolios;
- value of expected future cash flows estimated using the current data and debt collection tools - a growth in the value of expected future cash flows means an increase in fair value.

Revaluation of purchased debt portfolios is defined as a change in their fair value caused by interest rate fluctuations and/or change of estimates concerning future cash flows. Any differences between the actual and forecast recoveries are recognised under interest income adjusted for actual recoveries.

Re-measurement of purchased debt portfolios represents changes in 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.

Revenue forecast update is primarily based on the analysis of:

- debtors' behaviour patterns and effectiveness of the collection tools applied;
- assessment of debtors' financial standing in the context of macroeconomic developments on particular markets;
- exchange rate movements against PLN (for debt portfolios not measured in the functional currency).

Assumptions made in the valuation of debt portfolios

	Jun 30 2014 unaudited	Dec 31 2013
Discount rate		
- risk-free*	0.465%-3.26%	0.733%04.00%
- risk premium**	6.25%-333.27%	6.25%-335.27%
Period for which cash flows have been estimated:		
	Jul 2014–Dec 2024	Jan 2014–Dec 2023
Nominal value of expected future cash flows	2,307,147	2,105,310
* <i>Vary by market.</i>		
** <i>Applicable to 99% of fair value.</i>		

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

<i>PLN '000</i> Period	Jun 30 2014 unaudited	Dec 31 2013
Less than 6 months	301,126	276,177
From 6 to 12 months	278,769	259,638
From 1 to 2 years	496,912	474,542
From 2 to 5 years	973,049	826,772
Over 5 years	257,291	268,181
	2,307,147	2,105,310

12. 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:

- In H1 2014, a new advertising campaign was launched. The purpose of the campaign was to encourage debtors to open a green-envelope letter from KRUK, as the letter brings GOOD NEWS: a proposal to solve the debtor's problem on an amicable basis. The news promises a possibility of contacting a credit management company and thus getting out of debt. The campaign covered Poland and Romania.
- In H1 2014, a satisfaction survey was conducted among debtors and bailiffs offices, and the results of the survey were interpreted

13. 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 were investments in debt portfolios made in previous periods and in the reporting period. In H1 2014, the investments totalled PLN 313,308 thousand (H1 2013: PLN 184,314 thousand).

On March 31st 2014, PROKURA NS FIZ, KRUK S.A.'s subsidiary, and Getin Noble Bank S.A. concluded a PLN 230m debt purchase agreement.

As at June 30th 2014, the amount of the Group's investments in debt portfolios accounted for 89% of its assets. Equity accounts for 60% of the financing of the Group's operations.

On March 10th 2014, KRUK S.A. executed a loan agreement with its subsidiary, InvestCapital Malta Ltd. The subject matter of the agreement was the loan advanced by KRUK S.A. to InvestCapital for InvestCapital's liabilities owed to KRUK S.A., arising from the sale of a part of SeCapital s.a.r.l. The loan was granted for a period from March 10th 2014 to March 4th 2015. The amount of the loan is PLN 59.3m. The loan bears interest at a fixed rate set on arms' length basis.

Following the transfer of lending activities from Novum Finance sp. z o.o. of Wrocław to KRUK S.A. in 2013, on March 17th 2014 the Extraordinary General Meeting of Novum Finance passed a resolution to dissolve the company.

On April 1st 2014, PROKURA NS FIZ (KRUK S.A.'s subsidiary) sold a debt from its secured portfolio and recognised a gain of PLN 18.7m on the transaction in Q2 2014. The transaction was executed as part of the process of managing the secured portfolio.

On April 2nd 2014, PROKURA NS FIZ purchased debt portfolios on the Polish market from Santander Consumer Bank S.A. The purchase price was PLN 36.4m.

Pursuant to a revolving credit facility agreement executed between KRUK S.A. and Bank Zachodni WBK of Wrocław, and to a trilateral revolving credit facility agreement executed between KRUK S.A., PROKURA NS FIZ and BZ WBK, on May 7th 2014, in order to secure claims arising from these agreements, KRUK S.A. and BZ WBK S.A. entered into an agreement to establish a registered pledge, financial pledge and a first priority pledge under Luxembourg law.

On June 16th 2014, KRUK Romania and SECAPITAL S.à.r.l., KRUK's subsidiaries, executed a debt assignment agreement, as a consequence of which the total value of agreements executed between KRUK Romania and other companies of the KRUK Group over the last 12 months amounted to PLN 44.4m, and thus exceeded the value of 10% of the Group's revenue.

On June 18th 2014, the share capital of SECAPITAL S.à.r.l., KRUK's subsidiary, was increased from PLN 642,708,000 to PLN 879,099,000, through an issue of 236,391 new shares with a par value of PLN 1,000 per share, and a total par value of PLN 236,391,000. All new shares were acquired by KRUK S.A. Following the share capital increase, KRUK S.A. holds directly 839,799 shares with a par value of PLN 1,000 per share, and a total par value of PLN 839,799,000, while the total number of shares held by KRUK S.A. both directly and indirectly is 879,099, with a total par value of PLN 879,099,000.

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

On January 22nd 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (3,384,223 Series N investment certificates with a value of PLN 11.79 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On January 29th 2014, PROKURA NS FIZ issued 3,384,223 Series Y investment certificates, with a value of PLN 11.79 per certificate. All of the certificates issued by Prokura NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On February 4th 2014, KRUK S.A. repurchased PLN 20,000 thousand worth of unsecured Series K4 bonds.

On February 19th 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed. The redemption covered 91,480 Series C investment certificates with a value of PLN 11.91 per certificate, 774,279 Series F investment certificates with a value of PLN 11.91 per certificate, 1,054,300 Series H investment certificates with a value of PLN 11.91 per certificate and 1,430,066 Series J investment certificates with a value of PLN 11.91 per certificate. All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On February 28th 2014, PROKURA NS FIZ issued 1,523,929 Series Z investment certificates with a value of PLN 11.79 per certificate. All of the certificates issued by Prokura NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On March 6th 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed (2,212,016 Series C investment certificates with a value of PLN12.15 per certificate and 1,071,934 Series J investment certificates with a value of PLN12.15 per certificate). All redeemed certificates had been held by Secapital S.à.r.l.

On March 14th 2014, PROKURA NS FIZ issued 2,460,904 Series AA investment certificates with a value of PLN 12.15 per certificate. All of the certificates issued by Prokura NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On March 21st 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed. The redemption covered 845,012 Series C investment certificates with a value of PLN 12.20 per certificate, 468,750 Series E investment certificates with a value of PLN 12.20 per certificate, 1,248,000 Series G investment certificates with a value of PLN 12.20 per certificate and 708,729 Series H investment certificates with a value of PLN 12.20 per certificate. All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On March 27th 2014, PROKURA NS FIZ issued 3,270,491 Series AB investment certificates with a value of PLN 12.20 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On April 4th 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed. The redemption covered 356,432 Series H investment certificates with a value of PLN 12.59 per certificate, 2,710,000 Series I investment certificates with a value of PLN 12.59 per certificate, and 102,749 Series L investment certificates with a value of PLN 12.59 per certificate. All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On April 7th 2014, KRUK S.A. repurchased PLN 8,400 thousand worth of unsecured Series H2 bonds.

On April 11th 2014, PROKURA NS FIZ issued 3,169,181 Series AC investment certificates with a value of PLN 12.59 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On April 18th 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed (3,216,560 Series L investment certificates with a value of PLN 12.56 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On April 25th 2014, PROKURA NS FIZ issued 2,468,150 Series AD investment certificates with a value of PLN 12.56 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On May 9th 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed (3,163,664 Series L investment certificates with a value of PLN 12.77 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On May 15th 2014, PROKURA NS FIZ issued 2,772,122 Series AE investment certificates with a value of PLN 12.77 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On May 21st 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (3,153,786 Series L investment certificates with a value of PLN 12.81 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On May 25th 2014, KRUK S.A. repurchased PLN 25,000 thousand worth of unsecured Series I1 bonds.

On May 27th 2014, PROKURA NS FIZ issued 1,795,472 Series AF investment certificates with a value of PLN 12.81 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On June 13th 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed (1,139,240 Series D investment certificates with a value of PLN 12.79 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On June 13th 2014, part of investment certificates issued by PROKURA NS FIZ were redeemed (2,246,217 Series M investment certificates with a value of PLN 12.79 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On June 24th 2014, PROKURA NS FIZ issued 21,705,238 Series AG investment certificates with a value of PLN 12.79 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

15. Dividend paid out (or declared)

In the reporting period, KRUK S.A. did not pay or declare any dividend.

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

On July 4th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (377,754 Series L investment certificates with a value of PLN 13.10 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 4th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (1,781,783 Series M investment certificates with a value of PLN 13.10 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 4th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (1,145,806 Series U investment certificates with a value of PLN 13.10 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 10th 2014, PROKURA NS FIZ issued 2,008,787 Series AH investment certificates with a value of PLN 13.10 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On July 15th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (182,200 Series C investment certificates with a value of PLN 13.10 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 15th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (495,294 Series N investment certificates with a value of PLN 13.10 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 15th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (1,188,000 Series P investment certificates with a value of PLN 13.10 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 15th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (1,439,849 Series U investment certificates with a value of PLN 13.10 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 21st 2014, PROKURA NS FIZ issued 2,551,172 Series AI investment certificates with a value of PLN 13.10 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On July 24th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (2,380,225 Series N investment certificates with a value of PLN 13.14 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 24th 2014, a part of investment certificates issued by PROKURA NS FIZ were redeemed (915,056 Series O investment certificates with a value of PLN 13.14 per certificate). All redeemed certificates had been held by Secapital S.à.r.l. of Luxembourg, the Company's subsidiary.

On July 30th 2014, PROKURA NS FIZ issued 1,902,587 Series AJ investment certificates with a value of PLN 13.14 per certificate. All of the certificates issued by PROKURA NS FIZ are held by Secapital S.a.r.l. of Luxembourg.

On August 18th 2014, KRUK S.A. executed a trilateral agreement with Getin Noble Bank S.A. of Warsaw and SECAPITAL S.a r.l. of Luxembourg to establish a pledge over shares under Luxembourg law. The agreement was executed to secure the claims under the revolving credit facility agreement of March 31st 2014 executed by and between KRUK S.A. and Getin Noble Bank S.A. The agreement provides for a pledge over 246,047 Class G shares in SECAPITAL S.a.r.l., KRUK S.A.'s subsidiary, each with a par value of PLN 1,000, representing 28% of Secapital's share capital. The pledged shares have a total par value of PLN 246,047,000. The pledge was established to secure Getin Noble Bank's claims (i.e. the principal of PLN 260m and related claims) under the credit facility agreement.

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

Security for future liabilities

On January 15th 2014, KRUK S.A. and Bank Zachodni WBK S.A. executed Annex No. 1 to the bank guarantee agreement of January 14th 2013, valid in the period from January 25th 2013 to January 24th 2014 and securing the payment of all liabilities towards LEGNICKA BUSINESS HOUSE Sp. z o.o. under an office space lease agreement between KRUK S.A. and LEGNICKA BUSINESS HOUSE Sp. z o.o. Under the annex, the guarantee term was extended until January 24th 2015. The guarantee amount has not changed and stands at EUR 168,000.00.

On January 15th 2014, KRUK S.A. and Bank Zachodni WBK S.A. executed Annex No. 1 to the bank guarantee agreement of February 18th 2013, valid in the period from February 25th 2013 to February 24th 2014 and securing the payment of all liabilities towards DEVCO Sp. z o.o. under an office space lease agreement between KRUK S.A. and DEVCO Sp. z o.o. Under the annex, the guarantee term was extended until February 24th 2015. The guarantee amount has not changed and stands at EUR 135,420.75.

Pursuant to a revolving credit facility agreement executed between KRUK S.A. and Bank Zachodni WBK of Wrocław, and to a trilateral revolving credit facility agreement executed between KRUK S.A., PROKURA NS FIZ and BZ WBK, on May 7th 2014, in order to secure claims arising from these agreements, KRUK S.A. and BZ WBK S.A. entered into an agreement to establish a registered pledge, financial pledge and a first priority pledge under Luxembourg law. The pledges were established over 60,164 Class E shares in Secapital S.a.r.l. of Luxembourg, the Company's subsidiary, to secure the Bank's claims under the above credit facility agreements with a total amount of PLN 140m and any related claims, up to the maximum security amount of PLN 200m.

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

Katarzyna Raczkiewicz

*Person responsible for maintaining
the accounting records*

Wrocław, August 27th 2014

IV. Auditor's report on the review of the interim condensed separate financial statements for the period January 1st–June 30th 2013

V. Interim condensed separate financial statements for the period January 1st–June 30th 2014

Interim condensed separate statement of financial position

As at June 30th 2014,

PLN '000

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Assets			
Cash and cash equivalents	7,451	5,634	5,671
Other receivables	9,621	65,432	7,133
Trade receivables from related entities	19,309	23,879	25,259
Trade receivables from other entities	3,450	3,224	3,854
Current tax asset	-	-	1,025
Investments in debt portfolios and loans	121,904	57,664	67,758
Inventories	183	272	445
Property, plant and equipment	12,612	13,330	13,697
Intangible assets	9,608	8,554	7,802
Deferred tax asset	3,059	2,280	1,599
Investments in subsidiaries	944,675	660,520	590,858
Other assets	1,170	1,917	1,269
Total assets	1,133,042	842,706	726,370
Equity and liabilities			
Liabilities			
Hedge derivatives	1,993	634	-
Trade and other payables	22,393	28,338	20,874
Employee benefit obligations	15,896	16,161	14,610
Current tax liability	-	68	-
Liabilities under borrowings and other debt instruments	807,947	657,997	599,795
Total liabilities	848,229	703,198	635,279
Equity			
Share capital	17,023	16,959	16,900
Share premium	49,876	47,381	45,107
Cash flow hedging reserve	(1,993)	(634)	-
Other capital reserves	51,462	48,289	46,536
Retained earnings	168,445	27,513	(17,452)
Total equity	284,813	139,508	91,091
Total equity and liabilities	1,133,042	842,706	726,370

Interim condensed separate statement of profit or loss

For the reporting period from January 1st to June 30th 2014

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Revenue	51,318	54,030
Other income	717	674
Merchandise and materials sold	-	-
Employee benefits expense	(38,049)	(33,303)
Depreciation and amortisation expense	(3,801)	(3,564)
Services	(13,861)	(15,803)
Other expenses	(13,129)	(8,941)
	(68,840)	(61,611)
Operating loss	(16,805)	(6,907)
Finance income	194,430	4,453
Finance costs	(37,470)	(25,162)
Net finance income/(costs)	156,960	(20,709)
Profit/(loss) before tax	140,155	(27,616)
Income tax	777	402
Net profit/(loss) for the period	140,932	(27,214)
Earnings/(loss) per share		
Basic (PLN)	8.31	(1.61)
Diluted (PLN)	8.22	(1.59)

Interim condensed separate statement of comprehensive income

For the reporting period from January 1st to June 30th 2014

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Net profit for the period	140,932	(27,214)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	(1,993)	-
Other comprehensive income, net, for the period	(1,993)	-
Total comprehensive income for the period	138,939	(27,214)

Interim condensed separate statement of changes in equity

For the reporting period from January 1st to June 30th 2014

PLN '000

	Share capital	Share premium	Cash flow hedging reserve	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2013	16,900	45,107	-	45,711	9,762	117,480
Net profit for the period	-	-	-	-	(27,214)	(27,214)
Total comprehensive income for the period	-	-	-	-	(27,214)	(27,214)
Contributions from and distributions to owners						
- Share-based payments	-	-	-	825	-	825
Total contributions from and distributions to owners	-	-	-	825	-	825
Total equity as at Jun 30 2013	16,900	45,107	-	46,536	(17,452)	91,091
Equity as at Jan 1 2013	16,900	45,107	-	45,711	9,762	117,480
Comprehensive income for the period						
Net profit for the period	-	-	-	-	17,751	17,751
Other comprehensive income						
- Valuation of hedging instruments	-	-	(634)	-	-	(634)
Total other comprehensive income	-	-	(634)	-	-	(634)
Total comprehensive income for the period	-	-	(634)	-	17,751	17,117
Contributions from and distributions to owners						
- Share-based payments	-	-	-	-	-	-
- Issue of shares	59	2,274	-	-	-	2,333
Total contributions from and distributions to owners	59	2,274	-	2,578	-	4,911
Equity as at Jan 1 2014	16,959	47,381	(634)	48,289	27,513	139,508
Comprehensive income for the period						
Net profit for the period	-	-	-	-	140,932	140,932
- Valuation of hedging instruments	-	-	(1,359)	-	-	(1,359)
Total other comprehensive income	-	-	(1,359)	-	-	(1,359)
Total comprehensive income for the period	-	-	(1,359)	-	140,932	139,573
Contributions from and distributions to owners						
- Share-based payments	-	-	-	3,173	-	3,173
- Issue of shares	64	2,495	-	-	-	2,559

The KRUK Group

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Total contributions from and distributions to owners	64	2,495	-	3,173	-	5,732
Total equity as at Jun 30 2014	<u>17,023</u>	<u>49,876</u>	<u>(1,993)</u>	<u>51,462</u>	<u>168,445</u>	<u>284,813</u>

Interim condensed separate statement of cash flows

For the reporting period from January 1st to June 30th 2014

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Cash flows from operating activities		
Net profit/(loss) for the period	140,932	(27,214)
<i>Adjustments</i>		
Depreciation of property, plant and equipment	2,230	2,287
Amortisation of intangible assets	1,573	1,277
Net finance (income)/costs	(156,618)	20,443
(Gain)/loss on sale of property, plant and equipment	(167)	(80)
Equity-settled share-based payment transactions	3,173	825
Income tax	(777)	(402)
Change in other current investments	(1,511)	(1,636)
Change in debt portfolios purchased	(1,271)	(872)
Change in inventories	89	209
Change in receivables	(1,963)	3,488
Change in prepayments and accrued income	(5)	625
Change in current liabilities, excluding financial liabilities	3,615	(675)
Change in employee benefit obligations	(265)	1,494
Income tax paid	(49)	(1,025)
Net cash from operating activities	(11,014)	(1,256)
Cash flows from investing activities		
Interest received	101	122
Loans advanced	(12,750)	(10,210)
Sale of intangible assets and property, plant and equipment	166	250
Dividend received	184,096	3,000
Disposal of financial assets	64,118	42,000
Other capital expenditure on related entities	-	-
Purchase of intangible assets and property, plant and equipment	(2,107)	(2,697)
Acquisition of financial assets	(348,572)	(13,904)
Repayment of loans advanced	-	784
Net cash from investing activities	(114,948)	19,345
Cash flows from financing activities:		
Net proceeds from issue of shares	2,561	-
Proceeds from issue of debt securities	-	135,000
Increase in borrowings	479,034	108,600
Repayment of borrowings	(275,886)	(197,279)
Payments under finance lease agreements	(1,453)	(1,152)
Redemption of debt securities	(53,400)	(43,000)
Interest paid	(23,077)	(25,143)
Net cash from financing activities	127,779	(22,974)
Total net cash flows	1,817	(4,885)
Cash and cash equivalents at beginning of the period	5,634	10,556
Cash and cash equivalents at end of the period	7,451	5,671

Notes to the interim separate consolidated financial statements

1. Company details

Name

KRUK Spółka Akcyjna (“KRUK S.A.” or “the Company”)

Registered office

ul. Legnicka 56
54-204 Wrocław, Poland

Registration in the National Court Register:

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

Date of entry: September 7th 2005

Entry number: KRS 0000240829

Business profile

The principal business activities of the Company 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.

2. Period covered by the financial statements

The financial statements cover the period from January 1st to June 30th 2014, with the comparative data presented for the period from January 1st to June 30th 2013. The Separate statement of financial position was prepared as at June 30th 2014, while the comparative data was presented as at June 30th 2013 and December 31st 2013. The separate statement of changes in equity was prepared for the period from January 1st to June 30th 2014, while the comparative periods were the six-month period from January 1st 2013 to June 30th 2013, and the twelve-month period from January 1st 2013 to December 31st 2013.

3. Statement of compliance

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

As these financial statements do not contain all the information required to prepare full-year financial statements, they should be read in conjunction with the Group's interim condensed consolidated financial statements for the period from January 1st to June 30th 2013, and KRUK S.A.'s separate financial statements and the Group's consolidated financial statements as at and for the year ended December 31st 2013.

These interim condensed separate financial statements were approved by the Company's Management Board (the “Management Board”) on August 27th 2014.

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

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

4. Significant accounting policies

The accounting policies applied to prepare these condensed interim separate financial statements are consistent with those applied to prepare the most recent full-year consolidated separate financial statements as at and for the year ended December 31st 2013.

The Company prepares its statement of financial position using a liquidity criterion. With respect to all assets and liabilities, an entity discloses in the notes an amount which is expected to be paid or settled within 12 months following the end of the reporting period (current assets and liabilities), or after 12 months since the end of the reporting period (non-current assets and liabilities).

Accounting estimates and judgements

In order to prepare interim separate financial statements, the Management Board is required to rely on 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 these estimates. The material assumptions underlying the estimates made by the Company and the applied accounting policies have been presented in the most recent full-year separate financial statements as at and for the financial year ended December 31st 2013.

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

Other information

These interim condensed separate financial statements should be read in conjunction with the interim condensed consolidated financial statements of the KRUK Group as at June 30th 2014 and for the period January 1st–June 30th 2014.

5. Type and amounts of changes in estimates presented in previous financial years, with a material effect on the current period

Purchased debt portfolios

In the reporting period, the Company's expenditure on purchase of debt portfolios was PLN 3,142 thousand (H1 2013: PLN 0 thousand), while cash recoveries were PLN 25,074 thousand (H1 2013: PLN 24,392 thousand). For a description of changes in the estimates of the debt portfolios value see Note 10 to the interim condensed consolidated financial statements.

<i>PLN '000</i>	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Investments			
Investments in debt portfolios measured at fair value	48,976	48,063	41,789
Loans advanced to related entities	41,399	(19,478)	8,178
Loans advanced to other entities	10,699	8,651	1,636
	<u>101,074</u>	<u>37,236</u>	<u>51,603</u>

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Investments in debt portfolios			
Current portion of investments in debt portfolios	28,146	27,635	25,634
Non-current portion of investments in debt portfolios	20,830	20,428	16,155
	<u>48,976</u>	<u>48,063</u>	<u>41,789</u>

<i>PLN '000</i>		
Purchased debt portfolios as at Jan 1 2013		40,995
Purchase of debt portfolios		5,462
Sale of debt portfolios		-
Cash recoveries		(47,901)
Increase/(decrease) in liabilities to debtors due to overpayments		(467)
Revenue from debt purchase (interest and revaluation)		49 805
Purchased debt portfolios as at Dec 31 2013		<u>47,894</u>
Purchased debt portfolios as at Jan 1 2014		47,894
Purchase of debt portfolios		3,142
Sale of debt portfolios		-
Cash recoveries		(25,074)
Revenue from debt purchase (interest and revaluation)		23 014
Purchased debt portfolios as at Jun 30 2014		<u>48,976</u>

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

Revenue

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Revenue from debt purchase	23,014	25,719
Revenue from credit management	25,964	28,108
Revenue from other services	2,340	203
	<u>51,318</u>	<u>54,030</u>

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Interest income adjusted for actual recoveries	15,928	15,162
Revaluation of debt portfolios	7,086	10,557
	<u>23,014</u>	<u>25,719</u>

Revaluation of debt portfolios

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Revision of forecast	6,892	10,299
Change due to change in discount rate	194	258
	<u>7,086</u>	<u>10,557</u>

The revaluation of debt portfolios pertains to changes in the fair value of purchased debt portfolios which were designated as measured at fair value through profit or loss at the time of their initial recognition.

Employee benefits expense

<i>PLN '000</i>	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Salaries and wages	(28,656)	(27,160)
Other social security contributions	(2,250)	(1,923)
Old-age and disability pension contributions (defined contribution plans)	(3,542)	(3,007)
Equity-settled share-based payments	(3,173)	(825)
Contribution to the State Fund for the Disabled	(428)	(388)
	<u>(38,049)</u>	<u>(33,303)</u>

Finance income

<i>PLN '000</i>	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Dividend income	191,549	3,670
Interest income on loans advanced	2,148	661
Interest income on bank deposits	101	122
Net foreign exchange gains/(losses)	632	-
	194,430	4,453

Finance costs

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Interest expense on financial liabilities measured at amortised cost	(23,793)	(24,511)
Net foreign exchange gains/(losses)	-	(651)
Remeasurement of investments	(13,677)	-
	(37,470)	(25,162)
	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
PLN '000		
Total interest income on financial assets	2,249	783
Total interest expense on financial liabilities	(23,793)	(24,511)

Income tax

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Current income tax	-	-
Current income tax expense	-	-
Deferred income tax	(777)	(402)
Origination/reversal of temporary differences	(777)	(402)
Tax expense in profit/(loss)	(777)	(402)

PLN '000

	Jan 1–Jun 30 2014 unaudited	Jan 1–Jun 30 2013 unaudited
Profit/(loss) before tax	140,155	(27,616)
Income tax at the 19% statutory rate applicable in Poland (comparative period: 19%)	26,629	(5,247)
Non-tax-deductible expenses	10,875	7,266
Tax-exempt income	(36,728)	(1,616)
Income tax at the 19% effective tax rate (2013: 19%)	777	402

Borrowings and finance lease liabilities

PLN '000

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Non-current liabilities			
Secured borrowings	268,162	41,614	39,289
Liabilities under debt securities (unsecured)	437,676	454,076	404,433
Finance lease liabilities	5,646	5,977	6,165
	<u>711,484</u>	<u>501,667</u>	<u>449,887</u>
Current liabilities			
Current portion of secured borrowings	9,788	33,275	33,461
Liabilities under debt securities (unsecured)	83,754	120,463	114,035
Current portion of finance lease liabilities	2,921	2,592	2,412
	<u>96,463</u>	<u>156,330</u>	<u>149,908</u>

PLN '000	Currency	Nominal interest rate	Maturity	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Borrowings secured on the Group's assets	PLN	1M WIBOR + margin of 1.0-4.25 pp	2024	273,821	74,889	72,750
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin 3.5-5.0 pp	2018	521,430	574,539	518,468
Finance lease liabilities	PLN EUR	3M WIBOR or 1M EURIBOR + margin 0.68-4.0 pp	2018	8,567	8,569	8,577
				<u>803,818</u>	<u>657,997</u>	<u>599,795</u>

The statement of financial position is split into current and non-current items

As at June 30th 2014,

PLN '000

	Jun 30 2014 unaudited	Dec 31 2013	Jun 30 2013 unaudited
Assets			
Non-current assets			
Property, plant and equipment	12,612	13,330	13,697
Intangible assets	9,608	8,554	7,802
Investments in debt portfolios	20,830	20,428	16,155
Investments in subsidiaries	944,675	660,520	590,858
Deferred tax asset	3,059	2,280	1,599
Total non-current assets	990,784	705,112	630,111
Current assets			
Inventories	183	272	445
Investments in debt portfolios and loans	101,074	37,236	51,603
Trade receivables from related entities	19,309	23,879	25,259
Trade receivables from other entities	3,450	3,224	3,854
Current tax asset	-	-	1,025
Other receivables	9,621	65,432	7,133
Other assets	1,170	1,917	1,269
Cash and cash equivalents	7,451	5,634	5,671
Total current assets	142,258	137,594	96,259
Total assets	1,133,042	842,706	726,370
Equity and liabilities			
Equity			
Share capital	17,023	16,959	16,900
Share premium	49,876	47,381	45,107
Cash flow hedging reserve	(1,993)	(634)	-
Other capital reserves	51,462	48,289	46,536
Retained earnings	168,445	27,513	(17,452)
Total equity	284,813	139,508	91,091
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	711,484	501,667	449,887
Hedge derivatives	1,993	634	-
Total non-current liabilities	713,477	502,301	449,887
Current liabilities			
Current liabilities under borrowings and other debt instruments	96,463	156,330	149,908
Trade and other payables	22,393	28,338	20,874
Current tax liability	-	68	-
Employee benefit obligations	15,896	16,161	14,610
Total current liabilities	134,752	200,897	185,392
Total liabilities	848,229	703,198	635,279

Total equity and liabilities

1,133,042	842,706	726,370
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Related-party transactions concluded by the Parent**Transactions of the Parent with its subsidiaries as at June 30th 2014****Balance of liabilities, receivables and loans as at the balance-sheet date**

<i>PLN '000</i>	Liabilities	Receivables (*)	Loans advanced	Interest accrued on loans advanced
ERIF Business Solution Sp. z.o.o		5	1,780	65
Secapital S.a.r.l	6,576	7,426	-	-
ERIF Business Solution Sp. z.o.o	-	-	-	-
Novum Finance Sp. z o.o. (in liquidation)	408	18	-	-
Secapital Polska Sp. z o.o.	-	1	20	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	1,067	4,837	-	-
KRUK Romania S.r.l.	1,465	1,779	7,205	318
Rejestr Dłużników ERIF BIG S.A.	1	332	170	74
NFIZ PROKURA	2,779	9,203	-	-
NFIZ PROKULUS	-	12	-	-
KRUK Česká a Slovenská republika s.r.o.	5	1,505	5,445	2,539
KRUK TFI	-	6	-	-
InvestCapital Malta Ltd.	-	-	59,329	1,139
	12,301	25,124	73,949	4,135

(*) Part of the receivables from related entities, of PLN 5,815 thousand, is presented in the statement of financial position under other receivables.

Revenue from mutual transactions

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from sale of debt collection services	Interest and dividends
Secapital S.a.r.l	-	544	189,516
ERIF Business Solution Sp. z.o.o	29	-	45
Novum Finance Sp. z o.o. (in liquidation)	84	-	-
Secapital Polska Sp. z o.o.	10	-	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	528	-	2,033
KRUK Romania S.r.l.	535	-	295
Rejestr Dłużników ERIF BIG S.A.	184	-	6
NFIZ PROKURA	-	16,173	-
NFIZ PROKULUS	-	59	-
KRUK TFI	34	-	-
KRUK Česká a Slovenská republika s.r.o.	197	-	664
InvestCapital Malta Ltd.	-	-	1,139
	1,601	16,776	193,698

Costs of mutual transactions

<i>PLN '000</i>	<u>Purchase of debt collection services</u>
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	1,413
KRUK Romania S.r.l.	3,003
Rejestr Dłużników ERIF BIG S.A.	354
KRUK Česká a Slovenská republika s.r.o.	158
Novum Finance Sp. z o.o. (in liquidation)	472
	<u>5,400</u>

In 2014, the Company recognised an impairment loss on loans advanced to KRUK Romania S.r.l. of PLN 7,523 thousand.

In 2014, the Company recognised an impairment loss on loans advanced to KRUK Česká a Slovenská republika s.r.o. of PLN 6,153 thousand.

In 2014, the Company recognised an impairment loss on receivables payable to KRUK Romania S.r.l. of PLN 712 thousand.

In 2014, the Company recognised an impairment loss on receivables payable to KRUK Česká a Slovenská republika s.r.o. of PLN 449 thousand.

7. Fair value**Fair value**

Fair values and carrying amounts of financial assets and liabilities are presented below:

<i>PLN '000</i>	June 30th 2014		Dec 31 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss	48,976	48,976	47,894	47,894
Hedge derivatives	(1,993)	(1,993)	(634)	(634)
	<u>46,983</u>	<u>46,983</u>	<u>47,260</u>	<u>47,260</u>
Financial assets and liabilities not measured at fair value				
Loans and receivables (*)	84,478	84,478	102,305	102,305
Cash and cash equivalents (*)	7,451	7,451	5,634	5,634
Secured bank borrowings (*)	(277,950)	(277,950)	(74,889)	(74,889)
Unsecured bonds in issue (*)	(521,430)	(521,430)	(574,539)	(574,539)
Finance lease liabilities (*)	(8,567)	(8,567)	(8,569)	(8,569)
Trade and other payables (*)	(22,393)	(22,393)	(28,338)	(28,338)
	<u>(738,411)</u>	<u>(738,411)</u>	<u>(578,396)</u>	<u>(578,396)</u>

(*) Where financial assets and liabilities are not measured at fair value, their carrying amounts are their approximate fair values, given the close due dates and floating interest rates.

Hierarchy of financial instruments measured at fair value

<i>PLN '000</i>	June 30th 2014	Level 3
Financial assets at fair value through profit or loss		48,976
Total		48,976

<i>PLN '000</i>	June 30th 2014	Level 2
Hedge derivatives		1,993
Total		1,993

8. 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 were investments in debt portfolios made in previous periods and in the reporting period. In H1 2014, the investments totalled PLN 3,142 thousand (H1 2013: PLN 0 thousand).

As at June 30th 2014, the amount of the Company's investments in debt portfolios accounted for 4% of its assets. Equity accounts for 34% of the financing of the Group's operations.

On March 10th 2014, KRUK S.A. executed a loan agreement with its subsidiary, InvestCapital Malta Ltd. The subject matter of the agreement was the loan advanced by KRUK S.A. to InvestCapital for InvestCapital's liabilities owed to KRUK S.A., arising from the sale of a part of SeCapital s.a.r.l. The loan was granted for a period from March 10th 2014 to March 4th 2015. The amount of the loan is PLN 59.3m. The loan bears interest at a fixed rate set on arms' length basis.

Pursuant to a revolving credit facility agreement executed between KRUK S.A. and Bank Zachodni WBK of Wrocław, and to a trilateral revolving credit facility agreement executed between KRUK S.A., PROKURA NS FIZ and BZ WBK, on May 7th 2014, in order to secure claims arising from these agreements, KRUK S.A. and BZ WBK S.A. entered into an agreement to establish a registered pledge, financial pledge and a first priority pledge under Luxembourg law.

On June 18th 2014, the share capital of SECAPITAL S.à.r.l., KRUK's subsidiary, was increased from PLN 642,708,000 to PLN 879,099,000, through an issue of 236,391 new shares with a par value of PLN 1,000 per share, and a total par value of PLN 236,391,000. All new shares were acquired by KRUK S.A. Following the share capital increase, KRUK S.A. holds directly 839,799 shares with a par value of PLN 1,000 per share, and a total par value of PLN 839,799,000, while the total number of shares held by KRUK S.A. both directly and indirectly is 879,099, with a total par value of PLN 879,099,000.

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

On February 4th 2014, KRUK S.A. repurchased PLN 20,000 thousand worth of unsecured Series K4 bonds.

On April 7th 2014, KRUK S.A. repurchased PLN 8,400 thousand worth of unsecured Series H2 bonds.

On May 25th 2014, KRUK S.A. repurchased PLN 25,000 thousand worth of unsecured Series I1 bonds.

10. Dividend paid out (or declared)

In the reporting period, KRUK S.A. did not pay or declare any dividend.

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

Security for future liabilities

On January 15th 2014, KRUK S.A. and Bank Zachodni WBK S.A. executed Annex No. 1 to the bank guarantee agreement of January 14th 2013, valid in the period from January 25th 2013 to January 24th 2014 and securing the payment of all liabilities towards LEGNICKA BUSINESS HOUSE Sp. z o.o. under an office space lease agreement between KRUK S.A. and LEGNICKA BUSINESS HOUSE Sp. z o.o. Under the annex, the guarantee term was extended until January 24th 2015. The guarantee amount has not changed and stands at EUR 168,000.00.

On January 15th 2014, KRUK S.A. and Bank Zachodni WBK S.A. executed Annex No. 1 to the bank guarantee agreement of February 18th 2013, valid in the period from February 25th 2013 to February 24th 2014 and securing the payment of all liabilities towards DEVCO Sp. z o.o. under an office space lease agreement between KRUK S.A. and DEVCO Sp. z o.o. Under the annex, the guarantee term was extended until February 24th 2015. The guarantee amount has not changed and stands at EUR 135,420.75.

Pursuant to a revolving credit facility agreement executed between KRUK S.A. and Bank Zachodni WBK of Wrocław, and to a trilateral revolving credit facility agreement executed between KRUK S.A., PROKURA NS FIZ and BZ WBK, on May 7th 2014, in order to secure claims arising from these agreements, KRUK S.A. and BZ WBK S.A. entered into an agreement to establish a registered pledge, financial pledge and a first priority pledge under Luxembourg law. The pledges were established over 60,164 Class E shares in Secapital S.a.r.l. of Luxembourg, the Company's subsidiary, to secure the Bank's claims under the above credit facility agreements with a total amount of PLN 140m and any related claims, up to the maximum security amount of PLN 200m.

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

ProsperoCapital Sp. z o.o. of Wrocław, another subsidiary of KRUK S.A., was registered on July 4th 2014. The company's principal business activity comprises other financial service activities n.e.c., including trade in receivables and debt collection, except insurance and pension funding. KRUK S.A. holds 100% of shares in the company's share capital.

On August 19th 2014, the Articles of Association of KRUK Deutschland GmbH of Berlin were executed. The company's principal business activities consist in credit management services, collection of debt portfolios purchased by the KRUK Group in Germany and other European countries, as well as debt trading. KRUK S.A. holds 100% of shares in the company's share capital.

On August 18th 2014, KRUK S.A. executed a trilateral agreement with Getin Noble Bank S.A. of Warsaw and SECAPITAL S.a r.l. of Luxembourg to establish a pledge over shares under Luxembourg law. The agreement was executed to secure the claims under the revolving credit facility agreement of March 31st 2014 executed by and between KRUK S.A. and Getin Noble Bank S.A. The agreement provides for a pledge over 246,047 Class G shares in SECAPITAL S.a.r.l., KRUK S.A.'s subsidiary, each with a par value of PLN 1,000, representing 28% of Secapital's share capital. The pledged shares have a total par value of PLN 246,047,000. The pledge was established to secure Getin Noble Bank's claims (i.e. the principal of PLN 260m and related claims) under the credit facility agreement.

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

Katarzyna Racziewicz

*Person responsible for maintaining
the accounting records*

Wrocław, August 27th 2014

VI. Report on the Group's operations

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

Following the transfer of lending activities from Novum Finance Sp. z o.o. of Wrocław to KRUK S.A. in 2013, on March 17th 2014 the Extraordinary General Meeting of Novum Finance Sp. z o.o. passed a resolution to dissolve the company by liquidation. Michał Zasępa, President of the Management Board of NOVUM Finance Sp. z o.o. w likwidacji (in liquidation), was appointed the company's liquidator. By virtue of a decision dated March 31st 2014, the District Court for Wrocław-Fabryczna of Wrocław, 6th Commercial Division of the National Court Register entered the changes referred to above in the register.

On April 11th 2014, ROCAPITAL IFN S.A. of Bucharest, Romania, was registered in Romania. It is an operating company whose principal business activities consist in purchasing and servicing mortgage-backed debt portfolios. KRUK S.A. holds 99% of the company's share capital, with the remaining 1% held by KRUK Romania S.r.l. of Bucharest, Romania, a subsidiary of KRUK S.A.

On May 19th 2014, change of registered office of KRUK Česká a Slovenská republika s.r.o. was registered. Following the change, the company has its registered office in Hradec Králové, the Czech Republic.

ProsperoCapital Sp. z o.o. of Wrocław, another subsidiary of KRUK S.A., was registered on July 4th 2014. The company's principal business activity comprises other financial service activities n.e.c., including trade in receivables and debt collection, except insurance and pension funding. KRUK S.A. holds 100% of shares in the company's share capital.

On August 19th 2014, the Articles of Association of KRUK Deutschland GmbH of Berlin were executed. The company's principal business activities consist in credit management services, collection of debt portfolios purchased by the KRUK Group in Germany and other European countries, as well as debt trading. KRUK S.A. holds 100% of shares in the company's share capital.

2. Management Board's position on the feasibility of meeting previously published forecasts for a given year

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

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 large holdings of Company shares since the issue of the previous report

As at the date of issue of the previous interim report

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	2,213,928	13.08	2,213,928	13.08
Aviva OFE	1,932,184	11.41	1,932,184	11.41
ING PTE*	1,835,643	10.84	1,835,643	10.84
AMPLICO PTE**	1,310,000	7.74	1,310,000	7.74
Generali OFE	1,575,000	9.30	1,575,000	9.30

(*) Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A. (**) Data based on the list of shareholders holding at least 5% of total voting rights at the Annual General Meeting of KRUK S.A. held on June 27th 2013

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	2,141,704	12.58	2,141,704	12.58
Aviva OFE	1,932,184	11.35	1,932,184	11.35
ING PTE*	1,835,643	10.78	1,835,643	10.78
Generali OFE	1,575,000	9.25	1,575,000	9.25

(*) Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A.

Information concerning changes in structure of large shareholdings

On January 15th 2014, the Company received a notification from AMPLICO Powszechne Towarzystwo Emerytalne S.A. to the effect that AMPLICO Otwarty Fundusz Emerytalny, managed by AMPLICO

Powszechne Towarzystwo Emerytalne S.A., reduced its holding of total voting rights at the Company's General Meeting to below 5%.

On March 6th 2014, the National Court Register registered an increase of PLN 30,856 in the share capital of KRUK S.A. through an issue of Series E shares. The entry was of declarative nature. The share capital was increased upon the registration of Series E shares in the investors' securities accounts on December 16th 2013, which is the date of their registration in the Polish National Depository for Securities. Pursuant to Resolution No. 1 of the Issuer's Extraordinary General Meeting, dated March 30th 2011, the share capital was increased as part of the conditional share capital increase through an issue of 30,859 Series E shares with a par value of PLN 1.00 per share. The issue of E Series shares was related to execution of rights attached to Series A subscription warrants by eligible persons. Series A warrants were issued as part of the incentive addressed to key management members at KRUK S.A. and the Group's companies.

On May 21st 2014, the Company received a notification from Mr Piotr Krupa, President of the Management Board of KRUK S.A. and a significant shareholder of the Company, to the effect that Mr Piotr Krupa had sold 42,000 shares and 10,000 shares in KRUK S.A. in transactions executed during trading sessions on the Warsaw Stock Exchange on May 15th 2014 and May 24th 2014, respectively.

On June 24th 2014, the Company received a notification from Mr Piotr Krupa, President of the Management Board of KRUK S.A. and a significant shareholder of the Company, to the effect that in transactions executed during a trading session on the Warsaw Stock Exchange on June 17th, 18th, 20th, and 24th 2014, Mr Piotr Krupa had sold 2,988, 2,947, 9,289 and 5,000 shares in KRUK S.A., respectively.

The Management Board of the Polish National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.), by virtue of Resolution No. 576/14 of June 24th 2014, resolved to register 64,501 Series E ordinary bearer shares of KRUK S.A., with a par value of PLN 1.00 per share, issued as part of a conditional share capital increase under Resolution No. 1/2011 of the Extraordinary General Meeting of KRUK S.A. dated March 30th 2011, and to assign to them ISIN code No. PLKRK0000010, provided that the operator of the regulated market agrees to introduce the shares to trading on the regulated market on which other Company shares are traded under ISIN code No. PLKRK0000010.

On July 8th 2014, the Management Board of Giełda Papierów Wartościowych S.A. (Warsaw Stock Exchange) passed Resolution No. 781/2014 to admit and introduce the Series E ordinary bearer shares to trading on the WSE main market. In the Resolution, the WSE Management Board stated that, pursuant to Par. 19.1-2 of the WSE Rules, 64,501 Series E ordinary bearer shares with a par value of PLN 1.00 per share were admitted to trading on the main market. Further, under the Resolution, pursuant to Par. 38.1 and Par. 38.3 of the WSE Rules, the WSE Management Board decided to introduce the Company shares referred to above to trading on a regulated market on July 10th 2014 provided that on the same day the Polish National Depository for Securities registers the shares and assign to them ISIN code No. PLKRK0000010.

Following registration of the Issuer's shares in the investors' securities accounts, the Issuer's share capital is PLN 17,023,596 and is divided into 17,023,596 shares conferring the right to 17,023,596 votes at the Company's General Meeting.

3. 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	President of the Management Board	2,141,704
Urszula Okarma	Member of the Management Board	110,350
Agnieszka Kulton	Member of the Management Board	67,220
Iwona Słomska	Member of the Management Board	44,000
Michał Zasepa	Member of the Management Board	8,000

Apart from the change in number of shares held by Mr Piotr Krupa, President of the Management Board, referred to in section *Shareholding structure*, in the period from the issue of the previous interim report, i.e. the extended consolidated report for Q1 2014, published on May 13th 2014, to the date of issue of this interim report, holdings of the Company shares owned by Ms Iwona Słomska and Mr Michał Zasepa also changed.

On May 27th 2014, the Company received a notification from Mr Michał Zasepa, Member of the Management Board, given under Art. 160.1 of the Act on Trading in Financial Instruments, to the effect that Mr Zasepa had sold 5,000 shares in KRUK S.A. in ordinary transactions executed during a trading session on the Warsaw Stock Exchange.

On May 29th 2014, the Company received a notification from Ms Iwona Słomska, Member of the Management Board, given under Art. 160.1 of the Act on Trading in Financial Instruments, to the effect that Ms Słomska had sold 5,257 shares in KRUK S.A. in ordinary transactions executed during a trading session on the Warsaw Stock Exchange. In addition, on June 10th 2014 the Company received a notification from Ms Iwona Słomska, whereby she informed the Company of acquiring 9,257 Series E shares in the Company. According to the notification, the shares were acquired on July 10th 2014, when 9,257 Series E shares were registered in the securities account of the Notifying Party as a result of execution of the rights attached to 9,257 Series A subscription warrants issued as part of an incentive scheme, authorising Ms Słomska to subscribe for the shares at the issue price of PLN 1 per share.

On July 28th 2014, the Company received a notification from Mr Tomasz Bieske, Member of the Supervisory Board, given under Art. 160.1 of the Act on Trading in Financial Instruments, to the effect that Mr Bieske had acquired 1,750 shares in KRUK S.A. in ordinary transactions executed during a trading session on the Warsaw Stock Exchange. As at August 31st 2014, Mr Bieske held 1,750 shares in the Company. As at the date of issue of the previous interim report, i.e. as at May 13th 2014, Mr Bieske did not hold any Company shares. In the period from the issue of the previous quarterly report to the date of publication of this periodic report, Mr Bieske held no rights to KRUK shares.

On July 31st 2014, the Company received a notification from Mr Tomasz Bieske, Member of the Supervisory Board, given under Art. 160.1 of the Act on Trading in Financial Instruments, to the effect that Mr Bieske had acquired 3,930 shares in KRUK S.A. in ordinary transactions executed during a trading session on the Warsaw Stock Exchange. As at August 31st 2014, Mr Bieske held 5,680 shares in the Company.

As at the date of issue of the previous interim report, i.e. as at May 13th 2014, Mr Bieske did not hold any Company shares. In the period from the issue of the previous interim report to the date of publication of this periodic report, Mr Bieske held no rights to KRUK shares.

To the best of the Company's knowledge, other Supervisory Board members did not hold any Company shares or rights to Company shares in the period from the issue of the previous interim report, i.e. the extended consolidated report for Q1 2014, published on May 13th 2014, to the date of issue of this interim report, i.e. to August 31st 2014.

Incentive Scheme at KRUK S.A.

The KRUK Group operates an incentive scheme for key management personnel of the Parent and Group companies (Incentive Scheme, Scheme).

The rules of the Incentive Scheme for 2011–2014 were adopted by Resolution No. 1/2011 of KRUK's Extraordinary General Meeting of March 30th 2011, and amended by a resolution of the Extraordinary General Meeting of August 29th 2011.

Under Tranche 1 and 2, Eligible Persons have been offered a total of 391,548 subscription warrants.

In its Resolution No. 24/2014, dated June 14th 2014, the Company's Supervisory Board determined the list of persons eligible to acquire warrants under Tranche 3 for 2013, which covers 190,651 subscription warrants, including 41,778 warrants offered to and acquired by Members of the Management Board.

Number of subscription warrants held by Management Board Members as at the date of issue of this quarterly report, that is August 31st 2014

Name and surname	Position	Number of warrants held under Tranches 1, 2 and 3 for 2011, 2012 and 2013
Urszula Okarma	Member of the Management Board	30,521
Agnieszka Kulton	Member of the Management Board	30,521
Iwona Słomska	Member of the Management Board	8,257
Michał Zasepa	Member of the Management Board	34,521

As at the date of this report, eligible persons had exercised rights to acquire 123,256 shares attached to Tranche 1 and 2 subscription warrants by purchasing 123,256 Series E shares in the Company.

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

Under the 2015-2019 Scheme, eligible persons will have the right to acquire Company Series F shares at the price PLN 83.52. The eligible persons comprise members of the Management Board, including the President, as well as Company employees and employees of the Group companies, on condition they were in an employment relationship with the Parent or its subsidiary or in other legal relationship under which they provided services to the Parent or its subsidiary for a period of at least twelve months in the calendar year preceding the year in which the offer to subscribe for subscription warrants is made.

For the purposes of the 2015-2019 Scheme, the General Meeting approved a conditional share capital increase of up to PLN 847,950.00, through an issue of up to 847,950 Series F ordinary bearer shares. The objective of the conditional share capital increase is to grant the right to subscribe for Series F shares to holders of subscription warrants that will be issued under the 2015-2019 Scheme. Holders of the subscription warrants will be entitled to exercise the rights to subscribe for Series F Shares attached to subscription warrants at an issue price equivalent to the average closing price of Company shares on all trading days in the period February 27th 2014 to May 27th 2014, i.e. PLN 83.52. Holders of subscription warrants who are not Management Board members will be entitled to exercise the rights to subscribe for Series F Shares attached to the subscription warrants not earlier than six months after the date of subscription for the subscription warrants, whereas Management Board members will be able to exercise these rights twelve months after the date of subscription (lock-up for subscription of Series F shares by holders of subscription warrants). 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 the condition that the average annual EPS (earnings per share) calculated based on the Group's consolidated financial statement increases.

Under the Scheme, the Company may finance purchase of Series F shares by eligible persons on the terms defined in the resolution. Subscription Warrants may be inherited, but may not be encumbered and are not transferable.

General Meeting

The Annual General Meeting of KRUK S.A. was held on May 28th 2014. Apart from approving the full-year financial statements of the Company and the Group, distributing net profit and granting discharge in respect of performance of duties, the General Meeting also passed resolutions concerning:

- authorisation of the Management Board of KRUK S.A. to reacquire Company shares
- allocation of funds for the financing of the share buy-back

- setting the rules of an incentive scheme for the years 2015–2019, conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights disapplied in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association.

4. Litigation, arbitration or administrative proceedings.

Proceedings in which the value of claim exceeds 10% of KRUK S.A.'s equity

<i>Subject matter</i>	<i>Value of claim [PLN]*</i>	<i>Date instigated</i>	<i>Parties</i>	<i>Kruk S.A.'s position</i>
Bankruptcy proceedings concerning Libertów sp. z o.o.	PLN 3,828,937.83	March 17th 2011	PROKURA NSFIZ – Pascal Construction Sp. z o.o. w upadłości (in bankruptcy)	The funds specified in the bankruptcy plan were paid out on May 7th 2012. The bankruptcy proceedings are pending; the fund does not expect its claims to be satisfied.

Litigation involving potential liabilities – three largest cases

<i>Subject matter</i>	<i>Value of claim [PLN]*</i>	<i>Date instigated</i>	<i>Parties</i>	<i>Kruk S.A.'s position</i>
Petition against enforcement by Teresa and Marek Sobociński	2,200,600.00	June 19th 2013	Teresa i Marek Sobociński -Prokura NSFIZ -	Petition for release of property seized under enforcement proceedings. The Company believes the claim to be without merit and expects it to be dismissed.
Nullity suit concerning credit facility agreement	PLN 68,765.58	March 23rd 2012	PORCA IOAN vs. BCR, BCR Aiud.; SECAPITAL SARL, KRUK ROMANIA SRL	On June 20th 2014, the court issued a decision in which it partly allowed the petitioner's claim; the decision is not final; the company is awaiting decision with a statement of reason.

Suit for payment of	50,000.00	June 28th 2013	Stanisława Stochniał - KRUK S.A.	Action dismissed by court; opposing party appealed; the Company moves for the appeal to be dismissed as groundless.
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Litigation involving potential receivables – five major cases

<i>Subject matter</i>	<i>Value of claim [PLN]*</i>	<i>Date instigated</i>	<i>Parties</i>	<i>Kruk S.A.'s position</i>
Bankruptcy proceedings concerning Nonna & Sons Sp. z o.o.	16,308,593.25	August 7th 2009	Prokura NSFIZ – Nonna & Sons Sp. z o.o. w upadłości (in bankruptcy)	Prokura NS FIZ's claim was filed on March 11th 2014. Bankruptcy proceedings are pending.
Bankruptcy proceedings concerning NISCO INVEST SRL	15,361,231.47	December 17th 2009	Kruk S.A. - Nisco Invest SRL	Claim filed against the bankruptcy estate, acknowledged by the bankruptcy administrator. Bankruptcy proceedings are pending.
Suit for payment against Matejki Street LTD Sp. z o.o.	11,699,140.12	April 21st 2010	Prokura NSFIZ - MATEJKI STREET LIMITED Spółka z ograniczoną odpowiedzialnością of Poznań	Order of payment issued in writ-of-payment proceeding.
Bankruptcy proceedings concerning MBB Constructii SRL	10,285,503.40	June 7th 2012	Kruk S.A. – MBB Constructii SRL	The bankruptcy proceedings are pending; Kruk S.A. expects partial satisfaction of its claims.
Bankruptcy proceedings concerning SM SAMI SWOI	8,347,490.88	August 8th 2002	PROKURA NSFIZ vs. SM SAMI SWOI (in bankruptcy)	The bankruptcy proceedings are pending; Prokura NS FIZ is waiting for the final bankruptcy plan to be drawn up.

The cases described 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 June 30th 2014

	Total number of cases	Total amount (PLN)
Total number of court proceedings (including bankruptcy proceedings) instigated by the Group companies and total value of the Group's claims	65,470	912,114,672.02
Total number of enforcement proceedings instigated by the Group and total value of claims	344,341	4,174,121,966.31
Total number of court proceedings instigated against the Group and total value of claims	101	6,870,818.92

5. 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.

6. Other information relevant to the assessment of the staffing levels, assets, financial standing 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 standing 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.

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

The Company did not identify any factors with a potential bearing on the Group's results in the next quarter or in a longer term.

8. Representation by the Management Board

These interim condensed financial statements and the comparative data were prepared in compliance with the applicable accounting standards and give a true, fair and clear view of the Issuer Group's assets, financial standing and financial performance, and present a true picture of the development, achievements and standing of the Group, including the description of key risks and threats.

The qualified auditing firm which reviewed the interim condensed financial statements was appointed in compliance with applicable laws, and met the conditions required to issue an impartial and independent review report, in accordance with the applicable laws and professional standards.

Piotr Krupa
*President of the Management
Board*

Agnieszka Kułton
*Member of the Management
Board*

Urszula Okarma
*Member of the Management
Board*

Iwona Słomska
Member of the Management Board

Michał Zasepa
Member of the Management Board

Wrocław, August 27th 2014