



Half-Year Report

for the period January 1st–June 30th 2016



The KRUK Group

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I. Financial highlights

1. Consolidated financial data

Financial highlights	PLN '000		EUR '000	
	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
For the period				
Revenue	341,076	286,790	77,862	69,371
EBIT	131,660	126,088	30,056	30,499
Profit before tax	111,613	105,927	25,479	25,622
Net profit attributable to owners of the Parent	111,348	107,656	25,419	26,041
Net cash from operating activities	(333,273)	25,979	(76,081)	6,284
Purchase of debt portfolios at prices as per agreement	(727,457)	(222,210)	(166,066)	(53,750)
Cash recoveries	446,454	398,726	101,918	96,447
Net cash from investing activities	(5,008)	(2,820)	(1,143)	(682)
Net cash from financing activities	335,355	(21,554)	76,556	(5,214)
Change in net cash	(2,926)	1,605	(668)	388
Average number of shares ('000)	17,493	17,243	17,493	17,243
Earnings per share (PLN/EUR)	6.37	6.27	1.45	1.52
Diluted earnings per share (PLN/EUR)	6.14	6.11	1.40	1.48
	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2016 unaudited	Dec 31 2015
As at				
Total assets	2,453,721	1,836,115	554,451	430,861
Non-current liabilities	1,062,067	711,325	239,988	166,919
Current liabilities	502,736	340,511	111,247	79,904
Equity	888,918	784,278	203,215	184,038
Share capital	17,744	17,398	4,009	4,083
Book value per ordinary share (PLN/EUR)	50.10	45.08	11.32	10.58

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 – 4.3805
- for the comparative period – 4.1341

- 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 – 4.4255
- for the comparative period – 4.2615

2. Separate financial data of KRUK S.A.

Financial highlights	PLN '000		EUR '000	
	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
For the period				
Revenue	58,527	51,546	13,361	12,468
Operating loss	(23,998)	(28,844)	(5,478)	(6,977)
Loss before tax	(68,608)	(68,256)	(15,662)	(16,510)
Net loss	(68,416)	(66,139)	(15,618)	(15,998)
Net cash from operating activities	(35,639)	122,513	(8,136)	29,635
Net cash from investing activities	(244,942)	(179,058)	(55,916)	(43,312)
Net cash from financing activities	287,425	38,733	65,615	9,369
Change in net cash	6,844	(17,811)	1,562	(4,308)
Average number of shares ('000)	17,072	17,072	17,072	17,072
Earnings per share (PLN/EUR)	(3.91)	(3.85)	(0.89)	-0.93
Diluted earnings per share (PLN/EUR)	(3.77)	(3.76)	(0.86)	-0.91
As at	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2016 unaudited	Dec 31 2015
Total assets	1,683,431	1,441,677	380,393	338,303
Non-current liabilities	957,709	667,660	216,407	156,672
Current liabilities	312,501	274,481	70,614	64,409
Equity	413,221	499,537	93,373	117,221
Share capital	17,744	17,398	4,009	4,083
Book value per ordinary share (PLN/EUR)	23.29	6.95	5.26	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 – 4.3805
- for the comparative period – 4.1341

- 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 – 4.4255
- for the comparative period – 4.2615

II. Interim condensed consolidated financial statements for the period January 1st–June 30th 2016, prepared in accordance with the IFRS as endorsed by the EU

Interim condensed consolidated statement of financial position

As at June 30th 2016

PLN '000

	Note	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Assets				
Cash and cash equivalents		137,816	140,742	72,150
Trade receivables		7,924	8,391	8,739
Investments	9	2,240,509	1,620,579	1,469,013
Other receivables		25,345	26,719	22,753
Inventories		601	587	448
Property, plant and equipment	10.9	20,925	19,957	19,536
Other intangible assets	10.9	13,246	11,805	11,885
Goodwill		1,024	1,024	1,024
Deferred tax asset		3,067	2,841	5,602
Other assets		3,264	3,469	1,913
Total assets		2,453,721	1,836,115	1,613,063
Equity and liabilities				
Liabilities				
Hedge derivatives		-	589	1,567
Trade and other payables	10.12	213,259	83,555	47,381
Employee benefit obligations		27,342	29,239	25,619
Current tax liability		-	3,178	-
Liabilities under borrowings and other debt instruments	10.10	1,323,938	935,011	858,570
Provisions		264	264	264
Total liabilities		1,564,803	1,051,836	933,401
Equity				
Share capital		17,744	17,398	17,291
Share premium		77,766	64,382	60,257
Exchange differences on translating foreign operations		3,553	(7,674)	(6,640)
Other capital reserves		72,818	68,956	64,130
Retained earnings		717,040	641,182	544,611
Equity attributable to owners of the Parent		888,921	784,244	679,649
Non-controlling interests		(3)	34	13
Total equity		888,918	784,278	679,662
Total equity and liabilities		2,453,721	1,836,115	1,613,063

Interim condensed consolidated statement of profit or loss

For the reporting period from January 1st to June 30th 2016

PLN '000

	<i>Note</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revenue	10.1	341,076	286,790
Other income	10.2	1,660	1,022
Employee benefits expense	10.3	(86,827)	(82,540)
Amortisation		(6,099)	(6,013)
Contracted services		(32,835)	(21,565)
Other expenses	10.4	(85,315)	(51,606)
		<u>(211,076)</u>	<u>(161 724)</u>
EBIT		131,660	126,088
Finance income	10.5	6,160	912
Finance costs	10.6	(26,207)	(21,073)
Net finance costs		<u>(20,047)</u>	<u>(20,161)</u>
Profit before tax		111,613	105,927
Income tax	10.7	(271)	1,741
Net profit for period		<u>111,342</u>	<u>107,668</u>
Net profit attributable to:			
Owners of the Parent		111,348	107 656
Non-controlling interests		(6)	12
Net profit for period		<u>111,342</u>	<u>107,668</u>
Earnings per share			
Basic (PLN)	10.11	6.37	6.27
Diluted (PLN)	10.11	6.14	6.11

Interim condensed consolidated statement of comprehensive income

For the reporting period from January 1st to June 30th 2016

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Net profit for period	111,342	107,668
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	10.8 11,228	(2 781)
Cash flow hedges	-	-
Other comprehensive income, net, for period	<u>11 228</u>	<u>(2,781)</u>
Total comprehensive income for period	<u>122,570</u>	<u>104,887</u>
Total comprehensive income attributable to:		
Owners of the Parent	122,576	104 875
Non-controlling interests	(6)	12
Total comprehensive income for period	<u><u>122,570</u></u>	<u><u>104,887</u></u>

Interim condensed consolidated statement of changes in equity

For the reporting period from January 1st to June 30th 2016

PLN '000

	Note	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Equity as at Jan 1 2015		17,110	53,249	-	(3,859)	55,624	462,893	585,017	66	585,083
Net profit for period		-	-	-	-	-	107,656	107,656	12	107,668
Other comprehensive income										
- Exchange differences on translating foreign operations		-	-	-	(2,781)	-	-	(2,781)	-	(2,781)
Other comprehensive income		-	-	-	(2,781)	-	-	(2,781)	-	(2,781)
Total comprehensive income for period		-	-	-	(2,781)	-	107,656	104,875	12	104,887
Contributions from and distributions to owners										
- Payment of dividends		-	-	-	-	-	(25,938)	(25,938)	(65)	(26,003)
- Issue of shares	10.11	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	(25,938)	(10,243)	(65)	(10,308)
Total equity as at Jun 30 2015		17,291	60,257	-	(6,640)	64,130	544,611	679,649	13	679,662
Equity as at Jan 1 2015		17,110	53,249	-	(3,859)	55,624	462,893	585,017	66	585,083
Net profit for period		-	-	-	-	-	204,227	204,227	34	204,261
Other comprehensive income										
- Exchange differences on translating foreign operations		-	-	-	(3,816)	-	-	(3,816)	-	(3,816)
Other comprehensive income		-	-	-	(3,816)	-	-	(3,816)	-	(3,816)
Total comprehensive income for period		-	-	-	(3,816)	-	204,227	200,411	34	200,445
Contributions from and distributions to owners										
- Payment of dividends	14	-	-	-	-	-	(25,938)	(25,938)	(66)	(26,004)
- Issue of shares	10.11	288	11,133	-	-	-	-	11,421	-	11,421
- Share-based payments		-	-	-	-	13,333	-	13,333	-	13,333
Total contributions from and distributions to owners		288	11,133	-	-	13,333	(25,938)	(1,184)	(66)	(1,250)

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	Total contributions from and distributions to owners	Total contributions from and distributions to owners	Total contributions from and distributions to owners	Total contributions from and distributions to owners	Total contributions from and distributions to owners	Total contributions from and distributions to owners	Total contributions from and distributions to owners	Total contributions from and distributions to owners	Total contributions from and distributions to owners
Total contributions from and distributions to owners									
Total equity as at Dec 31 2015	17,398	64,382	-	(7,675)	68,957	641,182	784,244	34	784,278
Equity as at Jan 1 2016	17,398	64,382	-	(7,675)	68,957	641,182	784,244	34	784,278
Comprehensive income for period									
Net profit for period	-	-	-	-	-	111,348	111,348	(6)	111,342
- Exchange differences on translating foreign operations	-	-	-	11,228	-	-	11,228	-	11,228
Other comprehensive income	-	-	-	11,228	-	-	11,228	-	11,228
Total comprehensive income for period	-	-	-	11,228	-	111,348	122,576	(6)	122,570
- Payment of dividend	14	-	-	-	-	(35,491)	(35,491)	(31)	(35,522)
- Issue of shares	10.11	346	13,384	-	-	-	13,730	-	13,730
- Share-based payments	-	-	-	-	3,861	-	3,861	-	3,861
Total contributions from and distributions to owners	346	13,384	-	-	3,861	(35,491)	(17,900)	(31)	(17,931)
Total equity as at Jun 30 2016	17,744	77,766	-	3,553	72,818	717,040	888,921	(3)	888,918

Interim condensed consolidated statement of cash flows

For the reporting period from January 1st to June 30th 2016

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Cash flows from operating activities		
Net profit for period	111,342	107,668
<i>Adjustments</i>		
Depreciation of property, plant and equipment	2,741	3,594
Amortisation of intangible assets	3,359	2,419
Change in debt portfolios purchased	(608,296)	(86,040)
Change in other investments	(437)	(5,605)
Net finance costs	27,811	18,495
(Gain)/loss on sale of property, plant and equipment	(88)	(201)
Equity-settled share-based payments	3,861	8,506
Income tax	271	(1,741)
Change in inventories	(14)	76
Change in receivables	1,841	(4,009)
Change in prepayments and accrued income	205	157
Change in current liabilities, excluding financial liabilities	129,702	(10,598)
Change in employee benefit obligations	(1,897)	(4,695)
Income tax paid	(3,675)	(2,047)
Net cash from operating activities	(333,273)	25,979
Cash flows from investing activities		
Interest received	640	912
Sale of intangible assets and property, plant and equipment	224	773
Purchase of intangible assets and property, plant and equipment	(5,872)	(4,505)
Net cash from investing activities	(5,008)	(2,820)
Cash flows from financing activities		
Proceeds from issue of shares floated on stock exchange	13,730	7,189
Proceeds from bond issue	457,900	113,360
Increase in borrowings	756,227	453,332
Repayment of borrowings	(776,689)	(542,634)
Payments under finance lease agreements	(2,405)	(2,333)
Redemption of debt securities	(91,000)	(29,000)
Interest paid	(22,408)	(21,468)
Net cash from financing activities	335,355	(21,554)
Total net cash flows	(2,926)	1,605
Cash and cash equivalents at beginning of period	140,742	70,545
Cash and cash equivalents at end of period	137,816	72,150

The notes on pages 13 to 42 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.

On July 29th 2016, the Extraordinary General Meeting of Novum Finance Sp. z o.o. (in liquidation) resolved to revoke the liquidation of the company.

These interim condensed consolidated financial statements for the reporting period from January 1st to June 30th 2016 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 2016, 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 Zasepa	Member of the Management Board

In H1 2016 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 2016 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 Stępniaik	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

In view of the expiry of the term of office and mandates of Supervisory Board members, on May 9th 2016 the Company's General Meeting passed resolutions appointing Supervisory Board members for the subsequent term of office.

In H1 2016 and by the date of issue of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

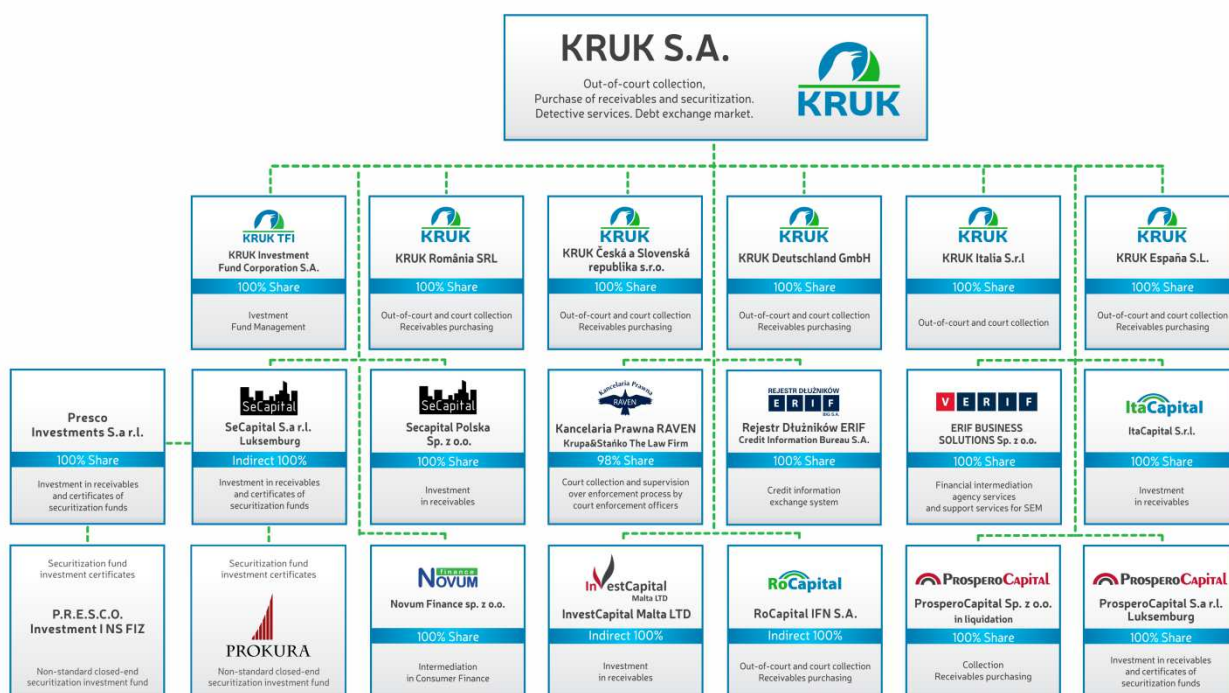
The KRUK Group

As at the date of issue of this report, the Group comprised KRUK S.A. of Wrocław and 20 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.;
- P.R.E.S.C.O. Investment I 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 Presco Investments 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. of Wrocław, a company whose main business consists in agency services involving intermediation in consumer lending;
- 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. w likwidacji of Wrocław, a company in liquidation;
- 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;
- KRUK Italia S.r.l. of Milan, a company whose business consists in credit management services, collection of debt portfolios purchased by the Group in Italy and other European countries;
- ItaCapital S.r.l. of Milan, a company whose business consists in investing in debt or debt-backed assets;

- KRUK Espana S.l. of Madrid, a company whose business consists in credit management services, collection of debt portfolios purchased by the Group in Spain and other European countries, as well as debt trading;
- ProsperoCapital S.a r.l. of Luxembourg, a company whose business consists in investing in debt or debt-backed assets. KRUK S.A. holds 100% of shares in the company’s share capital;
- Presco Investments S.a r.l. of Luxembourg, a company whose business consists in investing in debt or debt-backed assets.

All the subsidiaries listed above are consolidated in these interim consolidated financial statements as at June 30th 2016 and for the period from January 1st to June 30th 2016. Presco Investments S.a.r.l and P.R.E.S.C.O. Investment I NS FIZ are consolidated as of April 15th 2016.



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

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

PLN '000	Shareholdings (%)		
	Country	Jun 30 2016	Dec 31 2015
SeCapital S.à r.l. *	Luxembourg	64.7%	69.5%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
SeCapital Polska Sp. z o.o.	Poland	100%	100%
Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o. (in liquidation)	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna RAVEN Krupa & Stańko Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ*	Poland	100%	100%
ProsperoCapital Sp. z o.o. (in liquidation)	Poland	100%	100%
InvestCapital Malta Ltd *	Malta	99.5%	99.5%
RoCapital IFN S.A.	Romania	99.0%	99.0%
Kruk Deustschland Gmbh	Germany	100%	100%
KRUK Italia S.r.l	Italy	100%	100%
ItaCapital S.r.l	Italy	100%	100%
KRUK Espana S.r.l	Spain	100%	100%
ProsperoCapital S.à r.l.	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	-
Presco Investments I NS FIZ*	Poland	100%	-

* 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 2016, with the comparative data presented for the period from January 1st to June 30th 2015. The interim condensed consolidated statement of financial position was prepared as at June 30th 2016, while the comparative data was presented as at June 30th 2015 and December 31st 2015. The interim condensed consolidated statement of changes in equity was prepared for the period from January 1st to June 30th 2016, while the comparative periods were the six-month period from January 1st 2015 to June 30th 2015, and the twelve-month period from January 1st 2015 to December 31st 2015.

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 2015.

These interim condensed financial statements were authorised for issue by the Management Board of the Parent (the "Management Board") on August 23rd 2016.

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 2015.

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 after January 1st 2015:

- *Amendments to IFRS introduced as part of the 2010-2012 improvements cycle:*
 - *Amendments to IFRS 2 Share-based Payment*

The amendments apply prospectively and clarify the definitions of the 'market condition' and 'vesting condition', while adding definitions of the 'service condition' and 'performance condition', both of which are vesting conditions.
 - *Amendments to IFRS 3 Business Combinations*

The amendments apply prospectively and clarify that any contingent consideration which is not classified as a component of equity should be measured at fair value through profit or loss, irrespective of whether it falls within the scope of IAS 39.

These changes had no impact on the Group's financial position or results of operation.
 - *Amendments to IFRS 8 Operating Segments*

The amendments apply retrospectively and clarify that:

 - An entity should disclose the judgements made by the management in applying the aggregation criteria to operating segments as described in paragraph 12 of IFRS 8, and should include a short description of the segments that were aggregated and a description of the segments' economic characteristics which were taken into account when analysing similarity between the segments.
 - Reconciliation of the segments' assets to the entity's total assets is required only if such amounts are provided to the chief operating decision maker.
 - *Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendments apply retrospectively and clarify that an asset may be revalued by reference to observable market data by adjusting the asset's gross carrying amount to its market value or by changing the gross carrying amount of the asset proportionately, so that the carrying amount of the

asset after revaluation equals its market value. In addition, depreciation or amortisation is equal to the difference between the gross and net carrying amounts of an asset.

- *Amendments to IFRS 13 Fair Value Measurement*

The amendments clarify that removing paragraph B5.4.12 of IFRS 9 *Financial Instruments: Recognition and Measurement* was not intended to change the guidance related to the measurement of short-term receivables and payables. As a result, entities may still measure short-term receivables and payables with no stated interest rate at invoice amounts, if the effect of discounting does not have a material bearing on the presented financial data.

- *Amendments to IAS 24 Related Party Disclosures*

The amendments apply retrospectively and clarify that an entity providing key management personnel services should be treated as a related party for the purpose of related-party disclosures. In addition, an entity which uses the services provided by such management entity is required to disclose the costs of such services.

- *Amendments to IFRS introduced as part of the 2012-2014 improvements cycle:*

- *Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendments to IFRS 5 clarify that a change of the applied method should not be considered as a new plan of disposal; instead, it should be treated as a continuation of the original plan.

- *Amendments to IAS 34 Interim Financial Reporting*

The amendments state that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g. the management commentary). The other information within the interim financial statements must be available to users on the same terms as the interim financial statements and at the same time.

- *Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the provisions of IAS 16 and IAS 38, stating with reference to the revenue-based method that revenue represents the generation of expected economic benefits rather than consumption of the expected future economic benefits embodied in the asset. Accordingly, the revenue-based method may not be used for depreciation of property, plant and equipment, and its application for the amortisation of intangible assets may be appropriate only in certain circumstances. The amendments apply prospectively.

- *Amendments to IAS 1 Disclosure Initiative*

The amendments clarify the existing IAS 1 requirements concerning:

- materiality,
- aggregation and subtotals,
- order of notes,
- aggregation of information on an entity's share of other comprehensive income of equity-accounted associates and joint ventures (single line disclosure).
- Moreover, the amendments explain the requirements which apply when additional subtotals are presented in the statement of financial position, statement of profit or loss and other comprehensive income.

In addition, the following new or amended standards and interpretations are effective for annual periods beginning after January 1st 2015, but do not apply to the information presented and disclosed in the Group's financial statements:

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
The amendments refer to the recognition of bearer plants.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
The amendments address the accounting for an acquired interest in a joint operation by the acquirer.
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
The amendment refers to contributions from employees or third parties, which should be included when accounting for defined benefit plans.
- Amendments to IFRS introduced as part of the 2012-2014 improvements cycle:
 - Amendments to IFRS 7 *Financial Instruments: Disclosures*
 - I. Servicing contracts – the amendment clarifies that a servicing contract that provides for a fee for servicing the financial asset can constitute continuing involvement in the financial asset.
 - II. Applicability of the amendments to IFRS 7 (issued in December 2011) to condensed interim financial statements.
 - Amendments to IAS 19 *Employee Benefits*
The amendment refers to determination of the discount rate.

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

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

Standards and interpretations that have been published, but have not yet been endorsed by the EU

- IFRS 9 *Financial Instruments* (published on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the standard was not adopted by the EU,
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016; pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the publication of its final version – not adopted by the EU as at the date of authorisation of these financial statements,
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014), including amendments to IFRS 15 *Effective Date of IFRS 15* (published on September 11th 2015) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on September 11th 2014) – work leading to the approval of the amendments was deferred by the EU for an indefinite period – effective date was deferred by the IASB for an indefinite period,
- 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; as at the date of authorisation of these financial statements, the amendments were not been adopted by the EU,
- IFRS 9 *Leases* (published on January 13th 2016) – effective for annual periods beginning on or after January 1st 2019; as at the date of authorisation of these financial statements, the standard was not adopted by the EU,
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (published on January 19th 2016) – effective for annual periods beginning on or after January 1st 2017; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU,
- Amendments to IAS 7 *Disclosure Initiative* (published on January 29th 2016) – effective for annual periods beginning on or after January 1st 2017; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU,

- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (published on April 12th 2016) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU,
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (published on June 20th 2016) – effective for annual periods beginning on or after January 1st 2018; as at the date of authorisation of these financial statements, the amendments were not adopted by the EU.

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

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 2015.

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 2015. In the period from January 1st to June 30th 2016, no material changes occurred in the methods of managing financial risk.

7. Reporting and geographical segments

Reporting segments

Below, the Group presents its principal reporting segments. The President of the Management Board of the Parent reviews internal management reports relating to each business segment at least quarterly. The Group's reporting segments conduct the following activities:

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

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

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

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

- Poland
- Romania
- Other foreign markets

The Group made no transfers between segments in the period from January 1st to June 30th 2016 and in the comparative period.

Reporting segments

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revenue 8	341,076	286,790
Purchased debt portfolios	315,398	263,129
Collection services	15,649	14,965
Other products	10,029	8,696
Direct and indirect costs	(143,100)	(110,219)
Purchased debt portfolios	(136,787)	(96,199)
Collection services	(10,840)	(10,032)
Other products	(5,885)	(3,988)
Gross profit	197,975	176,571
Purchased debt portfolios	178,611	166,930
Collection services	4,808	4,933
Other products	4,144	4,708
Administrative expenses	(48,458)	(43,338)
Depreciation and amortisation expense*	(6,099)	(6,013)
Other income*	1,660	1,022
Other expenses (unallocated)	(3,006)	(2,154)
Finance income/costs*	(20,047)	(20,161)
Profit before tax*	111,613	105,927
Income tax*	(271)	1,741
Net profit*	111,342	107,668

(*) items taken directly from the interim condensed statement of profit or loss

Additional information on geographical segments

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revenue	341,076	286,791
Poland	173,985	162,485
Romania	142,986	113,278
Other foreign markets	24,105	11,028

Non-financial assets

<i>PLN '000</i>	Jun 30 2016 unaudited	Dec 31 2015
Poland	27,845	26,675
Romania	5,623	5,600
Other foreign markets	1,727	512
	35,195	32,787

8. Seasonality or cyclical of business

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 727,457 thousand (H1 2015: PLN 225,402 thousand), while cash recoveries were PLN 446,454 thousand (H1 2015: PLN 398,726 thousand). For a description of changes in the estimates of the debt portfolios value see Note 10 to the interim condensed consolidated financial statements.

<i>PLN '000</i>	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Investments			
Investments in debt portfolios measured at fair value	647,338	724,832	772,997
Investments in debt portfolios measured at amortised cost	1,564,753	873,300	676,930
Investment property	5,968	434	
Loans advanced to other entities	22,450	22,013	19,086
	<u>2,240,509</u>	<u>1,620,145</u>	<u>1,469,013</u>

<i>PLN '000</i>	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Purchased debt portfolios			
Unsecured portfolios	1,749,583	1,242,586	1,161,425
Secured portfolios	462,508	355,546	288,502
	<u>2,212,091</u>	<u>1,598,132</u>	<u>1,449,927</u>

<i>PLN '000</i>	
Value of 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
Translation differences on debt portfolios (*)	(5,546)
Value of purchased debt portfolios as at Jun 30 2015	<u>1,449,927</u>

PLN '000

Value of purchased debt portfolios as at Jan 1 2015	1,366,537
Purchase of debt portfolios	489,282
Cash recoveries	(825,659)
Increase/(decrease) in liabilities to debtors due to overpayments	458
Valuation of loyalty scheme	4,318
Revenue from debt purchase (interest and revaluation)	563,646
Translation differences on debt portfolios (*)	(450)
Value of purchased debt portfolios as at Dec 31 2015	1,598,132
Value of purchased debt portfolios as at Jan 1 2016	1,598,132
Purchase of debt portfolios at prices as per agreement	727,457
Purchase price adjustment for discount	(1,209)
Cash recoveries	(446,454)
Increase/(decrease) in liabilities to debtors due to overpayments	630
Value of property	(5,518)
Income from sale of property	(37)
Valuation of loyalty scheme	2,586
Revenue from debt purchase (interest and revaluation)	315,398
Translation differences on debt portfolios (*)	20,296
Value of purchased debt portfolios as at Jun 30 2016	2,211,281

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

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

10.1. Revenue

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revenue from debt purchase	315,398	263,129
Revenue from fee-based credit management services	15,649	14,965
Revenue from other products	10,030	8,696
	<u>341,076</u>	<u>286,790</u>

Revenue from debt purchase**Revenue from debt portfolios**

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest income adjusted for actual recoveries	278,075	252,174
Revaluation of debt portfolios	34,945	10,955
Foreclosure of property	2,341	-
Sale of property	37	-
	315,398	263,129

Revaluation of debt portfolios

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revision of recovery forecast	30,438	15,075
Change due to change in discount rate	511	(4,120)
Foreign currency gains (*)	3,996	-
	34,945	10,955

(*) Foreign currency gains in the comparative period (January 1st–June 30th 2015) were presented under the revision of recovery forecast.

On the basis of interpretation of the regulations concerning the activities of bailiffs entered in the fourth quarter of 2015, the bailiffs instituted the practice of enlarging they charge commission on recoveries of VAT. The Company has included in the estimates of recoveries from the portfolios of their own this practice and thus the results of the first half of the year wrote off portfolios of -12 million zł. The interpretation of the new regulations is the subject of a dispute in which his position was presented by the Supreme Court resolution dated 07.07.2016 denying the interpretation of the regulation practiced by bailiffs.

The company has made in the first half of 2016 to verify cost estimates adopted in the valuation of portfolios of their own.

Revenue from debt purchase includes:

Revenue from debt portfolios measured at fair value

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest income adjusted for actual recoveries	160,450	184,427
Revaluation of debt portfolios	51,996	30,409
Foreclosure of property	1,625	-
	214,071	214,836

Revaluation of debt portfolios measured at fair value

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revision of forecast	48,956	34,529
Change due to change in discount rate	511	(4,120)
Foreign currency gains (*)	2,529	-
	<u>51,996</u>	<u>30,409</u>

(*) Foreign currency gains in the comparative period (January 1st–June 30th 2015) were presented under the revision of recovery forecast.

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

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 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest income adjusted for actual recoveries	117,625	67,747
Revaluation of debt portfolios	(17,051)	(19,454)
Foreclosure of property	716	-
Sale of property	37	-
	<u>101,327</u>	<u>48,293</u>

Revaluation of debt portfolios measured at amortised cost

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revision of recovery forecast	(18,518)	(19,454)
Foreign currency gains (*)	1,467	-
	<u>(17,051)</u>	<u>(19,454)</u>

(*) Foreign currency gains in the comparative period (January 1st–June 30th 2015) were presented under the revision of recovery forecast.

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.

10.2. Other income

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Reversal of impairment losses on receivables	502	-
Return of compensation for damage caused by motor vehicles	398	274
Gain on sale of property, plant and equipment	88	201
Re-billed costs of services and court fees	168	98
Other	504	449
	<u>1,660</u>	<u>1,022</u>

10.3. Employee benefits expense

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Salaries and wages	(66,537)	(59,033)
Other social security contributions	(5,744)	(4,829)
Old-age and disability pension contributions	(10,270)	(9,658)
Contribution to the State Fund for the Disabled	(415)	(514)
Equity-settled cost of stock option plan	(3,861)	(8,506)
	<u>(86,827)</u>	<u>(82,540)</u>

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

10.4. Other expenses

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Court fees	(29,880)	(27,823)
Advertising	(745)	(1,529)
Raw materials and energy used	(5,201)	(4,299)
Taxes and charges	(41,762)	(14,228)
Staff training	(1,395)	(1,178)
Business trips	(780)	(1,150)
Entertainment expenses	(144)	(256)
Motor insurance	(272)	(580)
Losses from damage caused by motor vehicles	(415)	(292)
Property insurance	(54)	(169)
Other	(4,667)	(102)
	<u>(85,315)</u>	<u>(51,606)</u>

10.5. Finance income

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest income on bank deposits	640	912
Net foreign exchange gains	5,520	-
	<u>6,160</u>	<u>912</u>

10.6. Finance costs

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest expense on financial liabilities measured at amortised cost	(26,207)	(20,475)
Net foreign exchange gains	-	(598)
	<u>(26,207)</u>	<u>(21,073)</u>

10.7. Income tax

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Current income tax	250	243
Current income tax expense	250	243
Deferred income tax	21	(1,984)
Origination/reversal of temporary differences	21	(1,984)
Tax expense in profit/(loss)	271	(1,741)

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Profit/(loss) before tax	111,613	105,927
Profit before tax for period (assuming 19% tax rate)	205,234	186,847
Loss before tax for period (assuming 16% tax rate)	(14,551)	(11,573)
Loss before tax for period (assuming 19% tax rate)	(79,070)	(69,347)
	122,025	105,927
Tax calculated at the tax rate applicable in Poland (19%)	38,995	28,294
Tax calculated at the tax rate applicable in Romania (16%)	(2,328)	(1,852)
Tax calculated at the tax rate applicable in the Czech Republic (19%)	(15,023)	(979)
	23,621	25,463
Non-tax-deductible expenses	(21,372)	(27,204)
Tax-exempt income	-	-
Income tax at effective tax rate	271	(1,741)

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

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Exchange differences on translating foreign operations	11,228	(2,781)
Attributable to:		
Owners of the Parent	11,228	(2,781)
Finance income/(cost) recognised in other comprehensive income	11,228	(2,781)

10.9. 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.

10.10. Borrowings, dividends and finance lease liabilities

PLN '000

	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Non-current liabilities			
Secured borrowings	190,410	171,318	227,339
Liabilities under debt securities (unsecured)	866,778	534,204	475,375
Finance lease liabilities	4,879	5,803	7,730
	1,062,067	711,325	710,444
Current liabilities			
Current portion of secured borrowings	27,589	63,503	19,385
Liabilities under debt securities (unsecured)	192,356	155,328	97,350
Current portion of finance lease liabilities	6,435	4,855	5,453
Dividend payable	35,491	-	25,938
	261,871	223,686	148,126

PLN '000	Currency	Nominal interest rate	Maturity year	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Borrowings secured over the Group's assets	PLN	1M WIBOR + margin of 1.0-4.25 pp	2024	217,999	234,821	246,724
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.5-5.0 pp	2018	1,059,134	689,532	572,725
Finance lease liabilities	PLN EUR	3M WIBOR or 1M EURIBOR + margin of 0.68-4.0 pp	2018	11,314	10,658	13,183
				1,288,447	935,011	832,632

10.11. Earnings per share

'000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Dec 31 2015	Jan 1– Jun 30 2015 unaudited
Number of ordinary shares as at Jan 1	17,398	17,110	17,110
Effect of cancellation and issue of shares	95	133	57
Weighted average number of ordinary shares	17,493	17,243	17,167
PLN			
Basic earnings per share	6,37	11.84	6.27

'000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Dec 31 2015	Jan 1– Jun 30 2015 unaudited
Weighted average number of ordinary shares	17,493	17,243	17,167
Effect of share option issue	642	550	440
Weighted average number of ordinary shares (diluted)	18,135	17,793	17,607
PLN			
Earnings per share (diluted)	6.14	11.48	6.11

10.12. Trade payables

PLN '000

	Jun 30 2016	Dec 31 2015
Liabilities under purchased debt portfolios	147,219	45,377
Trade and other payables	66,040	38,178
	213,259	83,555

10.13. Statement of financial position split into current and non-current items

As at Jun 30 2016

PLN '000

	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Assets			
Non-current assets			
Property, plant and equipment	20,925	19,957	19,536
Other intangible assets	13,246	11,805	11,885
Goodwill	1,024	1,024	1,024
Deferred tax asset	3,067	2,841	5,602
Total non-current assets	38,262	35,628	38,047
Current assets			
Inventories	601	587	448
Investments	2,240,509	1,620,579	1,469,013
Trade receivables	7,924	8,391	8,739
Other receivables	25,345	26,719	22,753
Other assets	3,264	3,469	1,913
Cash and cash equivalents	137,816	140,742	72,150
Total current assets	2,415,459	1,800,487	1,575,016
Total assets	2,453,721	1,836,115	1,613,063
Equity and liabilities			
Equity			
Share capital	17,744	17,398	17,291
Share premium	77,766	64,382	60,257
Exchange differences on translating foreign operations	3,553	(7,674)	(6,640)
Other capital reserves	72,818	68,956	64,130
Retained earnings	727,452	641,182	544,611
Equity attributable to owners of the Parent	899,333	784,244	679,649
Non-controlling interests	(3)	34	13
Total equity	899,330	784,278	679,662
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	1,062,067	711,325	710,444
Hedge derivatives	-	589	1,567
Total non-current liabilities	1,062,067	711,914	712,011
Current liabilities			
Current liabilities under borrowings and other debt instruments	261,871	223,686	148,126
Trade and other payables	213,259	83,555	47,381
Current tax liability	-	3,178	-
Employee benefit obligations	27,342	29,239	25,619
Current provisions	264	264	264
Total current liabilities	502,736	339,922	221,390
Total liabilities	1,564,803	1,051,836	933,401
Total equity and liabilities	2,453,721	1,836,115	1,613,063

11. Financial instruments

Fair value

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

PLN '000	Note	Jun 30 2015 unaudited		Dec 31 2015	
		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	9	647,338	647,338	724,832	724,832
Real property	9	5,968	5,968	434	434
Hedge derivatives		-	-	589	589
		<u>653,306</u>	<u>653,306</u>	<u>725,855</u>	<u>725,855</u>
Financial assets and liabilities not measured at fair value					
Financial assets measured at amortised cost	9	1,564,753	1,561,350	873,300	872,342
Loans	9	22,450	22,450	22,013	22,013
Receivables		33,269	33,269	35,110	35,110
Secured bank borrowings	10.10	(217,999)	(217,999)	(234,821)	(234,821)
Unsecured bonds in issue	10.10	(1,059,134)	(1,059,134)	(689,532)	(689,532)
Finance lease liabilities	10.10	(11,314)	(11,314)	(10,658)	(10,658)
Trade and other payables		(213,259)	(213,259)	(83,555)	(83,555)
		<u>118,766</u>	<u>115,363</u>	<u>(88,143)</u>	<u>(89,101)</u>

Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. Depending on the level of valuation, the following inputs were used in the valuation models.

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities,
- Level 2: inputs for given assets and liabilities, other than quoted prices from Level 1, observable directly (e.g. as prices) or indirectly (e.g. as provisions derivative),
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

In 2014–2016, no transfers were made between the levels.

<i>PLN '000</i>	Jun 30 2015 unaudited	-	Level 3	Total
Financial assets measured at fair value			2,208,688	2,208,688
Total			2,208,688	2,208,688

<i>PLN '000</i>	Dec 31 2015	-	Level 3	Total
Financial assets measured at fair value			1,597,174	1,597,174
Total			1,597,174	1,597,174

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 2016	Dec 31 2015
	unaudited	
Discount rate		
- risk-free*	-0.2055%-2.03%	0.0663%-1.99%
- risk premium**	7.05% - 321.14%	7.94%-321.14%
Period for which cash flows have been estimated	Jul 2016– Dec 2032	Jan 2016– Dec 2031
Nominal value of expected future cash flows	4,136,288	2,835,508

* *Varies by market.*

** *Applicable to 99% of fair value.*

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

<i>PLN '000</i>	Jun 30 2016	Dec 31 2015
Period	unaudited	
Less than 6 months	458,100	390,928
From 6 to 12 months	454,160	344,869
From 1 to 2 years	875,286	558,887
From 2 to 5 years	1,633,126	1,246,595
Over 5 years	715,616	294,229
	<u>4,136,288</u>	<u>2,835,508</u>

Total exposure to credit risk

<i>PLN '000</i>	Jun 30 2016	Dec 31 2015
	unaudited	
Poland	1,450,974	1,158,042
Romania	601,669	424,313
Czech Republic	83,497	60,977
Italy	250,533	-
Other foreign markets	22,985	12,357
	<u>2,411,594</u>	<u>1,655,689</u>

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 in H1 2016 were PLN 727,457 thousand. In the corresponding period of the previous year, investments in debt portfolios purchased totalled PLN 220,526 thousand.

The above investments in debt portfolios purchased in H1 2016 include the transaction in which a Kruk Group company purchased a 100% interest in Presco Investments S.a r.l. and the right to the debt portfolios of P.R.E.S.C.O. Investment I NS FIZ purchased in Poland.

On April 15th 2016, a statement was signed to the effect that the condition for the transaction closing was fulfilled and the ownership of the shares was transferred, whereby the ownership title to 390,050 shares in Presco Investments S.a r.l., free and clear of any encumbrances, restrictions or third-party rights, with a total par value of PLN 39,005,000, was transferred to Secapital S.a r.l. along with the right to the debt portfolios of P.R.E.S.C.O. Investment I NS FIZ purchased on the Polish market.

The purchase price of the shares referred to above on the transaction closing date was PLN 193.7m and was reduced by PLN 3.58m under a dividend payable to the seller from Presco Investments S.a r.l.'s profit for 2015.

The price was paid within 15 business days from the date on which the buyer received a correct and updated debt database after the transaction closing date. The price will be reduced by the PLN 15m prepayment made by the buyer on January 6th 2016 and by the amount of PLN 31.4m deferred until 2017–2022 in order to secure performance of the agreement.

The criterion based on which the acquired assets are considered significant is that the value of the debt portfolio exceeds 10% of the KRUK Group's revenue for the last four financial quarters.

The acquisition of the assets was financed with the buyer's internally generated funds. In Secapital's accounting books, the carrying amount of the assets is PLN 193.7m.

Another significant transaction executed by the Group in H1 2016 was the purchase of unsecured consumer debts with a total nominal value of PLN 1.5bn for PLN 222m from Banca Monte dei Paschi di Siena S.p.A. It was the highest-value debt purchase transaction yet executed by the Kruk Group on the Italian market.

As at June 30th 2016, the amount of the Group's investments in debt portfolios accounted for 90% of its assets. Equity accounts for 37% of the financing of the Group's operations.

The key strategic objective of the KRUK Group for 2015–2019 is to achieve the position of one of the three leading debt management companies in Europe in terms of net profit. The Group plans to achieve this goal through:

- Product range development and geographical expansion.
- Improvement of efficiency.
- Improvement of research and analyses.

With respect to product range development and geographical expansion, in 2015–2019 the Group plans to expand its existing business lines and develop new ones on the existing markets as well as on new foreign markets. With respect to the product range, the Group plans to continue purchasing consumer, mortgage, and corporate debt portfolios, providing debt management services, and developing the consumer loan business and credit information services. The Group plans to expand into large consumer markets of debt management in Europe, and is considering entering the markets of Spain, Italy, Portugal, and the UK in the time horizon of its strategy. Based on its experience, the KRUK Group will seek to expand its foothold both through organic growth as well as acquisition projects and joint ventures with industry partners.

As at June 30th 2016, the KRUK Group's financial ratios were as follows:

1.3 – Debt Ratio

2.2 – Net Financial Debt / Cash EBITDA Ratio;

where:

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

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

Equity represents the KRUK Group's equity;

Financial Liabilities represent total financial liabilities under:

- bonds or other similar debt securities; or
- loans; or
- bank borrowings; or
- finance leases; or
- promissory notes issued by way of security for liabilities of non-KRUK Group entities; or
- guarantees or sureties provided in respect of repayment of liabilities of non-KRUK Group entities under bank borrowings, loans, finance leases, bonds or other similar debt securities; or
- accession to debt owed by non-KRUK Group entities under bank borrowings, loans, finance leases, bonds or other similar debt securities; or
- assumption of liabilities of non-KRUK Group entities under bank borrowings, loans, finance leases, bonds or other similar debt securities; or
- liabilities arising under derivatives contracts.

Cash EBITDA represents profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt, less revenue from purchased debt and revaluation gains on assets other

than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5m. Cash EBITDA is computed for the KRUK Group for the last 12 months.

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

On February 5th 2016, KRUK S.A. executed an annex to the revolving credit facility agreement with Bank BGŻ BNP Paribas S.A. of Warsaw, member of the BNP Paribas Group. As a result, the total estimated value of all agreements executed between the KRUK Group and the BNP Paribas Group between April 18th 2015 and the date of this report reached PLN 74,900 thousand, thus exceeding 10% of the KRUK Group's revenue for the previous four financial quarters, which satisfies the materiality criterion. The highest-value agreement was the annex to the revolving credit facility agreement, executed between KRUK S.A. and BGŻ BNP Paribas S.A. on October 3rd 2014. Under the annex, the bank advanced to KRUK S.A. a credit facility in a total amount of PLN 100,000 thousand, available from the date of the annex. In the period between the availability date and the final maturity date (set for December 31st 2020), the credit limit will be reduced each quarter by PLN 6,250 thousand.

On February 25th 2016, the KRUK Management Board passed resolutions to issue up to 150,000 Series AA2 notes. The Company resolved to issue up to 150,000 unsecured Series AA2 bearer notes with a nominal value of PLN 1,000 per note, maturing 72 months after the allotment date.

On March 21st 2016, KRUK S.A. repurchased some of the unsecured Series M1 and N1 notes worth PLN 84,000 thousand.

On March 10th 2016, the KRUK Management Board passed resolutions to issue up to 650,000 Series AB1 notes. The Company resolved to issue up to 650,000 unsecured Series AB1 bearer notes with a nominal value of PLN 100 per note, maturing 60 months after the allotment date.

On April 25th 2016, the KRUK Management Board passed resolutions to issue up to 100,000 Series AC1 notes. The Company resolved to issue up to 100,000 unsecured Series AC1 bearer notes with a nominal value of PLN 1,000 per note, maturing 72 months after the allotment date.

On May 9th 2016, the KRUK Management Board passed resolutions to issue up to 135,000 Series AB2 notes. The Company resolved to issue up to 135,000 unsecured Series AB2 bearer notes with a nominal value of PLN 1,000 per note, maturing 60 months after the allotment date.

On June 9th 2016, the KRUK Management Board passed resolutions to issue up to 50,000 Series AD1 notes. The Company resolved to issue up to 50,000 unsecured Series AD1 bearer notes with a nominal value of PLN 1,000 per note, maturing 36 months after the allotment date.

On June 16th 2016, the KRUK Management Board passed resolutions to issue up to 650,000 Series AB3 notes. The Company resolved to issue up to 650,000 unsecured Series AB3 bearer notes with a nominal value of PLN 100 per note, maturing 60 months after the allotment date.

On June 20th 2016, in connection with a non-revolving working capital facility agreement executed by KRUK S.A.'s subsidiary PROKURA NS FIZ, the Company signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw. In accordance with the surety agreement, KRUK S.A. guaranteed liabilities towards the Bank under the facility agreement, whether existing at the time of the surety execution or arising in the future, including in particular interest and costs of court and enforcement proceedings incurred by the Bank, and thus became a joint and several debtor in respect of those liabilities. The surety was issued for up to PLN 52,971,106.80. It will expire not later than on December 19th 2022.

On July 29th 2016, to finance an agreement with the following entities of the Eurobank Group: Bancpost S.A. and ERB Retail Services IFN S.A., both headquartered in Bucharest, Romania, and Eurobank's Dutch subsidiary ERB New Europe Funding II B.V. of Amsterdam, providing for the purchase of three debt portfolios with a nominal value of EUR 597m, ProsperoCapital executed a senior note issuance agreement. The parties to the note issuance agreement are ProsperoCapital, International Finance Corporation (a member of the World Bank Group) of Washington (IFC), and InvestCapital Malta Ltd. of Malta, a subsidiary. Under the note issuance agreement, ProsperoCapital will issue registered senior notes of up to RON 255m

(PLN 249.5m, at the exchange rate quoted by the NBP for July 29th 2016). The issuance will be applied towards payment of the purchase price of the receivables as well as any other expenses to be incurred by ProsperoCapital in accordance with the note issuance agreement. Investors will subscribe for the senior notes issued towards payment of the price on a pro rata basis, which is 33% in respect of IFC and 67% in respect of ICM. The issuance of the senior notes is conditional upon the investors having confirmed to ProsperoCapital that all conditions precedent listed in the note issuance agreement have been met. The senior notes mature after 72 months from the date falling five business days after ProsperoCapital's submission of an invitation to acquire the notes or a later date jointly agreed on by ProsperoCapital and the investors. Interest on the senior notes will be paid to the investors on a monthly basis. The interest amount will depend on net cash flows from the collection of receivables, and will be calculated in accordance with the formula defined in the note issuance agreement.

On August 5th 2016, the KRUK Management Board passed resolutions to issue up to 20,000 Series AA3 notes. The Company resolved to issue up to 20,000 unsecured Series AA3 bearer notes with a nominal value of EUR 1,000 per note, maturing 36 months after the allotment date.

14. Dividends paid (or declared)

On February 26th 2016, the Management Board of KRUK S.A. passed a resolution to recommend to the Parent's Annual General Meeting that dividends of PLN 2 per share be distributed to KRUK S.A. shareholders from the net profit earned in the period January 1st–December 31st 2015.

The recommendation 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.

If the Annual General Meeting passes a resolution in line with the Management Board's recommendation, the balance of the Company's net profit for 2015 will be allocated to statutory reserve funds.

On March 3rd 2016, 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 2015.

The Supervisory Board issued a positive assessment of the proposal, in which the Management Board recommended that the 2015 net profit be distributed as a dividend of PLN 2 per share to the Company's shareholders, with the balance allocated to statutory reserve funds.

On May 9th 2016, the General Meeting of KRUK S.A. passed a resolution to distribute the profit for 2015 as dividends. The dividend record date was set for July 8th 2016. The dividends were paid out on July 29th 2016.

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 2016, to finance an agreement with the following entities of the Eurobank Group: Bancpost S.A. and ERB Retail Services IFN S.A., both headquartered in Bucharest, Romania, and Eurobank's Dutch subsidiary ERB New Europe Funding II B.V. of Amsterdam, providing for the purchase of three debt portfolios with a nominal value of EUR 597m, ProsperoCapital executed a senior note issuance agreement. The parties to the note issuance agreement are ProsperoCapital, International Finance Corporation (a member of the World Bank Group) of Washington (IFC), and InvestCapital Malta Ltd. of Malta, a subsidiary. Under the note issuance agreement, ProsperoCapital will issue registered senior notes of up to RON 255m (PLN 249.5m, at the exchange rate quoted by the NBP for July 29th 2016). The issuance will be applied towards payment of the purchase price of the receivables as well as any other expenses to be incurred by ProsperoCapital in accordance with the note issuance agreement. Investors will subscribe for the senior notes issued towards payment of the price on a pro rata basis, which is 33% in respect of IFC and 67% in respect of ICM. The issuance of the senior notes is conditional upon the investors having confirmed to ProsperoCapital that all conditions precedent listed in the note issuance agreement have been met. The senior notes mature after 72 months from the date falling five business days after ProsperoCapital's submission of an invitation to acquire the notes or a later date jointly agreed on by ProsperoCapital and the investors. Interest on the senior notes will be paid to the investors on a monthly basis. The interest amount will depend on net cash flows from the collection of receivables, and will be calculated in accordance with the formula defined in the note issuance agreement.

On August 5th 2016, the KRUK Management Board passed resolutions to issue up to 20,000 Series AA3 notes. The Company resolved to issue up to 20,000 unsecured Series AA3 bearer notes with a nominal value of EUR 1,000 per note, maturing 36 months after the allotment date.

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

Security for future liabilities

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

- On January 4th 2016, PROKURA NS FIZ and mBank S.A. concluded four agreements on a registered pledge over a set of rights. The pledges were entered in the pledge register. The registered pledges secure claims up to a maximum amount of PLN 150,000 thousand. As at June 30th 2016, the total amount of the pledged assets in KRUK S.A.'s accounting books was PLN 35,300 thousand;
- On March 2nd 2016, PROKURA NS FIZ and mBank S.A. concluded an agreement on a registered pledge over a set of rights. On March 14th 2016, an application was filed with the court to enter the pledge in the pledge register. The registered pledge secures claims up to a maximum amount of PLN 150,000 thousand. As at June 30th 2016, the amount of the pledged assets in KRUK S.A.'s accounting books was PLN 37,400 thousand.

On June 20th 2016, in connection with a non-revolving working capital facility agreement executed by its subsidiary PROKURA NS FIZ, KRUK S.A. signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw. In accordance with the surety agreement, KRUK S.A. guaranteed liabilities towards the Bank under the facility agreement, whether existing at the time of the surety execution or arising in the future, including in particular interest and costs of court and enforcement proceedings incurred by the Bank, and thus became a joint and several debtor in respect of those liabilities. The surety was issued for up to PLN 52,971,106.80. It will expire not later than on December 19th 2022.

Piotr Krupa

President of the Management Board

Agnieszka Kułton

Member of the Management Board

Urszula Okarma

Member of the Management Board

Iwona Słomska

Member of the Management Board

Michał Zasepa

Member of the Management Board

Katarzyna Raczkiewicz

*Person responsible for maintaining
the accounting records*

Wrocław, August 26th 2016

III. Interim condensed separate financial statements for the period January 1st–June 30th 2016, prepared in accordance with the IFRS as endorsed by the EU

Interim condensed separate statement of financial position

As at Jun 30 2016

PLN '000

	<i>Note</i>	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Assets				
Cash and cash equivalents		12,050	5,206	6,703
Trade receivables from related entities		20,127	10,562	27,247
Trade receivables from other entities		3,907	3,029	3,635
Investments	5	75,651	94,725	74,228
Other receivables		9,746	15,107	4,886
Inventories		240	232	208
Property, plant and equipment		15,408	14,027	12,940
Intangible assets		12,095	10,735	10,191
Deferred tax asset		2,673	2,863	5,568
Investments in subsidiaries		1,529,502	1,283,073	1,147,203
Other assets		2,032	2,118	1,146
Total assets		1,683,431	1,441,677	1,293,955
Equity and liabilities				
Liabilities				
Hedge derivatives		-	589	1,567
Trade and other payables		23,692	26,095	19,942
Employee benefit obligations		16,685	22,363	19,101
Current tax liability		-	3,178	-
Liabilities under borrowings and other debt instruments	6.7	1,229,833	889,916	864,848
Total liabilities		1,270,210	942,141	905,458
Equity				
Share capital		17,744	17,398	17,292
Share premium		77,766	64,382	60,257
Other capital reserves		72,818	68,957	64,130
Retained earnings		244,893	348,800	246,818
Total equity		413,221	499,537	388,497
Total equity and liabilities		1,683,431	1,441,677	1,293,955

Interim condensed separate statement of profit or loss

For the reporting period from January 1st to June 30th 2016

PLN '000

	<i>Note</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revenue	6.1	58,527	51,546
Other income		524	581
Employee benefits expense	6.2	(48,538)	(52,054)
Depreciation and amortisation expense		(4,032)	(4,061)
Contracted services		(16,122)	(14,143)
Other expenses		(14,357)	(10,713)
		(83,049)	(80 971)
Operating loss		(23,998)	(28,844)
Finance income	6.3	980	2,284
Finance costs	6.4	(45,590)	(41,696)
Net finance income/(costs)		(44,610)	(39,412)
Profit/(loss) before tax		(68,608)	(68,256)
Income tax	6.5	192	2,117
Net profit/(loss) for the period		(68,416)	(66,139)
Earnings/(loss) per share			
Basic (PLN)		(3.91)	(3.85)
Diluted (PLN)		(3.77)	(3.76)

Interim condensed separate statement of comprehensive income

For the reporting period from January 1st to June 30th 2016

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Net profit for period	(68,416)	(66,139)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	-	-
Other comprehensive income, net, for period	-	-
Total comprehensive income for period	(68,416)	(66,139)

Interim condensed separate statement of changes in equity

For the reporting period from January 1st to June 30th 2016
PLN '000

	Share capital	Share premium	Other capital reserves	Retained earnings	Total equity
Equity as at Jan 1 2015	17,110	53,249	55,624	338,895	464,878
Net profit for period	-	-	-	(66,139)	(66,139)
Total other comprehensive income				(66,139)	(66,139)
Total comprehensive income for period	-	-	-	(66,139)	(66,139)
Contributions from and distributions to owners					
- Payment of dividends				(25,938)	(25,938)
- Share-based payments	-	-	8,506	-	8,506
- Issue of shares	182	7,008			7,190
Total contributions from and distributions to owners	182	7,008	8,506	(25,938)	(10,242)
Total equity as at Jun 30 2015	17,292	60,257	64,130	246,818	388,497
Equity as at Jan 1 2015	17,110	53,249	55,624	338,895	464,878
Comprehensive income for period					
Net profit for period	-	-	-	35,843	35,843
Total comprehensive income for period	-	-	-	35,843	35,843
Contributions from and distributions to owners					
- Payment of dividends				(25,938)	(25,938)
- Share-based payments	-	-	13,333	-	13,333
- Issue of shares	288	11,133	-	-	11,421
Total contributions from and distributions to owners	288	11,133	13,333	-	(1,184)
Total equity as at Dec 31 2015	17,398	64,382	68,957	348,800	499,537
Equity as at Jan 1 2016	17,398	64,382	68,957	348,800	499,537
Comprehensive income for period					
Net profit for period	-	-	-	(68,416)	(68,416)
Payment of dividends				(35,491)	(35,491)
Total comprehensive income for period	-	-	-	(103,907)	(103,907)
Contributions from and distributions to owners					
- Payment of dividends					
- Share-based payments	-	-	3,861	-	3,861
- Issue of shares	346	13,384	-	-	13,730
Total contributions from and distributions to owners	346	13,384	3,861	-	17,591
Total equity as at Jun 30 2016	17,744	77,766	72,818	244,893	413,221

10

Interim condensed separate statement of cash flows

For the reporting period from January 1st to June 30th 2016

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Cash flows from operating activities		
Net profit/(loss) for the period	(68,416)	(66,139)
<i>Adjustments</i>		
Depreciation of property, plant and equipment	2,327	2,326
Amortisation of intangible assets	1,872	1,735
Net finance (income)/costs	44,236	38,332
(Gain)/loss on sale of property, plant and equipment	(114)	(206)
Equity-settled share-based payments	3,861	8,506
Income tax	(192)	(2,117)
Change in other current investments	(402)	(5,605)
Change in debt portfolios purchased	(2,393)	4,412
Change in inventories	(8)	74
Change in receivables	(5,414)	136,939
Change in prepayments and accrued income	87	519
Change in current liabilities	(2,612)	5,532
Change in employee benefit obligations	(5,677)	385
Income tax paid	(2,793)	(2,180)
Net cash from operating activities	(35,639)	122,513
Cash flows from investing activities		
Interest received	92	29
Loans advanced	(57,010)	(37,311)
Sale of intangible assets and property, plant and equipment	250	228
Dividends received	800	500
Disposal of financial assets	190,988	38,543
Other capital expenditure on related entities	-	-
Purchase of intangible assets and property, plant and equipment	(4,953)	(3,233)
Acquisition of financial assets	(438,004)	(244,248)
Repayment of loans advanced	62,895	66,434
Net cash from investing activities	(244,942)	(179,058)
Cash flows from financing activities		
Net proceeds from issue of shares	13,730	7,189
Proceeds from issue of debt securities	457,900	113,360
Increase in borrowings	550,921	370,402
Repayment of borrowings	(620,789)	(400,225)
Payments under finance lease agreements	(1,631)	(1,634)
Redemption of debt securities	(91,000)	(29,000)
Interest paid	(21,707)	(21,359)
Net cash from financing activities	287,425	38,733
Total net cash flows	6,844	(17,811)
Cash and cash equivalents at beginning of period	5,206	24,515
Cash and cash equivalents at end of period	12,050	6,703

Notes to the interim condensed separate financial statements

1. Company details

Name

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

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

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

Date of entry: September 7th 2005

Entry number: KRS 0000240829

Business profile

The principal business activities of the Company consist in the restructuring and recovery of debts purchased by companies of the KRUK Group, (the “Group”) and the provision of outsourced debt collection services to financial institutions and other clients.

2. Period covered by the financial statements

These financial statements cover the period from January 1st to June 30th 2016, with the comparative data presented for the period from January 1st to June 30th 2015. The interim condensed separate statement of financial position was prepared as at June 30th 2016, while the comparative data was presented as at June 30th 2015 and December 31st 2015. The interim condensed separate statement of changes in equity was prepared for the period from January 1st to June 30th 2016, while the comparative periods were the six-month period from January 1st 2015 to June 30th 2015, and the twelve-month period from January 1st 2015 to December 31st 2015.

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 2015, and KRUK S.A.’s separate financial statements and the Group’s consolidated financial statements as at and for the year ended December 31st 2015.

These interim condensed separate financial statements were authorised for issue by the Company’s Management Board (the “Management Board”) on August 23rd 2016.

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 separate financial statements as at and for the year ended December 31st 2015.

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 2015.

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 2016 and for the period January 1st–June 30th 2016.

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, while cash recoveries amounted to PLN 30,166 thousand (H1 2015: PLN 26,084 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.

<i>PLN '000</i>	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Investments			
Financial assets at fair value through profit or loss	d	44,431	35,856
Financial assets measured at amortised cost	2,203	2,502	2,716
Investment property	5,967	434	-
Loans advanced to related entities	3,477	25,343	16,570
Loans advanced to other entities	22,415	22,013	19,086
	<u>75,651</u>	<u>94,725</u>	<u>74,228</u>

Value of purchased debt portfolios as at Jan 1 2015	42,823
Cash recoveries	(26,084)
Revenue from debt purchase (interest and revaluation)	21 833
Value of purchased debt portfolios as at Jun 30 2015	<u>38,572</u>

<i>PLN '000</i>	
Value of purchased debt portfolios as at Jan 1 2015	42,823
Purchase of debt portfolios	10
Cash recoveries	(52,578)
Revenue from debt purchase (interest and revaluation)	56,678
Value of purchased debt portfolios as at Dec 31 2015	<u>46,933</u>

Value of purchased debt portfolios as at Jan 1 2016	46,933
Purchase of debt portfolios	-
Sale of debt portfolios	-
Cash recoveries	(30,166)
Revenue from debt purchase (interest and revaluation)	27,025
Value of purchased debt portfolios as at Jun 30 2016	<u>43,792</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

6.1. Revenue

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revenue from debt purchase	27,025	21,833
Income from property	-2,262	-
Revenue from credit management	22,307	25,685
Revenue from other services	11,457	4,028
	<hr/> 58,527	<hr/> 51,546

Revenue from debt purchase

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest income adjusted for actual recoveries	18,397	17,240
Revaluation of debt portfolios	8,628	4,593
	<u>27,025</u>	<u>21,833</u>

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revision of forecast	7,181	4,695
Change due to change in discount rate	8	(102)
Foreign currency gains (*)	1,439	-
	<u>8,628</u>	<u>4,593</u>

(*) Foreign currency gains in the comparative period (January 1st–June 30th 2015) were presented under the revision of recovery forecast.

Revenue from debt purchase includes:

Revenue from debt portfolios measured at fair value

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest income adjusted for actual recoveries	17,692	16,288
Revaluation of debt portfolios	8,594	4,534
	<u>26,286</u>	<u>20,822</u>

Revaluation of debt portfolios measured at fair value

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revision of forecast	7,241	4,636
Change due to change in discount rate	8	(102)
Foreign currency gains (*)	1,345	-
	<u>8,594</u>	<u>4,534</u>

(*) Foreign currency gains in the comparative period (January 1st–June 30th 2015) were presented under the revision of recovery forecast.

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

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

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

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

Revenue from debt portfolios measured at amortised cost

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest income adjusted for actual recoveries	705	952
Revaluation of debt portfolios	34	59
	739	1,011

Revaluation of debt portfolios measured at amortised cost

PLN '000

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Revision of forecast	(60)	59
Foreign currency gains (*)	94	-
	34	59

(*) Foreign currency gains in the comparative period (January 1st–June 30th 2015) were presented under the revision of recovery forecast.

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.

6.2. Employee benefits expense

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Salaries and wages	(36,522)	(35,883)
Other social security contributions	(3,019)	(2,826)
Old-age and disability pension contributions (defined contribution plans)	(4 721)	(4,449)
Equity-settled share-based payments	(3,861)	(8,506)
Contribution to the State Fund for the Disabled	(415)	(390)
	<u>(48,538)</u>	<u>(52,054)</u>

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

6.3. Finance income

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Dividend income	-	721
Interest income on loans advanced	887	1,372
Interest income on bank deposits	93	29
Net foreign exchange gains	-	162
	<u>980</u>	<u>2,284</u>

6.4. Finance costs

	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Interest expense on financial liabilities measured at amortised cost	(24,969)	(20,228)
Net foreign exchange gains	(1,220)	-
Remeasurement of investments	(19,401)	(21,468)
	<u>(45,590)</u>	<u>(41,696)</u>

6.5. Income tax

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Current income tax	-	-
Current income tax expense	-	-
Deferred income tax	(192)	(2,117)
Origination/reversal of temporary differences	(192)	(2,117)
Tax expense in profit/(loss)	(192)	(2,117)

<i>PLN '000</i>	Jan 1– Jun 30 2016 unaudited	Jan 1– Jun 30 2015 unaudited
Profit/(loss) before tax	(68,608)	(68,256)
Income tax at the 19% statutory rate applicable in Poland (comparative period: 19%)	(13,036)	(12,969)
Non-tax-deductible expenses	12,844	10,852
Tax-exempt income	-	-
Income tax at the 19% effective tax rate (2014: 19%)	(192)	(2,117)

6.6. Investments in subsidiaries

<i>PLN '000</i>	30.06.2016		
	Country	Gross value of shares	Impairment loss
SeCapital S.à r.l.	Luxembourg	707,645	-
ERIF Business Solutions Sp. z o.o.	Poland	100	-
SeCapital Polska Sp. z o.o.	Poland	50	(50)
Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A.	Poland	3,104	-
Novum Finance Sp. z o.o. (in liquidation)	Poland	1,950	-
KRUK Romania S.r.l	Romania	77,617	(77,617)
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	Poland	300	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	6,600	-
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	49,331	(49,278)
ProsperoCapital Sp. z o.o. (in liquidation)	Poland	5	(5)
InvestCapital Malta Ltd.	Malta	760,668	-
RoCapital IFN S.A.	Romania	13,887	-
Kruk Deustschland Gmbh	Germany	31,200	-
KRUK Italia S.r.l	Italy	1,771	-
ItaCapital S.r.l	Italy	435	-
KRUK Espana S.L.	Spain	1,719	-
ProsperoCapital S.à r.l.	Luxembourg	88	(18)
		<u>1,656,470</u>	<u>-126,968</u>

6.7. Borrowings and finance lease liabilities

PLN '000

	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Non-current liabilities			
Secured and unsecured borrowings	87,396	129,768	227,339
Liabilities under debt securities (unsecured)	866,778	534,204	475,375
Finance lease liabilities	3,535	3,688	4,971
	<u>957,709</u>	<u>667,660</u>	<u>707,685</u>
Current liabilities			
Current portion of secured and unsecured borrowings	40,235	63,819	25,572
Liabilities under debt securities (unsecured)	192,356	155,328	97,350
Current portion of finance lease liabilities	4,042	3,110	8,303
Dividend payable	35,491		25,938
	<u>272,124</u>	<u>222,257</u>	<u>157,163</u>

PLN '000	Currency	Nominal interest rate	Maturity year	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0–3.0 pp; 1M EURIBOR + margin of 2.2–2.4 pp	2024	127,631	193,587	252,911
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 2.9–4.6 pp	2020	1,059,134	689,532	572,725
Finance lease liabilities	EUR/PLN	3M WIBOR or 1M EURIBOR + margin of 1.64–4 pp	2019	7,577	6,797	13,274
				<u>1,194,342</u>	<u>889,916</u>	<u>838,910</u>

6.8. Statement of financial position split into current and non-current items

As at Jun 30 2016

PLN '000

	Jun 30 2016 unaudited	Dec 31 2015	Jun 30 2015 unaudited
Assets			
Non-current assets			
Property, plant and equipment	15,408	14,027	12,940
Intangible assets	12,095	10,735	10,191
Investments in subsidiaries	1,529,502	1,283,073	1,147,203
Deferred tax asset	2,673	2,863	5,568
Total non-current assets	1,559,678	1,310,698	1,175,902
Current assets			
Inventories	240	232	208
Investments	75,651	94,725	74,228
Trade receivables from related entities	20,127	10,562	27,247
Trade receivables from other entities	3,907	3,029	3,635
Other receivables	9,746	15,107	4,886
Other assets	2,032	2,118	1,146
Cash and cash equivalents	12,050	5,206	6,703
Total current assets	123,753	130,979	118,053
Total assets	1,683,431	1,441,677	1,293,955
Equity and liabilities			
Equity			
Share capital	17,744	17,398	17,292
Share premium	77,766	64,382	60,257
Other capital reserves	72,818	68,957	64,130
Retained earnings	244,893	348,800	246,818
Total equity	413,221	499,537	388,497
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	957,709	667,660	707,685
Hedge derivatives	-	589	1,567
Total non-current liabilities	957,709	668,249	709,252
Current liabilities			
Current liabilities under borrowings and other debt instruments	272,124	222,257	157,163
Trade and other payables	23,692	26,095	19,942
Current tax liability	-	3,178	-
Employee benefit obligations	16,685	22,362	19,101
Total current liabilities	312,501	273,892	196,206
Total liabilities	1,270,210	942,141	905,458
Total equity and liabilities	1,683,431	1,441,677	1,293,955

6.9. Related-party transactions concluded by the Parent

Transactions with subsidiaries as at and for the period ended June 30th 2016

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

<i>PLN '000</i>	Liabilities	Receivables	Loans advanced	Interest accrued on loans advanced
SeCapital S.à. r.l	1,535	974	-	-
ERIF Business Solutions Sp. z o.o.	-	22	-	-
Novum Finance Sp. z o.o. (in liquidation)	434	42	-	-
SeCapital Polska Sp. z o.o.	-	1	70	8
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	-	-	-	1,285
KRUK Romania S.r.l.	684	1,882	-	-
Rejestr Dłużników ERIF BIG S.A.	-	-	-	35
NFIZ PROKURA	3,361	10,870	-	-
KRUK Česká a Slovenská republika s.r.o.	69	936	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	3,015	-	-
InvestCapital Malta Ltd.	-	144	-	877
Kruk Deutschland GmbH	-	510	-	-
KRUK Deutschland (Branch)	-	89	-	-
RoCapital IFN S.A.	-	7	-	-
KRUK Italia S.r.l	-	226	-	-
KRUK Espana S.r.l	-	302	-	-
ItaCapital S.r.l	-	195	-	-
Presco S.à. r.l	-	113	-	-
Presco NS FIZ	-	-	-	-
	7,403	20,723	1,570	915

Revenue from mutual transactions

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from sales of debt collection services	Interest and dividends
SeCapital S.à. r.l	-	726	-
ERIF Business Solutions Sp. z o.o.	36	-	-
Novum Finance Sp. z o.o. (in liquidation)	23	-	-
SeCapital Polska Sp. z o.o.	7	-	1
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	987	-	(272)
KRUK Romania S.r.l.	1,521	-	-
Rejestr Dłużników ERIF BIG S.A.	337	-	-
NFIZ PROKURA	33	-	-
KRUK Česká a Slovenská republika s.r.o.	759	-	150
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	15,839	-
InvestCapital Malta Ltd.	96	-	-
Kruk Deustschland Gmbh	555	-	-
KRUK Deutschland (Branch)	114	-	-
RoCapital IFN S.A.	(63)	-	49
Prospero Capital Sp. z o.o.	7	-	-
KRUK Italia S.r.l	223	-	-
KRUK Espana S.L.	296	-	-
ItaCapital S.r.l	195	-	-
Presco S.à. r.l	34	-	-
Presco NS FIZ	-	-	-
	<u>5,177</u>	<u>16,565</u>	<u>(72)</u>

Costs of mutual transactions

<i>PLN '000</i>	Purchase of services
ERIF Business Solutions Sp. z o.o.	1
Kancelaria Prawna RAVEN Krupa & Stańko sp. k.	1,359
KRUK Romania S.r.l.	3,882
Rejestr Dłużników ERIF BIG S.A.	166
KRUK Česká a Slovenská republika s.r.o.	209
InvestCapital Malta Ltd.	-
	<u>5,617</u>

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

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

<i>PLN '000</i>	Liabilities	Receivables	Loans advanced	Interest accrued on loans advanced
SeCapital S.à. 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

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from sale of debt collection services	Interest and dividends
SeCapital S.à. 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>

7. Fair value

PLN '000

	Notes	Jun 30 2016 unaudited		Dec 31 2015	
		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	41,589	41,589	44,431	44,431
Real property	5	5,967	5,967	434	434
Hedge derivatives		-	-	(589)	(589)
		<u>47,556</u>	<u>47,556</u>	<u>44,277</u>	<u>44,277</u>
Financial assets and liabilities not measured at fair value					
Financial assets measured at amortised cost	5	2,203	2,086	2,502	2,310
Loans and receivables	5	59,672	59,672	47,357	47,357
Secured bank borrowings	6.7	(127,631)	(127,631)	(193,587)	(193,587)
Unsecured bonds in issue	6.7	(1,059,134)	(1,059,134)	(689,532)	(689,532)
Finance lease liabilities	6.7	(7,577)	(7,577)	(6,797)	(6,797)
Trade and other payables		(23,692)	(23,692)	(26,095)	(26,095)
		<u>(1,156,159)</u>	<u>(1,156,276)</u>	<u>(866,152)</u>	<u>(866,345)</u>

Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. Depending on the level of valuation, the following inputs were used in the valuation models.

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities,
- Level 2: inputs for given assets and liabilities, other than quoted prices from Level 1, observable directly (e.g. as prices) or indirectly (e.g. as provisions derivative),
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

In 2014–2016, no transfers were made between the levels.

PLN '000				
Jun 30 2016		-	-	Level 2
Hedge derivatives				-
Total				-
PLN '000				
Dec 31 2015		-	-	Level 2
Hedge derivatives				589
Total				589

On 19 July 2013. Kruk SA has entered into with Bank Zachodni WBK swap rates (IRS) to hedge part of the coupon depends on the variable WIBOR 3M for 40 million of the amount nominal bonds M1.

The main terms of the transaction are:

- Nominal amount of contract: 40 million PLN
- Day of commencement of the contract: 06/23/2014
- Completion date of contract: 03/21/2016
- Fixed interest rate (payer - Kruk SA): 3.28%
- The variable percentage rate (payer - BZ WBK): WIBOR 3M
- Interest periods: 3 months.

On 16 October 2013. Kruk SA He entered into with Bank Zachodni WBK swap feet rates (IRS) to hedge part of the coupon depends on the variable WIBOR 3M for 44 million.

The notional amount of the contract: 44 million PLN

- Day of commencement of the contract: 06/23/2014
- Completion date of contract: 03/21/2016
- Fixed interest rate (payer - Kruk SA): 3.50%
- The variable percentage rate (payer - BZ WBK): WIBOR 3M
- Interest periods: 3 months.

On 24 October 2013. Kruk SA He entered into with Bank Zachodni WBK swap feet rates (IRS) to hedge part of the coupon depends on the variable WIBOR 3M for 40 million the nominal amount of bonds O2 and P1.

The main terms of the transaction are:

- Nominal amount of contract: 40 million PLN
- Day of commencement of the contract: 06/09/2014
- Completion date of contract: 06/06/2016
- Fixed interest rate (payer - Kruk SA): 3.30%
- The variable percentage rate (payer - BZ WBK): WIBOR 3M
- Interest periods: 3 months.

The fair value of interest rate swap is determined based on future cash flows from transactions concluded on the basis of the calculated difference between the projected WIBOR 3M and WIBOR 3M of the

transaction. To determine the fair value of the Group assumes a forecast WIBOR 3M provided by an external company.

<i>PLN '000</i>				
		Jun 30 2016	-	Level 3
Financial assets measured at fair value				43,675
Total				43,675
<i>PLN '000</i>				
		Dec 31 2015	-	Level 3
Financial assets measured at fair value				46,741
Total				46,741

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 decrease 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 are presented in Note 11.

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

As at June 30th 2016, the amount of the Group's investments in debt portfolios accounted for 2.6% of its assets. Equity accounts for 34% of the financing of the Group's operations.

Pursuant to the Act on Taxation of the Assets of Certain Financial Institutions of January 15th 2016, between February 1st and July 29th 2016 the Company paid PLN 2,352 thousand in banking tax.

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

On February 5th 2016, KRUK S.A. executed an annex to the revolving credit facility agreement with Bank BGŻ BNP Paribas S.A. of Warsaw, member of the BNP Paribas Group. As a result, the total estimated value of all agreements executed between the KRUK Group and the BNP Paribas Group between April 18th 2015 and the date of this report reached PLN 74,900 thousand, thus exceeding 10% of the KRUK Group's revenue for the previous four financial quarters, which satisfies the materiality criterion. The highest-value agreement was the annex to the revolving credit facility agreement, executed between KRUK S.A. and BGŻ BNP Paribas S.A. on October 3rd 2014. Under the annex, the bank advanced to KRUK S.A. a credit facility in a total amount of PLN 100,000 thousand, available from the date of the annex. In the period between the availability date and the final maturity date (set for December 31st 2020), the credit limit will be reduced each quarter by PLN 6,250 thousand.

On February 25th 2016, the KRUK Management Board passed resolutions to issue up to 150,000 Series AA2 notes. The Company resolved to issue up to 150,000 unsecured Series AA2 bearer notes with a nominal value of PLN 1,000 per note, maturing 72 months after the allotment date.

On March 21st 2016, KRUK S.A. repurchased some of the unsecured Series M1 and N1 notes worth PLN 84,000 thousand.

On March 10th 2016, the KRUK Management Board passed resolutions to issue up to 650,000 Series AB1 notes. The Company resolved to issue up to 650,000 unsecured Series AB1 bearer notes with a nominal value of PLN 100 per note, maturing 60 months after the allotment date.

On April 25th 2016, the KRUK Management Board passed resolutions to issue up to 100,000 Series AC1 notes. The Company resolved to issue up to 100,000 unsecured Series AC1 bearer notes with a nominal value of PLN 1,000 per note, maturing 72 months after the allotment date.

On May 9th 2016, the KRUK Management Board passed resolutions to issue up to 135,000 Series AB2 notes. The Company resolved to issue up to 135,000 unsecured Series AB2 bearer notes with a nominal value of PLN 1,000 per note, maturing 60 months after the allotment date.

On June 9th 2016, the KRUK Management Board passed resolutions to issue up to 50,000 Series AD1 notes. The Company resolved to issue up to 50,000 unsecured Series AD1 bearer notes with a nominal value of PLN 1,000 per note, maturing 36 months after the allotment date.

On June 16th 2016, the KRUK Management Board passed resolutions to issue up to 650,000 Series AB3 notes. The Company resolved to issue up to 650,000 unsecured Series AB3 bearer notes with a nominal value of PLN 100 per note, maturing 60 months after the allotment date.

On June 20th 2016, in connection with a non-revolving working capital facility agreement executed by its subsidiary PROKURA NS FIZ, KRUK S.A. signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw. In accordance with the surety agreement, KRUK S.A. guaranteed liabilities towards the Bank under the facility agreement, whether existing at the time of the surety execution or arising in the

future, including in particular interest and costs of court and enforcement proceedings incurred by the Bank, and thus became a joint and several debtor in respect of those liabilities. The surety was issued for up to PLN 52,971,106.80. It will expire not later than on December 19th 2022.

On July 29th 2016, to finance an agreement with the following entities of the Eurobank Group: Bancpost S.A. and ERB Retail Services IFN S.A., both headquartered in Bucharest, Romania, and Eurobank's Dutch subsidiary ERB New Europe Funding II B.V. of Amsterdam, providing for the purchase of three debt portfolios with a nominal value of EUR 597m, ProsperoCapital executed a senior note issuance agreement. The parties to the note issuance agreement are ProsperoCapital, International Finance Corporation (a member of the World Bank Group) of Washington (IFC), and InvestCapital Malta Ltd. of Malta, a subsidiary. Under the note issuance agreement, ProsperoCapital will issue registered senior notes of up to RON 255m (PLN 249.5m, at the exchange rate quoted by the NBP for July 29th 2016). The issuance will be applied towards payment of the purchase price of the receivables as well as any other expenses to be incurred by ProsperoCapital in accordance with the note issuance agreement. Investors will subscribe for the senior notes issued towards payment of the price on a pro rata basis, which is 33% in respect of IFC and 67% in respect of ICM. The issuance of the senior notes is conditional upon the investors having confirmed to ProsperoCapital that all conditions precedent listed in the note issuance agreement have been met. The senior notes mature after 72 months from the date falling five business days after ProsperoCapital's submission of an invitation to acquire the notes or a later date jointly agreed on by ProsperoCapital and the investors. Interest on the senior notes will be paid to the investors on a monthly basis. The interest amount will depend on net cash flows from the collection of receivables, and will be calculated in accordance with the formula defined in the note issuance agreement.

On August 5th 2016, the KRUK Management Board passed resolutions to issue up to 20,000 Series AA3 notes. The Company resolved to issue up to 20,000 unsecured Series AA3 bearer notes with a nominal value of EUR 1,000 per note, maturing 36 months after the allotment date.

10. Dividends paid (or declared)

On February 26th 2016, the Management Board of KRUK S.A. passed a resolution to recommend to the Parent's Annual General Meeting that dividends of PLN 2 per share be distributed to KRUK S.A. shareholders from the net profit earned in the period January 1st–December 31st 2015.

The recommendation 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.

If the Annual General Meeting passes a resolution in line with the Management Board's recommendation, the balance of the Company's net profit for 2015 will be allocated to statutory reserve funds.

On March 3rd 2016, 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 2015.

The Supervisory Board favourably assessed the proposal, in which the Management Board recommended that the 2015 net profit be distributed as dividends of PLN 2 per share to the Company's shareholders, with the balance allocated to statutory reserve funds.

On May 9th 2016, the General Meeting of KRUK S.A. passed a resolution to distribute the profit for 2015 as dividends. The dividend record date was set for July 8th 2016. The dividends were paid out on July 29th 2016.

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

Events subsequent to the reporting date are described in Note 11 to the interim condensed consolidated financial statements.

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

Security for future liabilities

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

- On January 4th 2016, PROKURA NS FIZ and mBank S.A. concluded four agreements on a registered pledge over a set of rights. The pledges were entered in the pledge register. The registered pledges secure claims up to a maximum amount of PLN 150,000 thousand. As at June 30th 2016, the total amount of the pledged assets in KRUK S.A.'s accounting books was PLN 35,300 thousand;
- On March 2nd 2016, PROKURA NS FIZ and mBank S.A. concluded an agreement on a registered pledge over a set of rights. On March 14th 2016, an application was filed with the court to enter the pledge in the pledge register. The registered pledge secures claims up to a maximum amount of PLN 150,000 thousand. As at June 30th 2016, the amount of the pledged assets in KRUK S.A.'s accounting books was PLN 37,400 thousand.

On June 20th 2016, in connection with a non-revolving working capital facility agreement executed by its subsidiary PROKURA NS FIZ, KRUK S.A. signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw. In accordance with the surety agreement, KRUK S.A. guaranteed liabilities towards the Bank under the facility agreement, whether existing at the time of the surety execution or arising in the future, including in particular interest and costs of court and enforcement proceedings incurred by the Bank, and thus became a joint and several debtor in respect of those liabilities. The surety was issued for up to PLN 52,971,106.80. It will expire not later than on December 19th 2022.

Piotr Krupa

President of the Management Board

Agnieszka Kułton

Member of the Management Board

Urszula Okarma

Member of the Management Board

Iwona Słomska

Member of the Management Board

Michał Zasepa

Member of the Management Board

Katarzyna Raczekiewicz

Person responsible for maintaining the accounting records

Wrocław, August 26th 2016

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 April 15th 2016, Secapital S.a r.l., a subsidiary of KRUK S.A., and Presco Investments Limited of Malta signed a representation on fulfilment of the condition precedent and transfer of shares, as a result of which Secapital S.a r.l. became the owner of all shares in Presco Investments S.a.r.l. and acquired the right to the debt portfolios of P.R.E.S.C.O. Investment I NS FIZ purchased on the Polish market.

P.R.E.S.C.O. Investment I NS FIZ is entered in the Register of Investment Funds maintained by the Regional Court in Warsaw, 7th Civil and Registry Division, under entry No. RFI 640. Since April 15th 2016, KRUK S.A.'s subsidiary SeCapital S.a.r.l. has been the sole holder of the Fund's investment certificates, holding 39,878,730 certificates.

The business of Presco Investments S.a r.l. consists in management of securitised debt.

On July 29th 2016, the Management Board of KRUK S.A., the sole shareholder of NOVUM FINANCE sp. z o.o., resolved to revoke the pending liquidation of that company. The relevant resolution was passed by the General Meeting. Ms Agnieszka Kulon was appointed as member of the Company's Management Board.

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

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

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 9th 2016

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
Piotr Krupa	1,969,427	11.24	1,969,427	11.24
Aviva OFE	1,446,000	8.26	1,446,000	8.26
N-N PTE*	1,950,000	11.13	1,950,000	11.13
Generali OFE	1,100,000	6.28	1,100,000	6.28

(*) Joint shareholding of N-N OFE and N-N DFE, managed by N-N 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.

As at the date of issue of this interim report.

Shareholder	Number of shares	Ownership interest (%)	Number of votes held	Share in total voting rights at GM (%)
Piotr Krupa	1,927,427	10.86	1,927,427	10.86
Aviva OFE	1,448,000	8.16	1,448,000	8.16
N-N PTE*	2,000,000	11.27	2,000,000	11.27
Generali OFE	1,144,000	6.45	1,144,000	6.45

(*) Joint shareholding of N-N OFE and N-N DFE, managed by N-N 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 9th 2016.

Information concerning changes in the structure of major holdings

Subsequent to the reporting period, on July 15th 2016, 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 the sale of 32,000 KRUK S.A. shares at the average price of PLN 209.00 per share in an ordinary transaction executed during a trading session on the Warsaw Stock Exchange on July 13th 2016. On July 25th 2016, the Company received a notification from Piotr Krupa, President of the Management Board of KRUK S.A., concerning the sale of 10,000 KRUK S.A. shares at the average price of PLN 205.90 per share in an ordinary transaction executed during a trading session on the Warsaw Stock Exchange on July 25th 2016.

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	1,927,427
Urszula Okarma	Member of the Management Board	107,001
Agnieszka Kułton	Member of the Management Board	61,611
Iwona Słomska	Member of the Management Board	41,110
Michał Zasępa	Member of the Management Board	44,134

In the period from the issue of the previous interim report, i.e. the extended consolidated report for Q1 2016 issued on May 9th 2016, to the date of issue of this interim report, there were changes in the holdings of Company shares by Ms Iwona Słomska, Ms Agnieszka Kułton, Mr Michał Zasępa and Mr Tomasz Bieske.

On June 24th 2016, the Company received a notification from Mr Tomasz Bieske (a member of the Company's Supervisory Board), given under Art. 160.1 of the Act on Trading in Financial Instruments, to the effect that Mr Bieske had sold 642 shares in KRUK S.A., at the average price of PLN 191.08 per share, in ordinary transactions executed during trading sessions on the Warsaw Stock Exchange on June 24th 2016.

On June 28th 2016, the Company received a notification from Ms Iwona Słomska of her acquisition of 14,880 Series E shares in the Company. According to the notification, the shares were acquired on June 27th 2016, when 14,880 Series E shares were registered in the securities account of the notifying party as a result of the exercise of the rights attached to 14,880 subscription warrants issued as part of an incentive scheme, authorising the notifying party to subscribe for the shares at the issue price of PLN 39.70 per share.

On June 28th 2016, the Company received a notification from Ms Agnieszka Kułton of her acquisition of 16,130 Series E shares in the Company. According to the notification, the shares were acquired on June 27th 2016, when 16,130 Series E shares were registered in the securities account of the notifying party as a result of the exercise of the rights attached to 16,130 subscription warrants issued as part of an incentive scheme, authorising the notifying party to subscribe for the shares at the issue price of PLN 39.70 per share.

On June 28th 2016, the Company received a notification from Mr Michał Zasępa of his acquisition of 32,637 Series E shares in the Company. According to the notification, the shares were acquired on June 27th 2016, when 32,637 Series E shares were registered in the securities account of the notifying party as a result of the exercise of the rights attached to 32,637 subscription warrants issued as part of an incentive scheme, authorising the notifying party to subscribe for the shares at the issue price of PLN 39.70 per share.

On July 4th 2016, the Company received a notification from Ms Agnieszka Kułton, made under Art. 19 of MAR. According to the notification, the notifying party had sold, in ordinary transactions executed during trading sessions on the Warsaw Stock Exchange, 39 shares in KRUK S.A. at the average price of PLN 200.00 per share on June 30th 2016 and 500 shares in KRUK S.A. at the average price of PLN 200.82 per share on July 1st 2016.

On July 25th 2016, the Company received a notification from Ms Iwona Słomska, made under Art. 19 of MAR. According to the notification, the notifying party had sold, in ordinary transactions executed during trading sessions on the Warsaw Stock Exchange, 2,890 shares in KRUK S.A. at the average price of

PLN 206.00 per share on July 20th 2016 and 3,000 shares in KRUK S.A. at the average price of PLN 206.00 per share on July 25th 2016.

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 2016, issued on May 9th 2016) to the date of issue of this interim report. To the best of the Company's knowledge, after the reporting period, members of the Supervisory Board of KRUK S.A. have held no Company shares or rights thereto.

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 adopted by way of 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 are 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 subscription for the 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.

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 disapplied in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association. The incentive scheme for 2015-2019 (the "2015-2019 Scheme") 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 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.

Tranche 1

The Supervisory Board of KRUK S.A. passed a resolution on fulfilment of the condition set forth in the Stock Option Scheme with a view to granting Tranche 1 Subscription Warrants for performance of the 2015–2019 Scheme provisions in 2015, effective from June 9th 2016. In the resolution, the Supervisory Board declared the condition fulfilled. On June 17th 2016, in the performance of the 2015–2019 Stock Option Scheme, the Company's Management Board passed a resolution to determine the list of Non-Management Board Members who are Eligible Persons under Tranche 1 Subscription Warrants for 2015.

Acting under the resolution, on June 22nd 2016, the Management Board invited the Eligible Persons who are not Management Board Members to acquire Tranche 1 Subscription Warrants. As a result, 86,435 Subscription Warrants were delivered to the Eligible Persons on July 1st 2016.

By the date of this report, the list of Management Board Members who are Eligible Persons under Tranche 1 Subscription Warrants for 2015 had not been determined.

The Company's Management Board Members hold no other rights to KRUK shares.

General Meeting

The Annual General Meeting of KRUK S.A. was held on May 9th 2016. In addition to approval of the full-year financial statements of the Company and its Group and granting discharge to members of the governing bodies in respect of performance of their duties, the agenda of the Meeting included resolutions on the distribution of KRUK S.A.'s net profit for 2015, appointment of the Supervisory Board of the new term of office, remuneration of the Supervisory Board members, and authorisation of the Management Board to buy back Company shares (while also specifying the source of financing of the buyback). The agenda also included amendments to the Company's Articles of Association and Rules of Procedure for the Supervisory Board.

The Annual General Meeting resolved that the net profit for the financial year from January 1st to December 31st 2015, of PLN 35,843,270.18, would be distributed to shareholders as dividends of PLN 2.00 per share, with the balance allocated to statutory reserve funds.

Under the resolution, the dividend record date was set for July 8th 2016 and the dividend payment date for July 29th 2016. The dividends were paid on 17,744,216 KRUK S.A. shares.

In view of the expiry of the term of office and mandates of Supervisory Board members, on May 9th 2016 the Company's General Meeting passed resolutions appointing Supervisory Board members for the subsequent term of office. Shareholders also determined the amount of remuneration payable to Supervisory Board members.

The General Meeting further resolved to authorise the Management Board to buy back, in the period from June 1st 2016 to May 31st 2018, Company shares with the aggregate par value of up to PLN 3,503,149, for a price within the range of PLN 1–PLN 200 per share.

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; and claims arising from abusive contractual clauses	PLN 44,255,183.55	Mar 1 2016	Bacescu Danut	we expect the action to be dismissed
Action for voiding an assignment agreement; and claims arising from abusive contractual clauses	PLN 28,230,745.49	Apr 20 2016	Petrea Marius	we expect the action to be dismissed
Action for voiding an assignment agreement	PLN 28,230,745.49	Aug 4 2014	Barbu Cristian	we expect the action to be dismissed
Action for voiding an assignment agreement	PLN 23,693,495.46	Jul 8 2014	Susman Daniela	action dismissed by the court of first instance; the ruling is not final
Action for voiding an assignment agreement; and claims arising from abusive contractual clauses	PLN 11,533,369.07	Apr 12 2016	Duta Steliana	we expect the action to be dismissed

Litigation involving potential receivables – 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>
Bankruptcy proceedings	PLN 31,525,232.79	Feb 26 2015	PROKURA NSFIZ	The receiver acknowledged our claim; the list of claims has been approved. The receiver is currently attempting to sell the bankrupt's business as a whole.
Bankruptcy proceedings	PLN 30,828,937.83	Mar 17 2011	PROKURA NSFIZ	Bankruptcy proceedings at the final stage. A separate plan of distribution of the proceeds from sale of real property has been drawn up; distribution planned for August 2016.
Bankruptcy proceedings	PLN 23,104,779.05	Nov 8 2011	PROKURA NSFIZ	Proceedings practically concluded. The receiver is liquidating last items of the bankruptcy estate, but their value is insignificant. The Fund's claim is classified in a category not expected to be satisfied.
Bankruptcy proceedings	PLN 20,266,666.68	Jun 19 2012	PROKURA NSFIZ	Liquidation bankruptcy proceedings pending. Because the bankrupt removed certain assets from the bankruptcy estate, the receiver has brought actions for declaring the actions performed to the detriment of the estate ineffective.
Bankruptcy proceedings	PLN 16,298,062.55	May 22 2012	PROKURA NSFIZ	The final distribution plan has been implemented; we are awaiting decision to close the bankruptcy proceedings.

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

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

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

Total number of court cases as at June 30th 2016

	<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	389,948	7,530,239,525
Total number of enforcement proceedings instigated by the Group and total value of claims	642,213	9,575,417,621
Total number of court proceedings instigated against the Group and total value of claims	2,526	532,904,129

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 KRUK Group started Q1 2016 with an analysis of debtors' behaviour patterns in Italy and Spain to present materials used in debt collection process in the form of envelopes, letters, fliers, etc. The KRUK Group's marketing and PR activities are oriented towards clear and comprehensive communication. The feedback received during the meetings held in Italy and Spain allowed the KRUK Group to optimise and adapt its communication and processes. Such market analysis is a natural move in building customer relations on each new market.
- In Germany, for the second time the Group became one of the sponsors of 8. Forderungs- und Risikomanagement Tage, a conference attended by financial institutions and major companies operating on the German debt management market. During the meetings held in Berlin, Frankfurt am Main and Munich, the Group presented the benefits of the strategy promoting amicable settlement solutions and the concept of change in communication with debtors.
- In Q1 2016, KRUK was awarded the title of "Marka Godna Zaufania 2016" (The Trusted Brand 2016) in the category of factoring and credit management services. The survey was conducted by Tarsago Polska Sp. z o.o., a publishing house issuing the My Company Polska monthly.

- In Q2 2016, the most important PR projects included preparation and implementation of a PR drive related to the largest transaction on the Polish market and launch of a new operating branch in Piła. The project's main objective was to promote the presence of KRUK as a new resident of Piła and a good employer. A press conference was held attended by Mr Piotr Krupa, President of the Management Board of KRUK S.A., Ms Iwona Słomska, Member of the Management Board of KRUK S.A., Mr Piotr Głowski, Mayor of Piła and his Deputy Ms Beata Dudzińska. The opening ceremony at the Group's new operating branch concluded with a meeting with the most prominent members of local media.
- Industry conferences organised in the second quarter included another insurance workshop for our business partners, which addressed the newest trends on the insurance claim market. In Germany, we attended a conference devoted to debt issues, with a view to promoting our Germany-based subsidiary among prospective business partners. In the Czech Republic, we commemorated the second anniversary of our presence in Hradec Kralove, with the event featuring a second conference for the business partners of KRUK Ceska a Slovenska republika. Rejestr Dlužníků ERIF became the main partner in the event addressed to the non-banking lending sector, the Lending Sector Congress.

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.

Headcount at the KRUK Group as at June 30th 2016

2,981

Headcount at the KRUK Group as at June 30th 2015

2,571

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 Zasepa

Member of the Management Board

Wrocław, August 26th 2016