



Half-Year Report

for the period January 1st–June 30th 2015



The KRUK Group

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I. Financial highlights

1. Consolidated financial data

Financial highlights	PLN '000		EUR '000	
	Jan 1– Jun 30 2015 unaudited	Jun 30 2014 unaudited	Jan 1– Jun 30 2015 unaudited	Jun 30 2014 unaudited
For the period				
Revenue	286,790	263,728	69,371	63,116
Operating profit	126,088	128,612	30,499	30,780
Profit before tax	105,927	99,494	25,622	23,811
Net profit attributable to owners of the Parent	107,656	100,023	26,041	23,938
Net cash from operating activities	25,979	(77,209)	6,284	(18,478)
Purchase of debt portfolios at prices as per agreement	(222,210)	(313,308)	(53,750)	(74,982)
Cash recoveries	398,726	360,416	96,447	86,256
Net cash from investing activities	(2,820)	(4,601)	(682)	(1,101)
Net cash from financing activities	(21,554)	115,985	(5,214)	27,758
Change in net cash	1,605	34,175	388	8,179
Average number of shares ('000)	17,167	16,962	17,167	16,962
Earnings per share (PLN/EUR)	6.27	5.90	1.52	1.41
Diluted earnings per share (PLN/EUR)	6.02	5.74	1.46	1.37
As at	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2015 unaudited	Dec 31 2014
Total assets	1,613,063	1,516,647	384,575	355,828
Non-current liabilities	712,011	721,524	169,753	169,280
Current liabilities	221,390	210,040	52,782	49,279
Equity	679,662	585,083	162,040	137,269
Share capital	17,291	17,110	4,122	4,014
Book value per ordinary share (PLN/EUR)	39.31	34.20	9.37	8.02

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

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

- for the current period – 4.1341
- for the comparative period – 4.1784

- 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 – 4.1944
- for the comparative period – 4.2623

2. Separate financial data of KRUK S.A.

Financial highlights	PLN '000		EUR '000	
	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
For the period				
Revenue	51,546	51,318	12,468	12,282
Operating loss	(28,844)	(16,805)	(6,977)	(4,022)
Profit/(loss) before tax	(68,256)	140,155	(16,510)	33,542
Net profit/(loss)	(66,139)	140,932	(15,998)	33,728
Net cash from operating activities	122,513	(11,014)	29,635	(2,636)
Net cash from investing activities	(179,058)	(114,948)	(43,312)	(27,510)
Net cash from financing activities	38,733	127,779	9,369	30,581
Change in net cash	(17,812)	1,817	(4,309)	435
Average number of shares ('000)	17,072	16,962	17,072	16,962
Earnings per share (PLN/EUR)	(3.90)	8.31	(0.94)	1.99
Diluted earnings per share (PLN/EUR)	(3.86)	8.22	(0.93)	1.97
As at	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2015 unaudited	Dec 31 2014
Total assets	1,293,955	1,287,526	308,496	302,073
Non-current liabilities	709,252	736,964	169,095	172,903
Current liabilities	196,206	85,684	46,778	20,103
Equity	388,497	464,878	92,623	109,067
Share capital	17,292	17,110	4,123	4,014
Book value per ordinary share (PLN/EUR)	22.47	6.95	5.36	1.63

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 – 4.1341
- for the comparative period – 4.1784

- 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 – 4.1944
- for the comparative period – 4.2623

II. Interim condensed consolidated financial statements for the period January 1st–June 30th 2015, prepared in accordance with the IFRS as endorsed by the EU

Interim condensed consolidated statement of financial position

As at June 30th 2015

PLN '000

	Note	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Assets				
Cash and cash equivalents	10.10	72,150	70,545	69,433
Trade receivables		8,739	10,949	22,122
Investments in debt portfolios and loans	9	1,469,013	1,380,179	1,262,319
Other receivables		22,753	16,534	18,846
Inventories		448	524	453
Property, plant and equipment	10.9	19,536	20,265	21,409
Other intangible assets	10.9	11,885	11,018	11,313
Goodwill		1,024	1,024	1,024
Deferred tax asset		5,602	3,539	3,224
Other assets		1,913	2,070	1,647
Total assets		1,613,063	1,516,647	1,411,790
Equity and liabilities				
Liabilities				
Hedge derivatives		1,567	2,668	1,993
Trade and other payables		47,381	60,613	28,063
Employee benefit obligations		25,619	27,646	23,886
Current tax liability		-	1,724	-
Liabilities under borrowings and other debt instruments	10.11	858,570	838,649	828,408
Liabilities		264	264	264
Total liabilities		933,401	931,564	882,614
Equity				
Share capital		17,291	17,110	17,023
Share premium		60,257	53,249	49,876
Cash flow hedging reserve		-	-	(1,993)
Translation reserve		(6,640)	(3,859)	1,586
Other capital reserves		64,130	55,624	51,462
Retained earnings		544,611	462,893	411,180
Equity attributable to owners of the Parent		679,649	585,017	529,134
Non-controlling interests		13	66	42
Total equity		679,662	585,083	529,176
Total equity and liabilities		1 613 063	1,516,647	1,411,790

Interim condensed consolidated statement of profit or loss

For the reporting period from January 1st to June 30th 2015

PLN '000

	<i>Note</i>	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revenue	10.1	286,790	263,728
Other income	10.2	1,022	859
Employee benefits expense	10.3	(82,540)	(67,174)
Depreciation and amortisation expense		(6,013)	(5,522)
Services		(19,959)	(22,044)
Other expenses	10.4	(53,212)	(41,235)
		(161,724)	(135,975)
Operating profit		126,088	128,612
Finance income	10.5	912	283
Finance costs	10.6	(21,073)	(29,401)
Net finance costs		(20,161)	(29,118)
Profit before tax		105,927	99,494
Income tax	10.7	1,741	570
Net profit for the period		107,668	100,064
Net profit attributable to:			
Owners of the Parent		107,656	100,023
Non-controlling interests		12	41
Net profit for the period		107,668	100,064
Earnings per share			
Basic (PLN)	10.12	6,27	5,90
Diluted (PLN)	10.12	6,02	5,74

Interim condensed consolidated statement of comprehensive income

For the reporting period from January 1st to June 30th 2015

PLN '000

	Jan 1–Jun 30 2015 unaudited	Jan 1–Jun 30 2014 unaudited
Net profit for the period	107,668	100,064
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation reserve	10.8 (2,781)	9,312
Cash flow hedges	-	(1 993)
Other comprehensive income, net, for the period	(2,781)	7,319
Total comprehensive income for the period	104,887	107,383
Total comprehensive income attributable to:		
Owners of the Parent	104,875	107 342
Non-controlling interests	12	41
Total comprehensive income for the period	104,887	107,383
Comprehensive income per share		
Basic (PLN)	6.11	6.33
Diluted (PLN)	5.86	6.17

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- Issue of shares	10.12	151	5,868	-	-	-	-	6,019	-	6,019
- Share-based payments		-	-	-	-	7,335	-	7,335	-	7,335
Total contributions from and distributions to owners		151	5,868	-	-	7,335	-	13,354	(129)	13,225
Total equity as at Dec 31 2014		17,110	53,249	-	(3,859)	55,624	462,893	585,017	66	585,083
Equity as at Jan 1 2015		17,110	53,249	-	(3,859)	55,624	462,893	585,017	66	585,083
Comprehensive income for the period										
Net profit for the period		-	-	-	-	-	107,656	107,656	12	107,668
Other comprehensive income		-	-	-	-	-	-	-	-	-
- Exchange differences on translating foreign operations		-	-	-	(2,781)	-	-	(2,781)	-	(2,781)
- Payment of dividend		-	-	-	-	-	(25,938)	(25,938)	-	(25,938)
Other comprehensive income		-	-	-	(2,781)	-	(25,938)	(28,719)	-	(28,719)
Total comprehensive income for the period		-	-	-	(2,781)	-	81,718	78,937	12	78,949
- Payment of dividend		-	-		-	-	-	-	(65)	(65)
- Issue of shares	10.12	181	7,008		-	-	-	7,189	-	7,189
- Share-based payments		-	-		-	8,506	-	8,506	-	8,506
Total contributions from and distributions to owners		181	7,008	-	-	8,506	-	15,695	(65)	15,630
Total equity as at Jun 30 2015		17,291	60,257	-	(6,640)	64,130	544,611	679,649	13	679,662

Interim condensed consolidated statement of cash flows

For the reporting period from January 1st to June 30th 2015

PLN '000

	Jan 1–Jun 30 2015 unaudited	Jan 1–Jun 30 2014 unaudited
Cash flows from operating activities		
Net profit for the period	107,668	100,064
<i>Adjustments</i>		
Depreciation of property, plant and equipment	3,594	3,978
Amortisation of intangible assets	2,419	1,784
Change in debt portfolios purchased	(86,040)	(189,025)
Change in other investments	(5,605)	(271)
Net finance costs	18,495	24,366
(Gain)/loss on sale of property, plant and equipment	(201)	(237)
Equity-settled share-based payment transactions	8,506	3,173
Income tax	(1,741)	(570)
Change in inventories	76	76
Change in receivables	(4,009)	(14,155)
Change in prepayments and accrued income	157	805
Change in current liabilities excluding financial liabilities	(10,598)	(6,150)
Change in employee benefit obligations	(4,695)	(715)
Income tax paid	(2,047)	(332)
Net cash from operating activities	25,979	(77,209)
Cash flows from investing activities		
Interest received	912	283
Sale of intangible assets and property, plant and equipment	773	619
Purchase of intangible assets and property, plant and equipment	(4,505)	(5,503)
Net cash from investing activities	(2,820)	(4,601)
Cash flows from financing activities:		
Proceeds from issue of shares floated on stock exchange	7,189	2,561
Proceeds from bond issue	113,360	-
Increase in borrowings	453,332	890,434
Repayment of borrowings	(542,634)	(698,089)
Payments under finance lease agreements	(2,333)	(1,536)
Redemption of debt securities	(29,000)	(53,400)
Interest paid	(21,468)	(23,985)
Net cash from financing activities	(21,554)	115,985
Total net cash flows	1,605	34,175
Cash and cash equivalents at beginning of period	70,545	35,258
Cash and cash equivalents at end of period	72,150	69,433

The notes on pages 13 to 41 are an integral part of 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. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

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

Date of entry: September 7th 2005

Entry number: KRS 0000240829

Principal business activities of the Parent and subsidiaries

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

These interim condensed consolidated financial statements for the reporting period from January 1st to June 30th 2015 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 2015, 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.

Since the Management Board's term of office expired on March 19th 2015, the Company's Supervisory Board appointed the Management Board members for another term of office by virtue of resolutions adopted on March 13th 2015.

In H1 2015 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 2015 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:

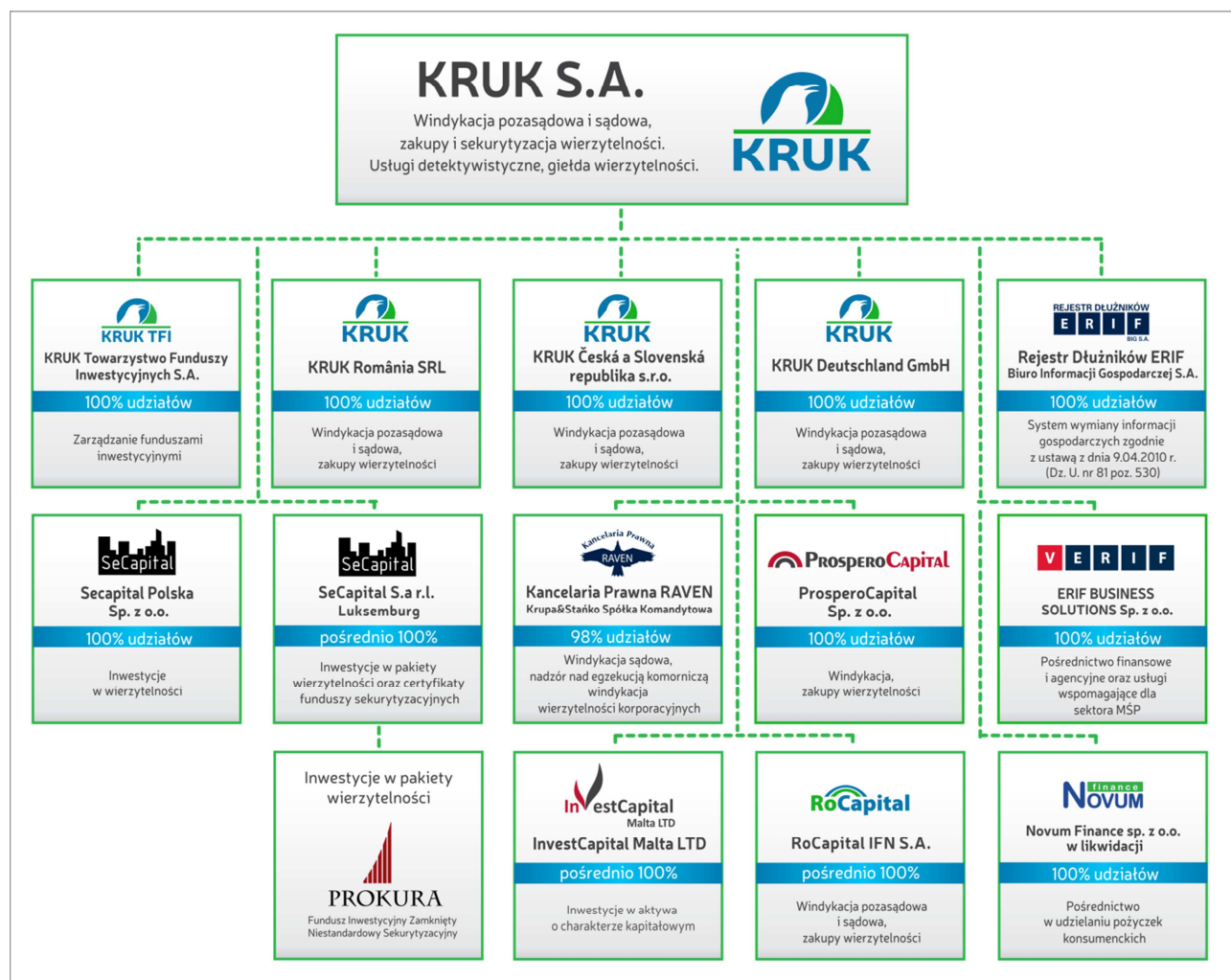
Piotr Stępnia	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Arkadiusz Orlin Jastrzębski	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Robert Koński	Member of the Supervisory Board
Józef 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 14 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 securitisation fund, which is a securitisation and investment vehicle employing professional risk assessment and credit management methodologies. All certificates issued by the securitisation fund 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;
- 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 are consolidated in these interim consolidated financial statements as at June 30th 2015 and for the period from January 1st to June 30th 2015.



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

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 (%)	
		Jun 30 2015	Dec 31 2014
Secapital S.a.r.l. **	Luxembourg	81%	84.4%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o.	Poland	100%	100%
Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna RAVEN Krupa & Stańko Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ*	Poland	100%	100%
Prokulus NS FIZ*	Poland	-	100%
ProsperoCapital Sp.z.o.o.	Poland	100%	100%
KRUK International Z.r.t. (in liquidation)	Hungary	-	100%
InvestCapital Malta Ltd **	Malta	99.5%	99.5%
RoCapital IFN S.A.	Romania	99.0%	99.0%
Kruk Deustschland Gmbh	Germany	100%	100.0%

* Subsidiaries of Secapital S.a.r.l.

** 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 2015, with the comparative data presented for the period from January 1st to June 30th 2014. The interim condensed consolidated statement of financial position was prepared as at June 30th 2015, while the comparative data was presented as at June 30th 2014 and December 31st 2014. The interim condensed consolidated statement of changes in equity was prepared for the period from January 1st to June 30th 2015, while the comparative periods were the six-month period from January 1st 2014 to June 30th 2014, and the twelve-month period from January 1st 2014 to December 31st 2014.

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, i.e. based on an assumption that the companies will continue their operations for the foreseeable future, i.e. for 12 months after the reporting date.

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 2014.

These interim condensed financial statements were approved by the Management Board of the Parent (the "Management Board") on August 27th 2015.

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 2014.

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 2015:

- *Amendments to IFRS introduced as part of the 2011-2013 improvements cycle:*

Amendments to IFRS 3 Business Combinations

The amendments clarify that not only joint ventures but also joint arrangements fall outside the scope of IFRS 3. The exception applies solely to the preparation of financial statements of joint arrangements. The amendment is to be applied prospectively.

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

- *Amendments to IFRS 13 Fair Value Measurement*

The amendments clarify that the portfolio exception applies not only to financial assets and financial liabilities but also to other agreements that fall within the scope of IAS 39. The amendments are to be applied prospectively.

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

- *Amendments to IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is to be applied prospectively, and it clarifies that it is IFRS 3 rather than the definition of ancillary services contained in IAS 40 that should be used to determine whether a transaction is an asset or business acquisition.

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

- *IFRIC 21 Levies*

The interpretation clarifies that an entity recognises a levy liability on the occurrence of an obligating event, or, in other words, the activity that triggers the obligation to pay a levy in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. IFRIC 21 is to be applied retrospectively.

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

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; by the date of approval of these financial statements, the standard has not been adopted by the EU,
- 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; within the EU, effective at the latest for annual periods beginning on or after February 1st 2015,
- *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; within the EU, effective at the latest for annual periods beginning on or after February 1st 2015,
- *Amendments to IFRS introduced as part of the 2011-2012 improvements cycle* (published on December 12th 2013) – effective for annual periods beginning on or after July 1st 2014; within the EU, effective at the latest for annual periods beginning on or after January 1st 2015,
- 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; by 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; by 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; by 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 2018; by 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; by 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; by the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (published on September 11th 2014) – effective for annual periods beginning on or after January 1st 2016, with the effective date of the amendments provisionally postponed by the IASB; no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of these amendments; by 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 2012-2014 improvements cycle* (published on September 25th 2014) – effective for annual periods beginning on or after January 1st 2016; by the date of approval of these financial statements, the amendments have not been adopted by the EU,

- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (published on December 18th 2014) – effective for annual periods beginning on or after January 1st 2016; by the date of approval of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IAS 1 – *Disclosure Initiative* (published on December 18th 2014) – effective for annual periods beginning on or after January 1st 2016; by 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 2014.

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 2014. In the period from January 1st to June 30th 2015, 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 divided into the following geographical segments:

- Poland
- Romania
- Other foreign markets

Reporting segments

<i>PLN '000</i>	Jan 1–Jun 30 2015	Jan 1–Jun 30 2014
	unaudited	unaudited
Revenue	286,790	263,728
Purchased debt portfolios	263,129	241,200
Credit management	14,965	16,295
Other products	8,696	6,233
Direct and indirect costs	(110,219)	(95,939)
Purchased debt portfolios	(96,199)	(81,999)
Credit management	(10,032)	(9,925)
Other products	(3,988)	(4,015)
Gross profit	176,571	167,789
Purchased debt portfolios	166,930	159,201
Credit management	4,933	6,370
Other products	4,708	2,218
Administrative expenses	(43,338)	(32,644)
Depreciation and amortisation expense	(6,013)	(5,522)
Other income	1,022	859
Other expenses (unallocated)	(2,154)	(1,870)
Finance income/costs	(20,161)	(29,118)
Profit before tax	105,927	99,494
Income tax	1,741	570
Net profit	107,668	100,064

Additional information on geographical segments

<i>PLN '000</i>	Jan 1–Jun 30 2015	Jan 1–Jun 30 2014
	unaudited	unaudited
Revenue	286,790	263,728
Poland	162,485	162,140
Romania	113,277	87,933
Other foreign markets	11,028	13,655

Non-financial assets

<i>PLN '000</i>	Jun 30 2015	Dec 31 2014
	unaudited	
Poland	30,121	23,561
Romania	6,378	8,006
Other foreign markets	565	740
	37,064	32,307

8. Seasonality and cyclical 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 225,402 thousand (H1 2014: PLN 313,303 thousand), while cash recoveries were PLN 398,726 thousand (H1 2014: PLN 360,416 thousand). For a description of changes in the estimates of the debt portfolios value see Note 10 to the interim condensed consolidated financial statements.

PLN '000

	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Investments			
Investments in debt portfolios measured at fair value	772,997	861,964	1,252,008
Investments in debt portfolios measured at amortised cost	676,930	504,573	-
Loans advanced to other entities	19,086	13,642	10,311
	<u>1,469,013</u>	<u>1,380,179</u>	<u>1,262,319</u>
Investments in debt portfolios measured at fair value	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Current portion of investments in debt portfolios	329,309	373,503	481,964
Non-current portion of investments in debt portfolios	443,688	488,461	770,044
	<u>772,997</u>	<u>861,964</u>	<u>1,252,008</u>
Investments in debt portfolios measured at amortised cost	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Current portion of investments in debt portfolios	154,990	79,430	-
Non-current portion of investments in debt portfolios	521,940	425,143	-
	<u>676,930</u>	<u>504,573</u>	<u>-</u>

PLN '000

Purchased debt portfolios as at Jan 1 2014	1,053,913
Purchase of debt portfolios	575,105
Purchase price adjustment for discount	(4,419)
Cash recoveries	(711,841)
Increase/(decrease) in liabilities to debtors due to overpayments	574
Valuation of loyalty scheme	2,080
Revenue from debt purchase (interest and revaluation)	442 374
Fair value translation differences (*)	8,751
Purchased debt portfolios as at Dec 31 2014	1,366,537
 Purchased debt portfolios as at Jan 1 2015	 1,366,537
Purchase of debt portfolios at prices as per agreement	222,210
Cash recoveries	(398,726)
Increase/(decrease) in liabilities to debtors due to overpayments	434
Valuation of loyalty scheme	1,889
Revenue from debt purchase (interest and revaluation)	263 129
Fair value translation differences (*)	(5,546)
Purchased debt portfolios as at Jun 30 2015	1,449,927

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

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

1. Revenue

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revenue from debt purchase	263,129	241,200
Revenue from fee-based credit management services	14,965	16,295
Revenue from other products	8,696	6,233
Revenue from sale of merchandise and materials	-	-
	<u>286,790</u>	<u>263,728</u>

Revenue from debt purchase

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest income adjusted for actual recoveries	252,174	240,792
Revaluation of debt portfolios	10,955	18,163
Cost of debts sold	-	(17,755)
	<u>263,129</u>	<u>241,200</u>

(*) relates to the sale of a portion of the corporate debt portfolio

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revision of recovery forecast	15,075	7,123
Change due to change in discount rate	(4,120)	11,040
	<u>10,955</u>	<u>18,163</u>

Revenue from debt purchase includes:

Revenue from debt portfolios measured at fair value

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest income adjusted for actual recoveries	184,427	240,792
Revaluation of debt portfolios	30,409	18,163
Cost of debts sold	-	(17,755)
	214,836	241,200

(*) relates to the sale of a portion of the corporate debt portfolio

Revaluation of debt portfolios measured at fair value

PLN '000

	Jun 30 2015 unaudited	Jun 30 2014 unaudited
Revision of forecast	34,529	7,123
Change due to change in discount rate	(4,120)	11,040
	30,409	18,163

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;
- changes in currency exchange rates against PLN (for debt portfolios purchased abroad).

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

Revenue from debt portfolios measured at amortised cost

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest income adjusted for actual recoveries	67,747	-
Revaluation of debt portfolios	(19,454)	-
	48,293	-

Revaluation of debt portfolios measured at amortised cost

PLN '000

	Jun 30 2015 unaudited	Jun 30 2014 unaudited
Revision of recovery forecast	(19,454)	-
	(19,454)	-

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

2. Other income

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Reversal of impairment losses on receivables	-	6
Return of compensation for damage caused by motor vehicles	274	392
Gain on sale of property, plant and equipment	201	243
Re-billed costs of services and court fees	98	-
Other	449	218
	1,022	859

3. Employee benefits expense

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Salaries and wages	(59,033)	(51,246)
Other social security contributions	(4,829)	(4,758)
Old-age and disability pension contributions	(9,658)	(7,420)
Contribution to the State Fund for the Disabled	(514)	(577)
Equity-settled cost of stock option plan	(8,506)	(3,173)
	(82,540)	(67,174)

For details of the management stock option plan, see the Directors' Report.

4. Other expenses

PLN '000

	Jan 1 –Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Court fees	(27,823)	(17,241)
Advertising	(1,529)	(2,886)
Raw materials and energy used	(4,299)	(4,722)
Taxes and charges	(14,228)	(12,256)
Staff training	(1,178)	(828)
Business trips	(1,150)	(824)
Entertainment expenses	(256)	(75)
Contribution to the State Fund for the Disabled	0	(549)
Motor insurance	(580)	(495)
Losses from damage caused by motor vehicles	(292)	(383)
Property insurance	(169)	(196)
Other	(102)	(780)
	(53,212)	(41,235)

5. Finance income

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest income on bank deposits	912	283
	912	283

6. Finance costs

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest expense on financial liabilities measured at amortised cost	(20,475)	(24,810)
Settlement of discount	-	(4,522)
Net foreign exchange gains/(losses)	(598)	(69)
	<u>(21,073)</u>	<u>(29,401)</u>

7. Income tax

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Current income tax	243	215
Current income tax expense	243	215
Deferred income tax	(1,984)	(785)
Origination/reversal of temporary differences	(1,984)	(785)
Tax expense in profit/(loss)	(1,741)	(570)

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Profit/(loss) before tax	105,927	99,494
Pre-tax profit for the period (assuming 19% tax rate)	186 847	118,189
Pre-tax loss for the period (assuming 16% tax rate)	(11 573)	(10,640)
Pre-tax loss for the period (assuming 19% tax rate)	(69 347)	(8,055)
	105,927	99,494
Tax calculated at the tax rate applicable in Poland (19%)	28 294	21,992
Tax calculated at the tax rate applicable in Romania (16%)	(1 852)	(1,702)
Tax calculated at the tax rate applicable in the Czech Republic (19%)	(979)	(1,386)
	25,463	18,904
Non-tax-deductible expenses	(27,204)	18,394
Tax-exempt income	-	(36,728)
Income tax at effective tax rate	(1,741)	570

8. Differences from translation of foreign operations in statement of comprehensive income

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Translation reserve	(2,781)	9,312
Attributable to:		
Owners of the Parent	(2,781)	9,312
Finance income/(cost) recognised in other comprehensive income	(2,781)	9,312

9. 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.

10. Cash

PLN '000

	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Cash at banks and cash in hand	72,150	70,545	67,779
Short-term deposits	-	-	1,654
	72,150	70,545	69,433

11. Borrowings, dividends and finance lease liabilities

PLN '000

	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Non-current liabilities			
Secured borrowings	227,339	239,846	268,161
Liabilities under debt securities (unsecured)	475,375	470,633	437,676
Finance lease liabilities	7,730	8,377	9,659
	710,444	718,856	715,496
Current liabilities			
Current portion of secured borrowings	19,385	96,078	24,894
Liabilities under debt securities (unsecured)	97,350	18,859	83,754
Current portion of finance lease liabilities	5,453	4,856	4,264
Dividend payable	25,938	-	-
	148,126	119,793	112,912

PLN '000	Currency	Nominal interest rate	Maturity year	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Borrowings secured on the Group's assets	PLN	1M WIBOR + margin of 1.0-4.25 pp	2024			
		3M WIBOR + margin 3.5-5.0 pp	2018	246,724	335,924	293,055
Liabilities under debt securities (unsecured)	PLN	3M WIBOR or 1M EURIBOR + margin	2018	572,725	489,492	521,430
Finance lease liabilities	EUR	0.68-4.0 pp		13,183	13,233	13,923
				832,632	838,649	828,408

12. Earnings per share

'000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Dec 31 2014	Jan 1– Jun 30 2014 unaudited
Number of ordinary shares as at Jan 1	17,110	16,959	16,959
Effect of cancellation and issue of shares	57	(2)	3
Weighted average number of ordinary shares	17,167	16,957	16,962
PLN			
Basic earnings per share	6.27	8.95	5.90

'000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Dec 31 2014	Jan 1– Jun 30 2014 unaudited
Weighted average number of ordinary shares	17,167	16,957	16,962
Effect of share option issue	720	450	449
Weighted average number of ordinary shares (diluted)	17,887	17,407	17,411
PLN			
Earnings per share (diluted)	6.02	8.72	5.74

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

As at June 30th 2015

PLN '000

	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Assets			
Non-current assets			
Property, plant and equipment	19,536	20,265	21,409
Other intangible assets	11,885	11,018	11,313
Goodwill	1,024	1,024	1,024
Investments in debt portfolios	443,688	431,479	770,044
Deferred tax asset	5,602	3,539	3,224
Total non-current assets	481,735	467,325	807,014
Current assets			
Inventories	448	524	453
Investments in debt portfolios and loans	1,025,325	948,700	492,275
Trade receivables	8,739	10,949	22,122
Other receivables	22,753	16,534	18,846
Other assets	1,913	2,070	1,647
Cash and cash equivalents	72,150	70,545	69,433
Total current assets	1,131,328	1,049,322	604,776
Total assets	1,613,063	1,516,647	1,411,790
Equity and liabilities			
Equity			
Share capital	17,291	17,110	17,023
Share premium	60,257	53,249	49,876
Cash flow hedging reserve	-	-	(1,993)
Translation reserve	(6,640)	(3,859)	1,586
Other capital reserves	64,130	55,624	51,462
Retained earnings	544,611	462,893	411,180
Equity attributable to owners of the Parent	679,649	585,017	529,134
Non-controlling interests	13	66	42
Total equity	679,662	585,083	529,176
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	710,444	718,856	715,496
Hedge derivatives	1,567	2,668	1,993
Total non-current liabilities	712,011	721,524	717,489
Current liabilities			
Current liabilities under borrowings and other debt instruments	148,126	119,793	112,912
Trade and other payables	47,381	60,613	28,063
Current tax liability	-	1,724	-
Employee benefit obligations	25,619	27,646	23,886
Current provisions	264	264	264
Total current liabilities	221,390	210,040	165,125
Total liabilities	933,401	931,564	882,614
Total equity and liabilities	1,613,063	1,516,647	1,411,790

11. Financial instruments

Fair value

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

		Jun 30 2015 unaudited		Dec 31 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note				
PLN '000					
Financial assets and liabilities measured at fair value					
Financial instruments at fair value through profit or loss	9	772,997	772,997	861,775	861,775
Hedge derivatives		1,567	1,567	2,668	2,668
		774,564	774,564	864,443	864,443
Financial assets and liabilities not measured at fair value					
Financial assets measured at amortised cost	9	676,930	672,517	504,762	508,753
Loans	9	19,086	19,086	13,642	13,642
Receivables		31,492	31,492	27,483	27,483
Cash and cash equivalents	10.10	72,150	69,433	70,545	70,545
Secured bank borrowings	10.11	(246,724)	(246,724)	(335,924)	(335,924)
Unsecured bonds in issue	10.11	(572,725)	(572,725)	(489,492)	(489,492)
Finance lease liabilities	10.11	(13,183)	(13,183)	(13,233)	(13,233)
Trade and other payables		(47,381)	(47,381)	(60,613)	(60,613)
		(80,355)	(87,485)	(282,830)	(278,839)

Hierarchy of financial instruments

	Jun 30 2015 unaudited		Level 2	Total
Hedge derivatives		-	1,567	1,567
Total			1,567	1,567

PLN '000

	Dec 31 2014	-	Level 2	Total
Hedge derivatives			2668	2668
Total			2,668	2,668

The fair value of interest rate swap contracts is determined by reference to the future cash flows under the contracts calculated based on the difference between the projected 3M WIBOR and the actual 3M WIBOR as at the transaction date. In calculating the fair value, the Group uses 3M WIBOR projections provided by an external firm.

PLN '000

	Jun 30 2015 unaudited	-	Level 3	Total
Financial assets at fair value through profit or loss			772,997	772,997
Total			772,997	772,997

PLN '000

	Dec 31 2014	-	Level 3	Total
Financial assets at fair value through profit or loss			861,775	861,775
Total			861,775	861,775

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

There were no transfers between fair value hierarchy levels.

Purchased debt portfolios

Purchased debt portfolios comprise high-volume portfolios of overdue 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 classifies debt portfolios purchased prior to January 1st 2014 as financial assets at fair value through profit or loss because they were designated as such on initial recognition in accordance with IAS 39.

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 debt portfolios purchased prior to January 1st 2014 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, including recoveries and collection costs at market rates.

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 cash flows, 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.

Estimated cash flows 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.

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 presented as revenue and recognised under interest income adjusted for actual recoveries.

Sensitivity analysis – acquired debt portfolios measured at fair value

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 2015	Dec 31 2014
Discount rate		
- risk-free*	0.217%-2.88%	0.4325%-2.3%
- risk premium**	7.92% - 321.14%	9.48%-321.14%
Period for which cash flows have been estimated:	Jul 2015–Dec 2025	Jan 2014 - Dec 2024
Nominal value of expected future cash flows	2,635,433	2,455,032

* Vary by market.

** Applicable to 99% of fair value.

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

PLN '000	Jun 30 2015 unaudited	Dec 31 2014
Period		
Less than 6 months	335,584	315,217
From 6 to 12 months	299,523	289,839
From 1 to 2 years	522,305	510,307
From 2 to 5 years	1,176,614	1,095,151
Over 5 years	301,407	244,518
	<u>2,635,433</u>	<u>2,455,032</u>

Total exposure to credit risk

PLN '000	Jun 30 2015 unaudited	Dec 31 2014
Purchased debt portfolios		
Bank loans, including:	1,401,066	1,323,093
- consumer loans	1,137,221	1,019,095
- car loans	1,309	4,112
- mortgage loans	262,536	299,886
Telecommunication bills	26,203	23,834
Cash loans (non-bank)	1,632	109
Mixed portfolios	21,026	19,501
	<u>1,449,927</u>	<u>1,366,537</u>

PLN '000

	Jun 30 2015 unaudited	Dec 31 2014
Poland	1,075,060	1,170,537
Romania	412,892	270,065
Czech Republic	84,703	37,605
	1,572,655	1,478,207

12. 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.

Total investments in debt portfolios purchased by the Company in H2 2015 were PLN 220,526 thousand. In the corresponding period of the previous year, investments in debt portfolios purchased totalled PLN 313,308 thousand.

As at June 30th 2015, the amount of the Group's investments in debt portfolios accounted for 90% of its assets. Equity accounts for 42% of the financing of the Group's operations.

On June 8th 2015, Kruk S.A. completed the allotment of Series Z1 unsecured coupon bearer bonds. 100,000 bonds were allotted as part of the issue, with the nominal value per bond equal to the issue price of PLN 1,000 (with the total value of the bonds amounting to PLN 100m).

On June 8th 2015, Kruk S.A. completed the allotment of Series W1 unsecured coupon bearer bonds, issued under the Second Public Bond Issue Programme. 133,599 bonds were allotted as part of the issue, with the nominal value per bond equal to the issue price of PLN 100 (with the total value of the bonds amounting to PLN 13,359,900).

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

On January 5th 2015, KRUK S.A. repurchased PLN 17,000 thousand worth of unsecured Series I3 bonds.

On March 21st 2015, KRUK S.A. repurchased some of the unsecured Series M1 bonds worth PLN 12,000 thousand. It was a partial obligatory redemption as part of periodic amortisation (10% of the par value of the issue) in accordance with the Terms and Conditions of the Series M1 Bonds and the Terms and Conditions of the Series N1 Bonds (after the issue, Series M1 Bonds and Series N1 Bonds were assimilated).

On May 5th 2015, the KRUK Management Board passed resolutions to issue up to 100,000 Series Z1 bonds. Under the Resolution, the Company resolved to issue up to 100,000 unsecured bearer Series Z1 bonds of the Company with a nominal value of PLN 1,000 per bond, maturing 72 months after the allotment date.

On May 7th 2015, the KRUK Management Board passed resolutions to issue up to 200,000 Series W1 bonds. In accordance with the requirement stipulated in Art. 54.3 of the Public Offering Act, the Company announces that the Bonds will be offered at the issue price equal to the nominal value of PLN 100 per bond, with the total nominal value of the Bonds not greater than PLN 20,000,000.

On July 2nd 2015, KRUK S.A. and its subsidiary PROKURA NS FIZ entered into a trilateral agreement with mBank Spółka Akcyjna on a revolving credit facility for the total amount of up to PLN 100,000 thousand, to be applied towards financing or refinancing debt portfolios purchased by the borrower, up to 75% of the

price/price instalment paid in respect of a portfolio. The Bank made the facility available to the borrower for the period from July 2nd 2015 to July 1st 2020.

The facility amount will be PLN 100,000 thousand in the period from July 2nd 2015 to January 1st 2018, and from January 2nd 2018 until July 1st 2020 it will be reduced quarterly, by PLN 10,000 thousand in the first six quarters and by PLN 8,000 thousand in the remaining four quarters.

The borrower must repay the facility by the final repayment date, together with all accrued interest, fees and commissions and other costs payable under the facility agreement. The facility will be repaid in quarterly instalments.

In connection with the credit facility agreement, on July 2nd 2015, KRUK S.A. concluded a surety agreement with the bank. Under the surety agreement, KRUK S.A. issued a surety covering the borrower's liabilities towards the bank arising under the credit facility agreement, becoming a joint and several debtor in respect of the liabilities. The surety was issued for up to PLN 150,000 thousand. The surety will expire not later than on July 1st 2023.

In connection with the credit facility agreement, on July 2nd 2015, PROKURA NS FIZ concluded a financial pledge agreement with the bank, under which a pledge was created over the rights to funds in PROKURA NS FIZ's bank account. The financial pledge will expire upon the expiry of the security period, but not later than on July 1st 2023.

On August 21, 2015. Conducted repurchase and cancellation of part of the investment certificates PROKURA NS FIZ. The redemption and amortization related to 63 820 investment certificates, series C unit value of 15.56 zł, 495 294 investment certificates AI series with a unit value of 15.56 zł, 726 233 investment certificates AJ series with a unit value of 15.56 zł. Repurchased and canceled certificates were 100% covered by the subsidiary Secapital Sarl based in Luxembourg.

14. Dividend paid (or declared)

On February 18th 2015, the Management Board of KRUK S.A. passed a resolution to propose to the Company's Annual General Meeting that a dividend of PLN 1.5 per share be distributed to shareholders from the net profit earned in the period January 1st–December 31st 2014.

The proposal concerning the dividend payment and dividend amount was prepared taking into account the KRUK Group's current financial standing, as well as its further growth strategy, plans and prospects.

The Management Board may propose distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial standing.

On March 13th 2015, the Company's Supervisory Board passed a resolution on the assessment of the Management Board's proposal concerning the allocation of KRUK S.A.'s net profit for 2014. The Supervisory Board issued a positive assessment of the proposal, in which the Management Board recommended that the 2014 net profit be distributed as a dividend of PLN 1.50 per share to the Company's shareholders, with the balance allocated to statutory reserve funds.

On June 23rd 2015, the Annual General Meeting of KRUK S.A. passed Resolution No. 5/2015 on the allocation of KRUK S.A.'s 2014 net profit in line with the Management Board's recommendation.

The Annual General Meeting resolved that the net profit for the financial year from January 1st to December 31st 2014, of PLN 311,382,376.38, would be distributed to shareholders as a dividend of PLN 1.50 per share (in the total amount of PLN 25,937,659.50), with the balance of PLN 285,444,716.88 allocated to statutory reserve funds.

In the resolution the dividend record date was set for July 1st 2015, and the dividend payment date for July 24th 2015. The dividend was paid on 17,291,773 KRUK S.A. shares.

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

On July 29th 2015, KRUK Deutschland GmbH of Berlin, a subsidiary of KRUK S.A., entered into a framework debt purchase agreement with Commerz Finanz GmbH. Under the agreement, the assignor will sell to the Company, on a monthly basis, its retail debt from banking activities. The total nominal value of the debt is estimated at approximately EUR 37.5m (PLN 155.45m, translated at the mid rate quoted by the NBP for July 29th 2015). The agreement specifies framework terms and conditions for the sale of debt, in each case executed after an offer is made by the bank. The Agreement was concluded for an indefinite term.

On July 31st 2015, the Management Board of KRUK S.A. was notified that KRUK Romania S.R.L., a subsidiary of KRUK S.A., was selected by International Finance Corporation of Washington, USA, as an operating partner for a potential investment project involving the establishment (jointly with other entities) of an SPV to negotiate a purchase of unsecured retail debts. If the project materializes, the investment expenditure estimated by KRUK S.A. will exceed 10% of the KRUK Group's revenue for the previous four financial quarters.

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

Security for future liabilities

The bank guarantee agreement executed by KRUK S.A. and Bank Zachodni WBK S.A. on January 14th 2013 expired on March 31st 2015. The agreement, valid period from January 25th 2013 to March 31st 2015, secured 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. The guarantee amount was EUR 168,000.00.

The bank guarantee agreement executed by KRUK S.A. and Bank Zachodni WBK S.A. on February 18th 2013 expired on February 24th 2015. The agreement, valid from February 25th 2013 to February 24th 2015, secured the payment of liabilities towards DEVCO Sp. z o.o. under an office space lease agreement between KRUK S.A. and DEVCO Sp. z o.o. The guarantee amount was EUR 135,420.75

Following the execution, on October 3rd 2014, of a revolving credit facility agreement between KRUK S.A. and BNP Paribas Bank Polska S.A., on March 11th 2015 KRUK S.A., the bank and SeCapital S.à.r.l. executed an agreement to establish a financial pledge under Luxembourg law over shares in SeCapital S.à.r.l. compartment. The pledge secures the Bank's claims under the agreement, i.e. the principal amount of up to PLN 30m plus interest, fees and commissions, and expenses (if any). As at March 31st 2015, a pledge existed over 24,385 Class D shares in Secapital S.à.r.l., with a carrying amount in KRUK S.A.'s accounting books of PLN 26,823,500.

In connection with the credit facility agreement, on July 2nd 2015 KRUK S.A. entered into a surety agreement with the bank. Under the surety agreement, KRUK S.A. issued a surety covering the borrower's liabilities towards the bank arising under the credit facility agreement, becoming a joint and several debtor in respect of the liabilities. The surety was issued for up to PLN 150,000 thousand. The surety will expire not later than on July 1st 2023.

In connection with the credit facility agreement, on July 2nd 2015, PROKURA NS FIZ concluded a financial pledge agreement with the bank, under which a pledge was created over the rights to funds in PROKURA NS FIZ's bank account. The financial pledge will expire upon the expiry of the security period, but not later than on July 1st 2023.

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

Katarzyna Racziewicz
Person responsible for maintaining
the accounting records

Wrocław, August 27th 2015

III. Interim condensed separate financial statements for the period January 1st–June 30th 2015, prepared in accordance with the IFRS as endorsed by the EU

Interim condensed separate statement of financial position

As at June 30th 2015

PLN '000

	Note	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Assets				
Cash and cash equivalents		6,703	24,515	7,451
Trade receivables from related entities		27,247	9,889	19,309
Trade receivables from other entities		3,635	4,120	3,450
Investments in debt portfolios and loans	5	74,228	119,237	121,904
Other receivables		4,886	161,108	9,621
Inventories		208	282	183
Property, plant and equipment		12,940	12,125	12,612
Intangible assets		10,191	9,639	9,608
Deferred tax asset		5,568	3,449	3,059
Investments in subsidiaries		1,147,203	941,496	944,675
Other assets		1,146	1,666	1,170
Total assets		1,293,955	1,287,526	1,133,042
Equity and liabilities				
Liabilities				
Hedge derivatives		1,567	2,668	1,993
Trade and other payables		19,942	14,414	22,393
Employee benefit obligations		19,101	18,716	15,896
Current tax liability		-	1,724	-
Liabilities under borrowings and other debt instruments	6.6	864,848	785,126	807,947
Total liabilities		905 458	822,648	848,229
Equity				
Share capital		17,292	17,110	17,023
Share premium		60,257	53,249	49,876
Cash flow hedging reserve		-	-	(1,993)
Other capital reserves		64,130	55,624	51,462
Retained earnings		246,818	338,895	168,445
Total equity		388,497	464,878	284,813
Total equity and liabilities		1,293,955	1,287,526	1,133,042

Interim condensed separate statement of profit or loss

For the reporting period from January 1st to June 30th 2015

PLN '000

	<i>Note</i>	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revenue	6.1	51,546	51,318
Other income		581	717
Merchandise and materials sold		-	-
Employee benefits expense	6.2	(52,054)	(38,049)
Depreciation and amortisation expense		(4,061)	(3,801)
Services		(14,143)	(13,861)
Other expenses		(10,713)	(13,129)
		<u>(80,971)</u>	<u>(68 840)</u>
Operating loss		(28,844)	(16,805)
Finance income	6.3	2,284	194,430
Finance costs	6.4	(41,696)	(37,470)
Net finance income/(costs)		(39,412)	156,960
Profit/(loss) before tax		(68,256)	140,155
Income tax	6.5	2,117	777
Net profit/(loss) for the period		(66,139)	140,932
Earnings/(loss) per share			
Basic (PLN)		(3.90)	8.31
Diluted (PLN)		(3.86)	8.22

Interim condensed separate statement of comprehensive income

For the reporting period from January 1st to June 30th 2015

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Net profit for the period	(66,139)	140,932
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	(66,139)	138,939
Comprehensive income per share		
Basic (PLN)	(3.85)	8.19
Diluted (PLN)	(3.70)	7.98

Interim condensed separate statement of changes in equity

For the reporting period from January 1st to June 30th 2015

PLN '000

	Share capital	Share premium	Cash flow hedging reserve	Other capital reserves	Retained earnings
Equity as at Jan 1 2014	16,959	47,381	(634)	48,289	27,513
Net profit for the period	-	-	-	-	140,932
- Valuation of hedging instruments			(1,359)		
Total other comprehensive income			(1,359)		
Total comprehensive income for the period	-	-	(1,359)	-	140,932
Contributions from and distributions to owners					
- Share-based payments	-	-	-	3,173	-
- Issue of shares	64	2,495			
Total contributions from and distributions to owners	64	2,495	-	3,173	-
Total equity as at Jun 30 2014	17,023	49,876	(1,993)	51,462	168,445
Equity as at Jan 1 2014	16,959	47,381	(634)	48,289	27,513
Comprehensive income for the period					
Net profit for the period	-	-	-	-	311,382
Other comprehensive income					
- Valuation of hedging instruments	-	-	634	-	-
Total other comprehensive income	-	-	634	-	-
Total comprehensive income for the period	-	-	634	-	311,382
Contributions from and distributions to owners	-	-	-	-	-
- Share-based payments	-	-	-	7,335	-
- Issue of shares	151	5,868	-	-	-
Total contributions from and distributions to owners	151	5,868	-	7,335	-
Total equity as at Dec 31 2014	17,110	53,249	-	55,624	338,895
Equity as at Jan 1 2015	17,110	53,249	-	55,624	338,895
Comprehensive income for the period					
Net profit for the period	-	-	-	-	(66,139)
Payment of dividend					(25,938)
Total comprehensive income for the period	-	-	-	-	(92,077)
Contributions from and distributions to owners					
- Share-based payments	-	-	-	8,506	-
- Issue of shares	182	7,008	-	-	-
Total contributions from and distributions to owners	182	7,008	-	8,506	-
Total equity as at Jun 30 2015	17,292	60,257	-	64,130	246,818

Interim condensed separate statement of cash flows

For the reporting period from January 1st to June 30th 2015

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Cash flows from operating activities		
Net profit/(loss) for the period	(66,139)	140,932
<i>Adjustments</i>		
Depreciation of property, plant and equipment	2,326	2,230
Amortisation of intangible assets	1,735	1,573
Net finance (income)/costs	38,332	(156,618)
(Gain)/loss on sale of property, plant and equipment	(206)	(167)
Equity-settled share-based payment transactions	8,506	3,173
Income tax	(2,117)	(777)
Change in other current investments	(5,605)	(1,511)
Change in debt portfolios purchased	4,412	(1,271)
Change in inventories	74	89
Change in receivables	136,939	(1,963)
Change in prepayments and accrued income	519	(5)
Change in current liabilities	5,532	3,615
Change in employee benefit obligations	385	(265)
Income tax paid	(2,180)	(49)
Net cash from operating activities	122 513	(11,014)
Cash flows from investing activities		
Interest received	29	101
Loans advanced	(37,311)	(12,750)
Sale of intangible assets and property, plant and equipment	228	166
Dividend received	500	184,096
Disposal of financial assets	38,543	64,118
Other capital expenditure on related entities	-	-
Purchase of intangible assets and property, plant and equipment	(3,233)	(2,107)
Acquisition of financial assets	(244,248)	(348,572)
Repayment of loans advanced	66,434	-
Net cash from investing activities	(179 058)	(114,948)
Cash flows from financing activities:		
Net proceeds from issue of shares	7,189	2 561
Proceeds from issue of debt securities	113,360	-
Increase in borrowings	370,402	479,034
Repayment of borrowings	(400,225)	(275,886)
Payments under finance lease agreements	(1,634)	(1,453)
Redemption of debt securities	(29,000)	(53,400)
Interest paid	(21,359)	(23,077)
Net cash from financing activities	38 733	127,779
Total net cash flows	(17 812)	1,817
Cash and cash equivalents at beginning of period	24 515	5,634
Cash and cash equivalents at end of period	6,703	7,451

Notes to the interim separate consolidated financial statements

1. Company details

Name

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

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

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

Date of 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 2015, with the comparative data presented for the period from January 1st to June 30th 2014. The interim condensed separate statement of financial position was prepared as at June 30th 2015, while the comparative data was presented as at June 30th 2014 and December 31st 2014. The interim condensed separate statement of changes in equity was prepared for the period from January 1st to June 30th 2015, while the comparative periods were the six-month period from January 1st 2014 to June 30th 2014, and the twelve-month period from January 1st 2014 to December 31st 2014.

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 2014, and KRUK S.A.'s separate financial statements and the Group's consolidated financial statements as at and for the year ended December 31st 2014.

These interim condensed separate financial statements were approved by the Company's Management Board (the "Management Board") on August 27th 2015.

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 2014.

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).

For a discussion of changes to the applicable standards and interpretations, see the interim condensed consolidated financial statements.

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 2014.

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. For the effect of changes to estimates of forecast recoveries from debt portfolios, see Note 6.

Other information

These interim condensed separate financial statements should be read in conjunction with the interim condensed consolidated financial statements of the KRUK Group as at June 30th 2015 and for the period January 1st–June 30th 2015.

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 incurred no expenditure on debt portfolio purchases (H1 2014: PLN 3,142 thousand), while cash recoveries amounted to PLN 26,084 thousand (H1 2014: PLN 25,074 thousand). For a description of changes in the estimates of the debt portfolios value see Note 10 to the interim condensed consolidated financial statements. Please refer to the consolidated financial statements for details on the purchased debt portfolios.

PLN '000

	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Investments			
Financial assets at fair value through profit or loss	35,856	39,884	48,976
Financial assets measured at amortised cost	2,716	2,939	-
Other investments	-	161	-
Loans advanced to related entities	16,570	62,772	41,399
Loans advanced to other entities	19,086	13,481	10,699
	<u>74,228</u>	<u>119,237</u>	<u>101,074</u>

Investments in debt portfolios measured at fair value	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Current portion of investments in debt portfolios	20,900	22,531	28,146
Non-current portion of investments in debt portfolios	14,956	17,353	20,830
	<u>35,856</u>	<u>39,884</u>	<u>48,976</u>

Investments in debt portfolios measured at amortised cost	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Current portion of investments in debt portfolios	1,110	1,163	-
Non-current portion of investments in debt portfolios	1,606	1,776	-
	<u>2,716</u>	<u>2,939</u>	<u>-</u>

PLN '000

Purchased debt portfolios as at Jan 1 2014	47,894
Purchase of debt portfolios	3,513
Cash recoveries	(52,098)
Revenue from debt purchase (interest and revaluation)	43 514
Purchased debt portfolios as at Dec 31 2014	<u>42,823</u>
Purchased debt portfolios as at Jan 1 2015	42,823
Purchase of debt portfolios	-
Sale of debt portfolios	-
Cash recoveries	(26,084)
Revenue from debt purchase (interest and revaluation)	21 833
Purchased debt portfolios as at Jun 30 2015	<u>38,572</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

1. Revenue

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revenue from debt purchase	21,833	23,014
Revenue from credit management	25,685	25,964
Revenue from other services	4,028	2,340
	<u>51,546</u>	<u>51,318</u>

Revenue from debt purchase

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest income adjusted for actual recoveries	17,240	15,928
Revaluation of debt portfolios	4,593	7,086
	21,833	23,014

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revision of forecast	4,695	6,892
Change due to change in discount rate	(102)	194
	4,593	7,086

Revenue from debt purchase includes:

Revenue from debt portfolios measured at fair value

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest income adjusted for actual recoveries	16,288	15,928
Revaluation of debt portfolios	4,534	7,086
	20,822	23,014

Revaluation of debt portfolios measured at fair value

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revision of forecast	4,636	6,892
Change due to change in discount rate	(102)	194
	4,534	7,086

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;
- changes in currency exchange rates against PLN (for debt portfolios purchased abroad).

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

Revenue from debt portfolios measured at amortised cost

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest income adjusted for actual recoveries	952	-
Revaluation of debt portfolios	59	-
	1,011	-

Revaluation of debt portfolios measured at amortised cost

PLN '000

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Revision of forecast	59	-
	59	-

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

2. Employee benefits expense

<i>PLN '000</i>	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Salaries and wages	(35,883)	(28,656)
Other social security contributions	(2,826)	(2,250)
Old-age and disability pension contributions (defined contribution plans)	(4 449)	(3,542)
Equity-settled share-based payments	(8,506)	(3,173)
Contribution to the State Fund for the Disabled	(390)	(428)
	<u>(52,054)</u>	<u>(38,049)</u>

For details of the management stock option plan, see the Directors' Report.

3. Finance income

<i>PLN '000</i>	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Dividend income	721	191,549
Interest income on loans advanced	1,372	2,148
Interest income on bank deposits	29	101
Net foreign exchange gains/(losses)	162	632
	<u>2,284</u>	<u>194,430</u>

4. Finance costs

	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Interest expense on financial liabilities measured at amortised cost	(20,228)	(23,793)
Net foreign exchange gains/(losses)	-	-
Remeasurement of investments	(21,468)	(13,677)
	<u>(41,696)</u>	<u>(37,470)</u>

5. Income tax

<i>PLN '000</i>	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Current income tax	-	-
Current income tax expense	-	-
Deferred income tax	(2,117)	(777)
Origination/reversal of temporary differences	(2,117)	(777)
Tax expense in profit/(loss)	(2,117)	(777)

<i>PLN '000</i>	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2014 unaudited
Profit/(loss) before tax	(68,256)	140,155
Income tax at the 19% statutory rate applicable in Poland (comparative period: 19%)	(12,969)	26,629
Non-tax-deductible expenses	10,852	10,875
Tax-exempt income	-	(36,728)
Income tax at the 19% effective tax rate (2013: 19%)	(2,117)	777

6. Borrowings and finance lease liabilities

<i>PLN '000</i>	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Non-current liabilities			
Secured borrowings	227,339	258,965	268,162
Liabilities under debt securities (unsecured)	475,375	470,633	437,676
Finance lease liabilities	4,971	4,697	5,646
	707,685	734,295	711,484
Current liabilities			
Current portion of secured borrowings	25,572	28,835	9,788
Liabilities under debt securities (unsecured)	97,350	18,859	83,754
Current portion of finance lease liabilities	8,303	3,136	2,921
Dividend payable	25,938	-	-
	157,163	50,830	96,463

<i>PLN '000</i>	Currency	Nominal interest rate	Maturity year	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Borrowings secured on the Group's assets	PLN	1M WIBOR + margin of 1.0-4.25 pp	2024	252,911	287,799	277,950
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin 3.5-5.0 pp	2018	572,725	489,492	521,430
Finance lease liabilities	PLN EUR	3M WIBOR or 1M EURIBOR + margin	2018	13,274	7,834	8,567
		0.68-4.0 pp		838,910	785,126	807,947

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

As at June 30th 2015

PLN '000

	Jun 30 2015 unaudited	Dec 31 2014	Jun 30 2014 unaudited
Assets			
Non-current assets			
Property, plant and equipment	12,940	12,125	12,612
Intangible assets	10,191	9,639	9,608
Investments in debt portfolios	16,562	25,600	20,830
Investments in subsidiaries	1,147,203	941,496	944,675
Deferred tax asset	5,568	3,449	3,059
Total non-current assets	1 192 464	992,309	990,784
Current assets			
Inventories	208	282	183
Investments in debt portfolios and loans	57,666	93,637	101,074
Trade receivables from related entities	27,247	9,889	19,309
Trade receivables from other entities	3,635	4,120	3,450
Current tax asset	-	-	-
Other receivables	4,886	161,108	9,621
Other assets	1,146	1,666	1,170
Cash and cash equivalents	6,703	24,515	7,451
Total current assets	101 491	295,217	142,258
Total assets	1,293,955	1,287,526	1,133,042
Equity and liabilities			
Equity			
Share capital	17,292	17,110	17,023
Share premium	60,257	53,249	49,876
Cash flow hedging reserve	-	-	(1,993)
Other capital reserves	64,130	55,624	51,462
Retained earnings	246,818	338,895	168,445
Total equity	388,497	464,878	284,813
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	707,685	734,296	711,484
Hedge derivatives	1,567	2,668	1,993
Total non-current liabilities	709,252	736,964	713,477
Current liabilities			
Current liabilities under borrowings and other debt instruments	157,163	50,830	96,463
Trade and other payables	19,942	14,414	22,393
Current tax liability	-	1,724	-
Employee benefit obligations	19,101	18,716	15,896
Total current liabilities	196,206	85,684	134,752
Total liabilities	905,458	822,648	848,229
Total equity and liabilities	1,293,955	1,287,526	1,133,042

8. Related-party transactions concluded by the Parent

Parent's transactions with subsidiaries as at June 30th 2015

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

PLN '000	Liabilities	Receivables	Loans advanced	Interest accrued on loans advanced
Secapital S.a.r.l	950	5,188	-	-
ERIF Business Solution Sp. z o.o	-	7	2,535	212
Novum Finance Sp. z o.o. (in liquidation)	406	41	-	-
Secapital Polska Sp. z o.o.	-	1	50	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	982	347	-	-
KRUK Romania S.r.l.	559	2,640	24,387	255
Rejestr Dłużników ERIF BIG S.A.	34	302	170	84
NFIZ PROKURA	2,019	10,698	-	-
KRUK Česká a Slovenská republika s.r.o.	126	2,601	14,087	3,472
KRUK TFI	-	2,636	-	-
InvestCapital Malta Ltd.	-	-	15,640	589
Kruk Deustschland GmbH	-	138	-	-
	5,076	24,599	56,869	4,612

Revenue from mutual transactions

PLN '000	Revenue from sale of materials and services	Revenue from sale of debt collection services	Interest and dividends
Secapital S.a.r.l	-	729	-
ERIF Business Solution Sp. z o.o	37	-	77
Novum Finance Sp. z o.o. (in liquidation)	24	-	-
Secapital Polska Sp. z o.o.	8	-	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	556	-	721
KRUK Romania S.r.l.	644	-	255
Rejestr Dłużników ERIF BIG S.A.	174	-	3
NFIZ PROKURA	-	7,538	-
KRUK TFI	-	8,934	-
KRUK Česká a Slovenská republika s.r.o.	192	-	309
InvestCapital Malta Ltd.	-	-	728
	1,635	17,201	2,093

Costs of mutual transactions

PLN '000

	Purchase of debt collection services
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	1,304
KRUK Romania S.r.l.	3,113
Rejestr Dłużników ERIF BIG S.A.	181
KRUK Česká a Slovenská republika s.r.o.	123
	<u>4,721</u>

Parent's transactions with its subsidiaries as at June 30th 2014

Balance of liabilities, receivables and loans as at the reporting 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.	4,465	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

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 Solutions 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
NSFIZ PROKURA	-	16,173	-
NSFIZ 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>	Purchase of debt collection services
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>

7. Fair value

<i>PLN '000</i>		Jun 30 2015 unaudited		Dec 31 2014	
	<i>Notes</i>	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	5	35,856	35,856	39,884	39,884
Hedge derivatives		1,567	1,567	2,668	2,668
		<u>37,423</u>	<u>37,423</u>	<u>42,552</u>	<u>42,552</u>
Financial assets and liabilities not measured at fair value					
Financial assets measured at amortised cost	5	2,530	2,716	2,939	2,783
Loans	5	19,094	19,094	76,253	76,253
Receivables		35,768	35,768	175,117	175,117
Cash and cash equivalents		6,703	6,703	24,515	24,515
Secured bank borrowings	6.6	(252,911)	(252,911)	(287,799)	(287,799)
Unsecured bonds in issue	6.6	(572,725)	(572,725)	(489,492)	(489,492)
Finance lease liabilities	6.6	(13,274)	(13,274)	(7,835)	(7,835)
Trade and other payables		(19,942)	(19,942)	(14,414)	(14,414)
		<u>(794,757)</u>	<u>(794,571)</u>	<u>(520,716)</u>	<u>(520,872)</u>

Hierarchy of financial instruments measured at fair value

PLN '000

	Jun 30 2015		Level 2
Hedge derivatives			1,567
Total			1,567

PLN '000

	Jun 30 2014		Level 2
Hedge derivatives			1,993
Total			1,993

The fair value of interest rate swap contracts is determined by reference to the future cash flows under the contracts calculated based on the difference between the projected 3M WIBOR and the actual 3M WIBOR as at the transaction date. In calculating the fair value, the Group uses 3M WIBOR projections provided by an external firm.

PLN '000

	Jun 30 2015		Level 3
Financial assets at fair value through profit or loss			35,856
Total			35,856

PLN '000

	Jun 30 2014		Level 3
Financial assets at fair value through profit or loss			48,976
Total			48,976

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

There were no transfers between fair value hierarchy levels.

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

As at June 30th 2015, the amount of the Company's investments in debt portfolios accounted for 2.9% of its assets. Equity accounts for 45% of the financing of the Company's operations.

On June 8th 2015, Kruk S.A. completed the allotment of Series Z1 unsecured coupon bearer bonds. 100,000 bonds were allotted as part of the issue, with the nominal value per bond equal to the issue price of PLN 1,000 (with the total value of the bonds amounting to PLN 100m).

On June 8th 2015, Kruk S.A. completed the allotment of Series W1 unsecured coupon bearer bonds, issued under the Second Public Bond Issue Programme. 133,599 bonds were allotted as part of the issue, with the nominal value per bond equal to the issue price of PLN 100 (with the total value of the bonds amounting to PLN 13,359,900).

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

On January 5th 2015, KRUK S.A. repurchased PLN 17,000 thousand worth of unsecured Series I3 bonds.

On March 21st 2015, KRUK S.A. repurchased some of the unsecured Series M1 bonds worth PLN 12,000 thousand. It was a partial obligatory redemption as part of periodic amortisation (10% of the par value of the issue) in accordance with the Terms and Conditions of the Series M1 Bonds and the Terms and Conditions of the Series N1 Bonds (after the issue, Series M1 Bonds and Series N1 Bonds were assimilated).

On May 5th 2015, the KRUK Management Board passed resolutions to issue up to 100,000 Series Z1 bonds. Under the Resolution, the Company resolved to issue up to 100,000 unsecured bearer Series Z1 bonds of the Company with a nominal value of PLN 1,000 per bond, maturing 72 months after the allotment date.

On May 7th 2015, the KRUK Management Board passed resolutions to issue up to 200,000 Series W1 bonds. In accordance with the requirement stipulated in Art. 54.3 of the Public Offering Act, the Company announces that the Bonds will be offered at the issue price equal to the nominal value of PLN 100 per bond, with the total nominal value of the Bonds not greater than PLN 20,000,000.

On July 2nd 2015, KRUK S.A. and its subsidiary PROKURA NS FIZ entered into a trilateral agreement with mBank Spółka Akcyjna on a revolving credit facility for the total amount of up to PLN 100,000 thousand, to be applied towards financing or refinancing debt portfolios purchased by the borrower, up to 75% of the price/price instalment paid in respect of a portfolio. The Bank made the facility available to the borrower for the period from July 2nd 2015 to July 1st 2020.

The facility amount will be PLN 100,000 thousand in the period from July 2nd 2015 to January 1st 2018, and from January 2nd 2018 until July 1st 2020 it will be reduced quarterly, by PLN 10,000 thousand in the first six quarters and by PLN 8,000 thousand in the remaining four quarters.

The borrower must repay the facility by the final repayment date, together with all accrued interest, fees and commissions and other costs payable under the facility agreement. The facility will be repaid in quarterly instalments.

In connection with the credit facility agreement, on July 2nd 2015, KRUK S.A. entered into a surety agreement with the bank. Under the surety agreement, KRUK S.A. issued a surety covering the borrower's liabilities towards the bank arising under the credit facility agreement, becoming a joint and several debtor in respect of the liabilities. The surety was issued for up to PLN 150,000 thousand. The surety will expire not later than on July 1st 2023.

In connection with the credit facility agreement, on July 2nd 2015, PROKURA NS FIZ concluded a financial pledge agreement with the bank, under which a pledge was created over the rights to funds in PROKURA NS FIZ's bank account. The financial pledge will expire upon the expiry of the security period, but not later than on July 1st 2023.

10. Dividend paid (or declared)

On February 18th 2015, the Management Board of KRUK S.A. passed a resolution to propose to the Company's Annual General Meeting that a dividend of PLN 1.5 per share be distributed to shareholders from the net profit earned in the period January 1st–December 31st 2014.

The proposal concerning the dividend payment and dividend amount was prepared taking into account the KRUK Group's current financial standing, as well as its further growth strategy, plans and prospects.

The Management Board may propose distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial standing.

On March 13th 2015, the Company's Supervisory Board passed a resolution on the assessment of the Management Board's proposal concerning the allocation of KRUK S.A.'s net profit for 2014. The Supervisory Board issued a positive assessment of the proposal, in which the Management Board recommended that the 2014 net profit be distributed as a dividend of PLN 1.50 per share to the Company's shareholders, with the balance allocated to statutory reserve funds.

On June 23rd 2015, the Annual General Meeting of KRUK S.A. passed Resolution No. 5/2015 on the allocation of KRUK S.A.'s 2014 net profit in line with the Management Board's recommendation.

The Annual General Meeting resolved that the net profit for the financial year from January 1st to December 31st 2014, of PLN 311,382,376.38, would be distributed to shareholders as a dividend of PLN 1.50 per share (in the total amount of PLN 25,937,659.50), with the balance of PLN 285,444,716.88 allocated to statutory reserve funds.

In the resolution the dividend record date was set for July 1st 2015, and the dividend payment date for July 24th 2015. The dividend was paid on 17,291,773 KRUK S.A. shares.

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

For a discussion of events subsequent to the reporting date, see Note 9.

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

Security for future liabilities

The bank guarantee agreement executed by KRUK S.A. and Bank Zachodni WBK S.A. on January 14th 2013 expired on March 31st 2015. The agreement, valid period from January 25th 2013 to March 31st 2015, secured 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. The guarantee amount was EUR 168,000.00.

The bank guarantee agreement executed by KRUK S.A. and Bank Zachodni WBK S.A. on February 18th 2013 expired on February 24th 2015. The agreement, valid from February 25th 2013 to February 24th 2015, secured the payment of liabilities towards DEVCO Sp. z o.o. under an office space lease agreement between KRUK S.A. and DEVCO Sp. z o.o. The guarantee amount was EUR 135,420.75

Following the execution, on October 3rd 2014, of a revolving credit facility agreement between KRUK S.A. and BNP Paribas Bank Polska S.A., on March 11th 2015 KRUK S.A., the bank and SeCapital S.à.r.l. executed an agreement to establish a financial pledge under Luxembourg law over shares in SeCapital S.à.r.l. compartment. The pledge secures the Bank's claims under the agreement, i.e. the principal amount of up to PLN 30m plus interest, fees and commissions, and expenses (if any). As at March 31st 2015, a pledge existed over 24,385 Class D shares in Secapital S.à.r.l., with a carrying amount in KRUK S.A.'s accounting books of PLN 26,823,500.

In connection with the credit facility agreement, on July 2nd 2015 KRUK S.A. entered into a surety agreement with the bank. Under the surety agreement, KRUK S.A. issued a surety covering the borrower's liabilities towards the bank arising under the credit facility agreement, becoming a joint and several debtor in respect of the liabilities. The surety was issued for up to PLN 150,000 thousand. The surety will expire not later than on July 1st 2023.

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

Katarzyna Raczekiewicz
Person responsible for maintaining
the accounting records

Wrocław, August 27th 2015

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

On June 29th 2015, Prokulus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokulus non-standard securitisation closed-end investment fund) was removed from the court register.

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, i.e. May 10th 2015

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
Piotr Krupa	2,069,662	11.97	2,069,662	11.97
Aviva OFE	1,676,165	9.69	1,676,165	9.69
ING PTE*	1,835,643	10.62	1,835,643	10.62
Generali OFE	1,545,000	8.93	1,545,000	8.93

(*) Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A. (**) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on May 28th 2014.

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	2,037,662	11.87	2,037,662	11.87
Aviva OFE	1,446,000	8.36	1,446,000	8.36
ING PTE*	1,950,000	11.28	1,950,000	11.28
Generali OFE	1,100,000	6.36	1,100,000	6.36

(*) Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A. (**) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on June 23rd 2015

Information concerning changes in the structure of large shareholdings

The following changes took place in the holdings of Company shares by significant shareholders of KRUK S.A. in the period from the issue of the previous quarterly report, i.e. the extended consolidated report for Q1 2015, to the date of issue of this interim report:

On May 21st 2015, the Company received a notification from Piotr Krupa, President of the Management Board of KRUK S.A. and a major shareholder in the Company, concerning sale transactions in KRUK S.A. shares executed on the Warsaw Stock Exchange, including ordinary transactions executed during trading sessions on May 14th 2015 in which he sold 7,000 shares at the average price of PLN 167 per share and a block trade on May 15th 2015 in which he sold 10,000 shares at the average price of PLN 163 per share.

On July 16th 2015, the Company received a notification from Piotr Krupa, President of the Management Board of KRUK S.A. and a major shareholder in the Company, concerning a block trade executed on the Warsaw Stock Exchange on July 16th 2015, in which he sold 15,000 KRUK S.A. shares at the average price of PLN 162 per share.

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	CEO and President of the Management Board	2,037,662
Urszula Okarma	Member of the Management Board	90,871
Agnieszka Kułton	Member of the Management Board	62,741
Iwona Słomska	Member of the Management Board	41,000
Michał Zasępa	Member of the Management Board	2,700
Tomasz Bieske	Member of the Supervisory Board	5,680

Apart from the change in the number of shares held by Piotr Krupa, President of the Management Board (see section 'Shareholding structure'), in the period from the issue of the previous interim report (the extended consolidated report for Q1 2015, published on May 10th 2015) to the date of issue of this interim report, there were also changes in the holdings of Company shares owned by Iwona Słomska, Urszula Okarma, Agnieszka Kułton, and Michał Zasępa.

On July 16th 2015, the Company received a notification from Iwona Słomska, given under Art. 160.1 of the Act on Trading in Financial Instruments, concerning transactions in KRUK S.A. shares in which she sold 4,260 shares at the average price of PLN 160.10 per share and 2,997 shares at the average price of PLN 160.37 per share. The shares were sold in ordinary transactions executed during trading sessions on the Warsaw Stock Exchange on July 10th 2015 and July 13th 2015, respectively.

On July 16th 2015, the Company received a notification from Michał Zasępa, given under Art. 160.1 of the Act on Trading in Financial Instruments, concerning an ordinary transaction executed during a trading session on the Warsaw Stock Exchange on July 15th 2015 in which he sold 3,000 KRUK S.A. shares at the average price of PLN 166.52.

On July 16th 2015, the Company received a notification from Agnieszka Kułton, given under Art. 160.1 of the Act on Trading in Financial Instruments, concerning a block trade executed on the Warsaw Stock Exchange on July 15th 2015 in which she sold 15,000 KRUK S.A. shares at the average price of PLN 162.00.

On July 16th and July 17th 2015, the Company received notifications from Urszula Okarma, given under Art. 160.1 of the Act on Trading in Financial Instruments, concerning transactions in KRUK S.A. shares in which she sold 12,000 shares at the average price of PLN 162.00 per share and 30,000 shares at the average price of PLN 168.00 per share. The shares were sold in block trades on the Warsaw Stock Exchange on July 15th 2015 and July 17th 2015, respectively.

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 2015, published on May 10th 2015) to the date of issue of this interim report, i.e. August 31st 2015.

Incentive Scheme at KRUK S.A.

Incentive scheme for 2011-2014

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 passed 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 the Scheme, eligible persons will have the right to acquire Company shares on preferential terms, set forth in the Resolution and in the Rules of the Incentive Scheme. The eligible persons comprise members of the Management Board (excluding the President), 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 acquire/subscribe for subscription warrants is made.

In connection with the Incentive Scheme, the Extraordinary General Meeting approved a conditional share capital increase of up to PLN 845,016 through an issue of up to 845,016 Series E ordinary bearer shares. The purpose of the conditional share capital increase is to grant the right to subscribe for Series E shares to holders of subscription warrants that will be issued under the Incentive Scheme. Holders of subscription warrants will be entitled to exercise their rights to subscribe for Series E Shares at an issue price equal to the issue price of Company shares in the initial public offering, i.e. PLN 39.70 per share, not earlier than six months after the acquisition of the subscription warrants and not later than on June 30th 2016.

Subscription warrants will be issued in four tranches, one for each year of the reference period, i.e. for the financial years 2011–2014.

Subscription warrants for a given financial year will be granted by the KRUK Supervisory Board on condition that two financial ratios reflecting the Group's consolidated results – EPS and EBITDA or ROE – reach predefined levels, according to the following criteria:

- Increase of EPS in the financial year preceding the year in which subscription warrants of a given Tranche are offered is no less than 17.5%;
- In the financial year preceding the year in which the subscription warrants are to be offered in a given tranche, EBITDA increases by at least 17.5%;
- ROE in the financial year preceding the year in which subscription warrants of a given Tranche are offered is no less than 20%.

Tranche 1

Under Tranche 1, eligible persons, including Management Board Members, were offered subscription warrants pursuant to the Supervisory Board's resolution of July 20th 2012 on assessment of the fulfilment of conditions set forth in the Incentive Scheme with a view to granting subscription warrants for performance of the Incentive Scheme provisions in 2011, and determining the list of eligible persons under Tranche 1 for 2011 and the list of persons eligible under Tranche 1 for 2011 from the Reserve Pool.

On this basis, in 2012 Eligible Persons, including Management Board Members, acquired 189,790 subscription warrants, of which 157,830 warrants had been converted into Series E Company shares by the issue date of these financial statements.

As at the issue date of these financial statements, persons eligible under Tranche 1 held a total of 31,960 subscription warrants, carrying the right to subscribe for the same number of Series E shares.

Tranche 2

On August 5th 2013, the KRUK Supervisory Board passed a resolution on assessment of the fulfilment of conditions set forth in the Incentive Scheme with a view to granting subscription warrants for performance of the Incentive Scheme provisions in 2012, and determining the list of eligible persons under Tranche 2 for 2012. The Supervisory Board established that the requirements set forth in the Incentive Scheme for granting the maximum number of subscription warrants in Tranche 2 for 2012 had been fulfilled, and determined the list of eligible persons in Tranche 2 for 2012 and the list of persons eligible in Tranche 2 for 2012 from the Reserve Pool.

Pursuant to the Resolution, the Supervisory Board allotted subscription warrants under the 2012 Management Stock Option Plan to the persons named in the lists, including Management Board Members. 201,758 subscription warrants were delivered to the eligible persons on October 1st 2013, of which 132,842 warrants had been converted into Series E Company shares by the issue date of these financial statements.

As at the issue date of these financial statements, persons eligible under Tranche 2 held a total of 68,916 subscription warrants, carrying the right to subscribe for the same number of Series E shares.

Tranche 3

On June 12th 2014, the KRUK Supervisory Board passed a resolution on assessment of the fulfilment of conditions set forth in the Incentive Scheme with a view to granting subscription warrants for performance of the Incentive Scheme provisions in 2013, and determining the list of eligible persons under Tranche 3 for 2013. The Supervisory Board established that the requirements set forth in the Incentive Scheme for granting the maximum number of subscription warrants in Tranche 3 for 2013 had been fulfilled, and determined the list of eligible persons in Tranche 3 for 2013 and the list of persons eligible in Tranche 3 for 2013 from the Reserve Pool.

Pursuant to the Resolution, the Supervisory Board allotted subscription warrants under the 2013 Management Stock Option Plan to the persons named in the lists, including Management Board Members. 190,651 subscription warrants were delivered to the eligible persons on June 26th 2014, of which 100,761 warrants were converted into Series E Company shares by the issue date of these financial statements.

As at the issue date of these financial statements, persons eligible under Tranche 3 held a total of 89,890 subscription warrants, carrying the right to subscribe for the same number of Series E shares.

Tranche 4

On July 3rd 2015, the KRUK Supervisory Board passed a resolution on assessment of the fulfilment of conditions set forth in the Incentive Scheme with a view to granting subscription warrants for performance of the Incentive Scheme provisions in 2014, and determining the list of eligible persons under Tranche 4 for 2014. The Supervisory Board established that the requirements set forth in the Incentive Scheme for granting the maximum number of subscription warrants in Tranche 4 for 2014 had been fulfilled, and determined the list of eligible persons in Tranche 4 for the year.

Pursuant to the Resolution, the Supervisory Board allotted subscription warrants under the 2014 Management Stock Option Plan to the persons named in the lists, including Management Board Members. 262,817 subscription warrants were delivered to the eligible persons on July 7th 2015.

As at the issue date of these financial statements, persons eligible under Tranche 4 held a total of 262,817 subscription warrants, carrying the right to subscribe for the same number of Series E shares.

Number of subscription warrants held by Management Board Members as at June 30th 2015

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	0
Agnieszka Kułton	Member of the Management Board	0
Iwona Słomska	Member of the Management Board	0
Michał Zasępa	Member of the Management Board	34,521

Number of subscription warrants held by Management Board Members as at the date of issue of this report, i.e. August 30th 2015.

Name and surname	Position	Number of warrants held under Tranches 1, 2, 3 and 4 for 2011, 2012, 2013 and 2014
Urszula Okarma	Member of the Management Board	16,130
Agnieszka Kułton	Member of the Management Board	16,130
Iwona Słomska	Member of the Management Board	14,880
Michał Zasępa	Member of the Management Board	61,651

Incentive scheme for 2015-2019

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

For the purposes of the 2015-2019 Scheme, the General Meeting approved a conditional share capital increase of up to PLN 847,950, through an issue of up to 847,950 Series F ordinary bearer shares. The objective of the conditional share capital increase is to grant the right to subscribe for Series F shares to holders of subscription warrants that will be issued under the 2015-2019 Scheme. Holders of the subscription warrants will be entitled to exercise the rights to subscribe for Series F Shares attached to subscription warrants at an issue price equivalent to the average closing price of Company shares on all

trading days in the period February 27th 2014 to May 27th 2014. Holders of subscription warrants who are not Management Board members will be entitled to exercise the rights to subscribe for Series F Shares attached to the subscription warrants not earlier than six months after the date of subscription for the subscription warrants, whereas Management Board members will be able to exercise these rights twelve months after the date of subscription (lock-up for subscription of Series F shares by holders of subscription warrants). Tranche 1 subscription warrants may not be exercised by their holders until at least 12 months after the subscription date. The right to subscribe for Series F shares may be exercised by holders of subscription warrants no later than on December 31st 2021.

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

Subscription warrants for a given financial year will be granted to eligible persons on the condition that the annual EPS, calculated based on the Group's consolidated financial statements, increases by no less than 13.00%.

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.

In its Resolution of September 8th 2014, the Supervisory Board determined and approved Rules for the Management Stock Option Scheme for 2015-2019.

On September 2nd 2014, the Management Board of KRUK S.A. determined the list of persons who are Members of the Company's Management Board and are eligible to participate in the 2015-2019 Stock Option Scheme (the "Base List of Management Board Members") and the list of persons who are not Members of the Company's Management Board but are eligible to participate in the 2015-2019 Stock Option Scheme (the "Base List of Non-Management Board Members").

The Company's Management Board Members hold no rights to KRUK shares other than those attached to the subscription warrants.

General Meeting

The Annual General Meeting of KRUK S.A. was held on June 23rd 2015. Apart from approving the full-year financial statements of the Company and the Group, and granting discharge in respect of performance of duties, the General Meeting also passed a resolution concerning distribution of KRUK S.A.'s net profit for 2014.

The Annual General Meeting resolved that the net profit for the financial year from January 1st to December 31st 2014, of PLN 311,382,376.38, would be distributed to shareholders as a dividend of PLN 1.50 per share (in the total amount of PLN 25,937,659.50), with the balance of PLN 285,444,716.88 allocated to statutory reserve funds.

In the resolution the dividend record date was set for July 1st 2015, and the dividend payment date for July 24th 2015. The dividend was paid on 17,291,773 KRUK S.A. shares.

4. Litigation, arbitration or administrative proceedings.

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

Litigation involving potential liabilities – five 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>
Action for voiding an assignment agreement due to the use of a prohibited clause	PLN 42,229,869.87	2014-10-20	Cimpoesu Marinela	We expect the action to be dismissed
Action for voiding an agreement	PLN 26,384,362.66	2014-08-04	Barbu Cristian	We expect the action to be dismissed
Action for voiding an agreement	PLN 22,614,649.22	2014-07-08	Susman Daniela	We expect the action to be dismissed
Action for voiding an assignment agreement due to the use of a prohibited clause	PLN 10,986,417.50	2015-03-19	Isac Daniel Alexandru	We expect the action to be dismissed
Action for voiding an agreement	PLN 10,986,417.50	2015-03-27	Petraru Nicuta	We expect the action to be dismissed

Litigation involving potential receivables – five largest cases

Subject matter	Value of claim [PLN]*	Date instigated	Parties	Kruk S.A.'s position
Bankruptcy proceedings	PLN 64,305,873.99	2015-02-26	PROKURA NSFIZ	Early stage of bankruptcy proceedings – preparation of the list of claims; the bankruptcy proceedings may be discontinued as the bankrupt has no assets.
Bankruptcy proceedings	PLN 30,828,937.83	2011-03-17	PROKURA NSFIZ	Security is created on an unfinished residential project in Libertów, near Kraków. The receiver filed a cassation complaint with the Supreme Administrative Court to challenge the decision cancelling the planning permit. The cassation complaint was granted.
Proceedings for payment	PLN 22,703,641.97	2014-08-22	PROKURA NSFIZ	Hearing date set for May 7th 2015. Proceedings pending against ZAKŁADY PRZETWÓRSTWA TWORZYW EKO-PET SPÓŁKA Z O.O. w upadłości (in bankruptcy) were suspended.
Bankruptcy proceedings	PLN 16,308,593.25	2011-05-31	PROKURA NSFIZ	Bankruptcy proceedings are pending; bankrupt's assets have been liquidated; the Fund's claims will not be satisfied.
Bankruptcy proceedings	PLN 16,298,062.55	2012-05-22	PROKURA NSFIZ	The fund 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 2015

	<i>Total number of cases</i>	<i>Total amount (PLN)</i>
Total number of court proceedings (including bankruptcy proceedings) instigated by the Group companies and total value of the Group's claims	250,976	5,502,245,996
Total number of enforcement proceedings instigated by the Group and total value of claims	581,261	7,857,784,747
Total number of court proceedings instigated against the Group and total value of claims	1,295	174,031,088

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. 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:

- The key element of the Group's communication policy was the continuation of the image-building campaign, presenting the KRUK Group as a trustworthy and reliable partner in debt repayment. We educated Polish, Romanian, Czech and Slovak people in finance through press communications published in the traditional media.
- In Q1 2015, we officially launched the KRUK Deutschland GmbH campaign. During one-on-one meetings with journalists, the Management Board of KRUK S.A. and KRUK Deutschland presented the KRUK Group's unique amicable settlement strategy as well as German versions of our commercial spots to give a thorough overview of our approach. KRUK met with journalists from the major financial newspapers in Germany, including Handelsblatt, Banken+Partner and Frankfurter Allgemeine Zeitung.
- In March, KRUK S.A. won first place in the Listed Company of the Year ranking organised by the *Puls Biznesu* daily. It is the most prestigious award in Poland, granted to KRUK only four years after its first stock market listing. The Company was recognised by stock-market specialists for its business model and the competence of the Management Board.
- With our business partners in mind, in the second quarter of 2015 we organised our first ever workshops for representatives of the banking sector. It was a very special event for the industry. The two-day workshops featured speeches by both KRUK representatives and people from the banking sector. We again proved that cooperation with business partners can go beyond standard forms and create a new quality. The workshops provided an opportunity to meet with representatives of the insurance industry for the fifth time. We spent two days sharing experiences and working on best practices in debtor assistance. The workshops are a regular fixture on our calendar, which proves that KRUK has earned a strong reputation for professionalism in the industry and enjoys the trust of its business partners.

- In Romania we launched a PR campaign designed for debtors to 'regain their self-confidence'. During a press conference the well-known and respected psychologist Aurora Liiceanu spoke about the emotional aspects of being in debt. Marius Manole, an actor, performed a monodrama showing the various phases of coping with debt, from disbelief after receiving the letter, through anger, to regaining calm and self-control and, finally, the decision to call the creditor. His performance for journalists portrayed the emotions that accompany a debtor contacting a debt collection agency.

7. 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.

8. 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.

9. 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 Zasępa
Member
of the Management Board

Wrocław, August 27th 2015