KRUK

Your finances in good shape

DIRECTORS' REPORT ON OPERATIONS OF KRUK S.A. IN **2012**

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1 OVERVIEW OF THE COMPANY

1.1 General information about the Company

Form of incorporation

KRUK S.A. (the "Company") is a joint-stock company with registered office in Wrocław, Poland. The Company is a parent of the KRUK Group (the "KRUK Group").

The Company was established in 1998 as KRUK Spółka z ograniczoną odpowiedzialnością. Pursuant to a resolution of the Extraordinary General Meeting of June 28th 2005, KRUK Sp. z o.o. (limited liability company) was transformed into KRUK S.A. (joint-stock company) and on September 7th 2005 the transformed company was entered in the National Court Register – Register of Entrepreneurs by the District Court for Wrocław Fabryczna of Wrocław, 6th Commercial Division of the National Court Register, under entry No. KRS 0000240829.

The Company shares and allotment certificates for ordinary bearer shares were admitted to stock-exchange trading on the main market of the Warsaw Stock Exchange, pursuant to the WSE Management Board's Resolution No. 573/2011 of May 5th 2011.

Contact details

Name: KRUK SPÓŁKA AKCYJNA

Registered address: ul. Legnicka 56, 54-204 Wrocław, Poland

Telephone: (+4871) 79 02 800

Fax: (+4871) 79 02 867

Corporate website: http://pl.KRUK.eu/

1.2 Business model

KRUK S.A. is the parent of the KRUK Group. A comprehensive overview of the Group's business and sources of revenue is presented in the Director's Report on the Operations of the KRUK Group. In the Management Board's opinion, reading this document is essential for proper and thorough assessment of the Company's performance in 2012.

The Company's operations are based on a successful business model, adopted across the entire Group. The Company is active both in the debt purchase and credit management segments of the debt collection market. Due to the nature of the debt collection industry (particularly operation of securitisation funds) and the wide range of services and activities performed by the KRUK Group (including in particular litigation-based debt collection and credit reference agency services), the Company's separate results do not reflect its actual performance. An analysis of the combined potential of the Company and its subsidiaries, taking into account the nature of their operations, gives a comprehensive picture of the Company's business model and enables proper assessment of its operating and financial performance. The year 2012 was very successful for the KRUK Group; the Group strengthened its position as the leader of the debt collection markets in Poland and Romania.

1.3 Financial highlights for 2012

KRUK S.A. is the parent of the KRUK Group. Given the intra-Group organisational and business links, its financial and operating performance should be assessed in the context of the Group's overall performance.

As at the end of 2012, the Company's total headcount was 985 persons (2011: 916). The table below presents selected results and financial highlights for 2012, with comparative data for 2011.

Table 1. Company's selected financial data

	Period ended Dec 31		
	2012	**2011**	**Change**
	(PLN '000, unless stated otherwise)		
Revenue	95,175	82,221	16%
EBITDA	-14,055	-14,735	-5%
Operating profit (EBIT)	-19,998	-19,211	4%
Net finance income	30,631	21,724	41%
Net profit for the period	7,156	517	1284%
Cash flows from operating activities	8,546	-15,178	-156%
Cash flows from investing activities	-75,190	-346,798	-78%
Cash flows from financing activities	67,177	363,490	-82%
Total net cash flows	533	1,514	-65%
Total assets	748,102	649,719	15%
Equity	117,480	107,978	9%

Source: the Company.

2 MARKET AND REGULATORY ENVIRONMENT – EXTERNAL FACTORS WITH A BEARING ON THE GROUP'S BUSINESS

2.1 Structure and description of the debt management market

In 2012, KRUK S.A. focused primarily on the Polish market. The Company was also involved in debt portfolio purchases in Romania and the Czech Republic. During the year, KRUK S.A. also operated in the debt purchase segment and credit management segments of the Polish market, offering services to both customers and members of the KRUK Group. For a description of the debt collection market and its structure, and the presentation of the key factors affecting the Company's business, see section "Structure and description of the debt management market" of the Director's Report on the operations of the KRUK Group.

2.2 Legal and regulatory environment

The operations of KRUK S.A. are governed by laws and regulations described in the sections below. Investors are advised to read section "Legal and regulatory environment" of the Director's Report on the Operations of the KRUK Group in 2012.

2.2.1. Securitisation funds

KRUK S.A. provides debt collection services to securitisation funds (Prokura NS FIZ and Prokulus NS FIZ) under securitised debt management agreements. The performance of such agreements is subject to the PFSA's oversight. KRUK S.A. has also obtained the PFSA's authorisation for the management of securitised debt of a securitisation fund.

2.2.2. Detective services

The Company's operations involving rendering of detective services are also regulated and as such must be registered in the register of detective agencies, maintained by the Minister of Internal Affairs and Administration.

2.2.3. Outsourcing of debt collection by banks

Pursuant to the amended Banking Law (Dz. U. of 2011, No. 201, item 1181), banks are not required to request PFSA's approval for transferring debt for collection by KRUK S.A. Nonetheless, the Group companies are subject to the PFSA's oversight with respect to the performance of such collection outsourcing agreements.

2.2.4. Personal data protection

The extent of personal data processing in the Company's day-to-day operations make personal data protection regulations materially important for the Company's activities. Personal data processing must be conducted in strict compliance with the relevant laws and with the use of technical and organisational measures which ensure personal data protection, in particular against unauthorised disclosure. In addition, individuals whose data are processed must have the right to access and correct such data.

2.2.5. Change in consumer loan regulations

On December 19th 2011, the Consumer Loan Act of May 12th 2011 (Dz. U. of 2011, No. 126, item 715, as amended) came into force, having effect on the execution and contents of extension of debt payment agreements and of borrowing agreements. The Company and its subsidiary Novum Finanse Sp. z o.o. (until February 15th 2012: Polski Rynek Długów Sp. z o.o.) brought their operating activities into conformity with the above requirements.

2.2.6. Other regulators and authorities important for the Company's operations

KRUK S.A.'s activities are also regulated by other authorities. These include:

- President of the Polish Office of Competition and Consumer Protection, with respect to competition and consumer rights protection,
- Inspector General for the Protection of Personal Data, with respect to personal data processing and protection,

3 OVERVIEW OF THE COMPANY'S BUSINESS

3.1 Company's business and branches

KRUK S.A. is the parent of the KRUK Group. The Company's core business is debt collection, including debt purchase and credit management services. Until April 30th 2012, the Company also advanced loans to private individuals. On May 1st 2012, the lending activity was transferred to a subsidiary, Novum Finance Sp. z o.o.

The Company has eight registered branches located in Poznań, Warsaw, Kraków, Katowice, Bydgoszcz, Łódź, Gdynia, and Szczawno-Zdrój. The branches do not keep separate accounts.

3.2 Organisational structure

The structure of the KRUK Group as at December 31st 2012, with information on KRUK S.A.'s ownership interests in subsidiaries, is presented below:

As at December 31st 2012, the Group comprised KRUK S.A., the Parent, and twelve subsidiaries:

- **Kancelaria Prawna RAVEN Krupa & Stańko**of Wrocław, a law firm providing comprehensive debt litigation and enforcement services exclusively in connection with debt collection processes conducted by the Group and its partners.
- **Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A.** of Warsaw,a credit reference agency serving as a platform for collecting, processing and providing information on natural persons and businesses, both delinquent debtors and timely payers.
- **ERIF Business Solutions Sp. z o.o.** of Wrocław, the company's core business consists in financial and agency services, and support for Small and Medium-Sized Enterprises.
- **KRUK International S.R.L. of Bucharest, Romania,**a credit management and debt purchase company.
- **SeCapital S.à.r.l of Luxembourg**, a special-purpose securitisation vehicle whose business consists chiefly in investing in debt or debt-backed assets.
    - **Prokura NS FIZ and Prokulus NS FIZ**, securitisation funds which are securitisation and investment vehicles relying on professional risk assessment and credit

management methodologies. All certificates issued by the securitisation funds are held by SeCapital S.à.r.l., and consequently any gains on an appreciation in the value of the certificates issued by Prokura NS FIZ and Prokulus NS FIZ are taxed in Luxembourg. Name of the investment fund company managing the funds: Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A.

- **Secapital Polska Sp. z o.o**. of Wrocław, securitised debt company;
- **Novum Finance Sp. z o.o.** of Wrocław, a company whose main business consists in providing consumer loans;
- **KRUK International S.r.o. of Prague, Czech Republic**, a credit management and debt purchase company;
- **KRUK Towarzystwo Funduszy Inwestycyjnych S.A.** of Wrocław, an investment fund management company;
- **KRUK International S.R.L.** of Budapest, Hungary, a credit management and debt purchase company.

Until the date of approval of these financial statements, there were no changes in the composition of the KRUK Group and in the information on the Group companies presented above. However, in February 2013, changes of the names of KRUK International S.R.L. of Bucharest, Romania, and KRUK International S.r.o. of Prague were registered by registry courts in Romania (February 21st 2013) and the Czech Republic (February 22nd 2013). Currently, the companies operate under the names: KRUK ROMÂNIA SRL of Romania and KRUK Česká a Slovenská republika S.r.o. of the Czech Republic, respectively.

3.3 Changes in the structure of the KRUK Group

On February 24th and September 18th 2012, KRUK TFI S.A.'s share capital was increased by PLN 0.20m and PLN 0.35m respectively. The difference between the new and the previous par value per share was covered with cash contributions. In December 2012, KRUK TFI S.A. took over the management of Prokura NS FIZ and Prokulus NS FIZ securitisation funds.

Pursuant to a decision of the sole shareholder in KRUK International S.R.L., i.e. KRUK, of December 27th 2012, the share capital of KRUK International S.R.L. was increased from RON 1,000 to RON 2m (PLN equivalent of 923.20 and 1.8m respectively, translated at the exchange rate quoted by the National Bank of Poland on December 27th 2012). The Issuer's liability under its contribution into the subsidiary's share capital was offset against the loans advanced by the Issuer to KRUK International S.R.L.

In 2012 the Company increased the share capital of Secapital S.à.r.l. by a total of PLN 123m.

In 2012, the Company acquired KRUK International Z.r.t. for a total of PLN 1.3m.

On December 27th, by way of conversion of loans (PLN 1.85m) into shares and cancellation of loans (PLN 5.84m) of KRUK International S.r.l. of Bucharest, the Company increased the share capital of the subsidiary.

On April 23rd 2012, the Company's Extraordinary General Meeting adopted a resolution to approve a disposal of an organised part of KRUK's business to Novum Finance Sp. z o.o., a wholly-owned subsidiary of the Company. Within the Company's internal organisational structure, it was an organisationally, financially and functionally separated unit, Consumer Finance Division, whose core business was consumer lending. The organised part of business comprised a portfolio of consumer loans as well as all obligations, infrastructure and personnel relating to this part of business. The employees were transferred pursuant to Art. 23 of the Polish Labour Code. On April 27th and on May 30th, the Company increased the share capital of Novum Finance Sp. z o.o. of Wrocław, respectively by PLN 6.4m and PLN 0.8m, by way of additional contributions to equity in connection with the transfer of lending activity from KRUK to this entity.

At PROKURA NSFIZ, the following transactions of redemption or allotment of Investment Certificates were concluded:

Table 2. PROKURA NSFIZ – redemptions and allotments of Investment Certificates in 2012

No.	Date and time of disclosable transaction on Certificates	Series	Type of Certificates	Number
1	Redemption of Investment Certificates: January 23rd 2012	Series K	Non-Public Registered Investment Certificates	2,080,481
2	Redemption of Investment Certificates: January 23rd 2012	Series M	Non-Public Registered Investment Certificates	22,639
3	Redemption of Investment Certificates: February 16th 2012	Series M	Non-Public Registered Investment Certificates	1,604,097
4	Allotment of Certificates: May 28th 2012	Series S	Non-Public Registered Investment Certificates	1,277,372
5	Redemption of Investment Certificates: July 18th 2012	Series M	Non-Public Registered Investment Certificates	501,113
6	Allotment of Investment Certificates: Sep 25 2012	Series T	Non-Public Registered Investment Certificates	1,413,044

7	Redemption of Investment Certificates: Oct 19 2012	Series M	Non-Public Registered Investment Certificates	842,105
8	Redemption of Investment Certificates: Nov 19 2012	Series M	Non-Public Registered Investment Certificates	726,141
9	Allotment of Investment Certificates: Dec 21 2012	Series U	Non-Public Registered Investment Certificates	6,591,837

Source: the Company.

Table 3. PROKURA NSFIZ – redemptions of Investment Certificates in 2013

No.	Date and time of disclosable transaction on Certificates	Series	Type of Certificates	Number
1	Redemption of Investment Certificates: Jan 16 2013	Series M	Non-Public Registered Investment Certificates	743,310
2	Redemption of Investment Certificates: Feb 6 2013	Series M	Non-Public Registered Investment Certificates	833,334
3	Redemption of Investment Certificates: Feb 18 2013	Series M	Non-Public Registered Investment Certificates	736,740

Source: the Company.

Following these transactions, at December 31st 2012, Secapital S.à.r.l. held 62,491,592 Investment Certificates and at the date of this report – 60,178,208 Investment Certificates. Secapital S.à.r.l. holds 100% of PROKURA NSFIZ Investment Certificates.

At PROKULUS NSFIZ, the following transactions of allotment of Investment Certificates were concluded in 2012:

Table 4. PROKULUS NSFIZ – allotments of Investment Certificates in 2012

No.	Date and time of disclosable transaction on Certificates	Series	Type of Certificates	Number
1	Allotment of Investment Certificates: Jun 26 2012	Series B	Non-Public Registered Investment Certificates	500,000
2	Allotment of Investment Certificates: Sep 17 2012	Series C	Non-Public Registered Investment Certificates	300,000

Source: the Company.

Following these transactions, at December 31st 2012, Secapital S.à.r.l. held 1,000,000 Investment Certificates and until the date of this report the number has not changed. Secapital S.à.r.l. holds 100% of PROKULUS NSFIZ Investment Certificates.

3.4 Changes in the Company's and Group's significant management policies

In the financial year 2012, there were no changes in the significant policies of managing the Company and its subsidiaries, with the exception of KRUK TFI S.A. taking over the management of Prokura NS FIZ and Prokulus NS FIZ securitisation funds.

3.5 Share capital

3.5.1. Structure of the Company's share capital

As at December 31st 2012 and as at the date of this report, the share capital of KRUK was PLN 16,900,340.00 and was divided into 16,900,340 shares with a par value of PLN 1.00 per share, including:

- 2,692,220 Series A bearer shares;
- 11,366,600 Series AA bearer shares;
- 1,250,000 Series B bearer shares;
- 491,520 Series C bearer shares;
- 1,100,000 Series D bearer shares.

3.5.2. Changes in share capital

In the financial year 2012 and until the date of this report there were no changes in KRUK's share capital.

3.6 Products and services

Apart from purchasing debt portfolios for own account, KRUK offers the most comprehensive and innovative debt management service in Poland. The Company's offering includes loss prevention services, debt collection services and other services (including detective and specialist services).
Unless indicated otherwise, all services discussed below were provided by the Company in the entire 2012.

Loss prevention services

Detective investigation
Detective investigations are carried out chiefly where a client plans to enter into a transaction involving a large financial exposure. The findings form a picture of the investigated entity's or person's financial standing and creditworthiness. An investigation may also be conducted to analyse

documentation and links between entities of a corporate group. Detective investigations are carried out by licensed detectives. Such activities can be performed in a covert or overt manner with respect to the investigated firm.

Preventive monitoring

Reminding and monitoring activities are undertaken before the payment deadline. The Company also provides, although to a lesser extent, services related to monitoring of borrowers' financial standing, correctness of provided data, loan-servicing documents, and value of collateral. Preventive monitoring is used to place cases with the largest financial exposure and clients from the highest risk group under special continuous watch.

Collection services

Collection monitoring

Reminding and monitoring activities are undertaken immediately after the payment deadline elapses. It serves to more effectively predict, control and minimise the level of provisions for non-performing loans, while maintaining a high level of client satisfaction. The objective of collection monitoring is to ensure regular debt repayments and prevent payment delays. Collection monitoring involves quick and frequent contact with debtors. It is usually applied with respect to payments late by 5 to 45 days. This service is performed through the contact centre.

Amicable collection of commercial and consumer debts

The purpose of amicable collection is to recover debt as quickly as possible, using the most effective tools for particular debt categories. In performing this service, the Group relies on a comprehensive array of collection actions and tools. As part of the service, the Company handles cases at any stage of delinquency and with various statuses.

Delfin, the proprietary collection system used by the Company, enables it to both provide mass collection services and process each case in a highly individualised manner.

Doorstep debt collection

The collection process may involve a field negotiator’s visit or detective activities at a debtor’s domicile or place of business. During a visit, the negotiator and debtor may agree upon the terms of debt repayment or settlement, and the negotiator may also collect cash or collateralised assets. Doorstep collection is effective for high-value and high-priority cases, e.g. where there is a suspicion that the debtor is hiding or disposing of their property.

Repossession of collateralised assets

Claims secured over movable or non-movable property may be enforced by repossessing the collateralised assets. The comprehensive service comprises collection and transport of collateralised assets, as well as their storage, valuation and sale.

Administration of mortgage-backed debt cases

Cases involving mortgage-backed debt are handled taking into consideration the nature of high-value debts and the type of collateral. The main principle followed in performing this service is individualised approach. Each case is thoroughly reviewed to establish the facts, while collateral and the debtor's financial standing are analysed. Then action is taken to ensure that regular repayments are restored, the debt is restructured/consolidated, the debtor sells the real estate amicably on the free market or the mortgaged real estate is sold in a bailiff auction.

Hybrid services using ERIF's Debtor Register

The use of ERIF's Debtor Register in the collection process effectively supports collection efforts. The process of amicable collection combined with the possibility of entering the debtor's details in ERIF's Debtor Register is a hybrid service, unique on the Polish market.

Other services

Electronic debt exchange

The debt exchange has been developed by the Company to facilitate debt trading and create a register of defaulting counterparties. Through the e-debt exchange it is possible to enter details of debtors and their debts in a generally accessible database of debt on sale. The e-debt exchange may be one of the elements of the collection process handled by the Company. If the debtor does not respond to demands, the debt may be offered for sale on the e-debt exchange. The Company operates the policy of not disclosing, and does not intend to disclose, natural persons' details through the electronic debt exchange.

e-KRUK

e-KRUK is an interactive web-based multimedia service supporting the collection process. Currently it is the only web service on the market designed to help debtors clear their debts. Through e-KRUK, debtors may access information on their debt and take steps to solve their problems on a 24/7 basis.

The e-KRUK functionalities available to debtors include viewing the list of debts which the individual owes to particular creditors, checking the debt service status, obtaining information on litigation and bailiff collection costs, entering into a fair settlement, convenient direct link to the bank's website to repay debt, an option to arrange for contact with a negotiator at a convenient time and possibility to quickly update contact details. The e-KRUK platform is available at www.e-kruk.pl.

The Novum loan service

As part of the service, until the end of April 2012, the Company advanced short-term cash loans to former debtors who have a track record of repaying their liabilities to the Group in a timely manner. On May 1st 2012, the lending activity was transferred to a subsidiary, Novum Finance Sp. z o.o. The Pożyczka Novum loan service was designed with a view to putting persons excluded from the banking system due to their former debts and negative credit histories back into the economic system and rebuilding their creditworthiness.

3.7 Material events with a bearing on the Company's operations during the financial year

In October 2011, the KRUK Supervisory Board adopted a resolution approving the purchase of 100% shares in SH Money Ingatlanfinanszírozási és Pénzügyi Zártkörűen Működő Részvénytársaság of Debrecen, Hungary. SH Money holds authorisations to purchase debt portfolios in Hungary, however the company is virtually dormant. Following the approval by the Hungarian financial regulator of KRUK's acquisition of the Hungarian company and its continued operation under the name KRUK International Z.r.t., on April 24th 2012 the company's Deed of Incorporation was signed. On June 6th 2012, the KRUK Management Board resolved to suspend for indefinite time preparations to enter the Hungarian market. The Management Board believes that currently the estimated size of the Hungarian debt purchase market does not guarantee satisfactory development of the KRUK Group's business in that country, which, however, does not preclude the possibility of the Company entering that market in the future.

With a view to ensuring a transparent and effective information policy aimed at providing general access to information on the Company's and the Group's financial standing and prospects, on October 10th 2012 the Company decided to adopt a practice to release information on the nominal value of and expenditure on debt cases purchased by the KRUK Group companies in a given quarter. Such information will be released on a regular basis, i.e. by the tenth day of a month following the end of each subsequent quarter (see Current Report No. 39/2012 of October 10th 2012).

Other events and circumstances which had a significant effect on the operations of the Parent and its subsidiaries in 2012 are discussed in detail in other sections of this report. Such events include primarily significant agreements concluded in the course of business, which are discussed in detail in section "Agreements executed by the Company."

3.8 Non-recurring factors and events

In 2012, there were no non-recurring factors or events.

3.9 Important events after December 31st 2012

In the period from January 1st 2013 to the date of this report, there were no significant changes in the financial or trading position of the Group, save for the following:

- Following the execution on January 16th 2013 by KRUK and PROKURA NSFIZ of another annex to the agreement on the provision of services relating to securitised debt of February 27th 2006 ("Agreement"), the total value of agreements concluded between the KRUK Group and Secapital S.à.r.l., a subsidiary of the Company, and PROKURA NS FIZ, a subsidiary of Secapital S. a r. l., in the period from November 5th 2012, i.e. from the date of release of

Current Report No. 42/2012, to January 16th 2013, reached PLN 34m (Current Report No. 3/2013 of January 16th 2013).

- On February 18th 2013 (as reported by the Company in Current Report No. 9/2013 of February 19th 2013), the Company and its subsidiary PROKURA Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty concluded a trilateral agreement with Bank Zachodni WBK S.A. ("PROKURA Agreement") on a revolving credit facility of up to PLN 70m, whereby:

  a) as of March 1st 2013 the Bank will make available to the Borrower a Credit Facility of up to PLN 40m, divided into two lines, i.e.

  - a credit limit available under the facility until July 31st 2015, repayable by July 31st 2016, of up to PLN 31.5m;

  - a credit limit available under the facility until July 31st 2014, repayable by July 31st 2015, of up to PLN 8.5m;

  b) as of March 1st 2013 the Bank will make available to the Borrower a Supplementary Credit Facility of up to PLN 30m, available until the final repayment date, i.e. March 6th 2013, or upon payment on that day of the contractually agreed commission fee - until March 6th 2014.

  The Credit Facility and the Supplementary Credit Facility have been granted to refinance or finance up to 70% of the purchase price of debt portfolios acquired directly by the Borrower on the Polish market.

  The facilities bear interest at 1M WIBOR rate plus bank margin set at market terms.

  The Bank's receivables under the PROKURA Agreement are secured with:

  - a power of attorney over funds deposited in the Borrower's special account and the Company's selected accounts to satisfy the Bank's claims under the PROKURA Agreement,

  - registered pledges over KRUK's shareholding in Secapital S.à.r.l. of Luxembourg (Secapital),

  - a surety under civil law issued by KRUK for the benefit of the Bank.

  The other provisions of the PROKURA Agreement, including in particular the provisions relating to disbursement of the facilities, default interest as well as possible withdrawal from or termination of the Agreement, do not differ from standard provisions used in agreements of such type.

  In connection with the PROKURA Agreement, on February 18th 2013 the Company executed a surety agreement with the Bank ("Surety Agreement"). Under the Surety Agreement, the Company issued a surety covering the Borrower's liabilities towards the Bank under the PROKURA Agreement, thus becoming a joint and several debtor in respect of the liabilities.

- On February 18th 2013 (see Current Report No. 9/2013 of February 19th 2013), the Company and Bank Zachodni WBK S.A. signed an annex (the "Annex") to the revolving credit facility agreement of April 8th 2011, as amended (the "Company's Credit Facility Agreement").
  Under the annex:

  a) the PLN 80m facility granted under the Company's Credit Facility Agreement is reduced, with effect as of March 1st 2013, in the following manner:

  - the credit limit available under the facility until July 31st 2015, repayable by July 31st 2016, is reduced from PLN 63m to PLN 31.5m;

- the credit limit available under the facility until July 31st 2014, repayable by July 31st 2015, is reduced from PLN 17m to PLN 8.5m;

b) the PLN 60m additional facility granted under the Company's Credit Facility Agreement is reduced, with effect from March 1st 2013, to the amount of PLN 30m;

c) the repayment and availability dates of the additional facility granted under the agreement was set for March 6th 2013 or, upon payment of a commission fee specified in the Annex - for March 6th 2014.

The other material terms of the Company's Credit Facility Agreement remained unchanged under the Annex.

- On February 5th 2013, (see Current Report No. 5/2013 of February 5th 2013), the Company's Management Board (the "Issuer") adopted Resolution No. 3/2013 on the issue of unsecured Series P2 notes.

  The issue proceeds will be used to finance the acquisition of debt portfolios by the KRUK Group or to refinance the Company's debt.

  Pursuant to the Resolution, as part of the Unsecured Note Issue Programme adopted in the Supervisory Board's Resolution, KRUK S.A. resolves to issue up to 30,000 Series P2 unsecured bearer notes, with a par value of PLN 1,000 per note, maturing 48 months after the Issue Date, understood as the allotment date.

  The par value of the Notes will be PLN 1,000 per Note. The Notes will be offered at the issue price equal to their par value. The Notes will bear interest based on the variable WIBOR 3M rate plus a fixed margin defined in a relevant resolution of the Management Board. The Interest will be paid out every three months. The Notes were issued under the Polish law and all legal relations under the Notes will be governed by the Polish law. The Notes were offered to no more than 99 investors under Art. 9.3 of the Bond Act.

  The Notes were not offered under the Issuer's public offering, nor will the Issuer seek their admission to trading on a regulated market. The Issuer will seek admission of the Notes to trading in the alternative trading system on the Catalyst market, operated by the Warsaw Stock Exchange. The Notes were allotted on March 7th 2013.

- On February 12th 2013, (see Current Report No. 8/2013 of February 12th 2013), the Company's Management Board (the "Issuer") adopted Resolution No. 6/2013 on the issue of unsecured Series P3 notes.

  The issue proceeds will be used to finance the acquisition of debt portfolios by the KRUK Group or to refinance the Company's debt.

  Pursuant to the Resolution, as part of the Unsecured Note Issue Programme adopted in the Supervisory Board's Resolution, KRUK S.A. resolves to issue up to 30,000 Series P3 unsecured bearer notes, with a par value of PLN 1,000 per note, maturing on March 7th 2017 (the "Notes").

  The par value of the Notes will be PLN 1,000 per Note. The Notes will be offered at the issue price equal to their par value. The Notes will bear interest based on the variable WIBOR 3M rate plus a fixed margin defined in a relevant resolution of the Management Board. The Interest will be paid out every three months. The Notes were issued under the Polish law and all legal relations under the Notes will be governed by the Polish law. The Notes were offered to no more than 99 investors under Art. 9.3 of the Bond Act.

The Notes were not offered under the Issuer's public offering, nor will the Issuer seek their admission to trading on a regulated market. The Issuer will seek admission of the Notes to trading in the alternative trading system on the Catalyst market, operated by the Warsaw Stock Exchange. The Notes were allotted on March 14th 2013.

- On February 28th 2013, KRUK S.A. published a notice of Extraordinary General Meeting. The date of the Extraordinary General Meeting was set for March 27th 2013. The agenda includes adoption of resolutions on increasing the number of the KRUK Supervisory Board members from five to seven, on removal of the Supervisory Board of the previous term, and on appointment of the Supervisory Board for a new term of office. Also, the Meeting will discuss changes and amendments to the Company's Articles of Association regarding powers of the Supervisory Board.

3.10Executed agreements

3.10.1. Material agreements

The following agreements executed by KRUK S.A. in 2012 may be considered material:

Annex to the credit facility agreement concluded between KRUK and Bank Zachodni WBK S.A.

For detailed information on the annex, see *"New and terminated loan or credit facility agreements"*

Annex to the postal services agreement concluded between KRUK and Poczta Polska S.A.

On March 20th 2012, an annex ("Annex") was executed to the agreement on the provision of postal services paid for in arrears ("Agreement"), concluded on February 19th 2006 with Poczta Polska S.A., under which the Agreement was extended for an indefinite period. Previously, the Agreement had been extended annually. As the Agreement was extended for an indefinite period, KRUK estimated the value of services to be provided under the Agreement over the next five years at PLN 30m. Following execution of the Annex, the aggregate value of agreements concluded by the KRUK Group with the Poczta Polska Group in the period from the admission of KRUK shares to trading on the regulated market, i.e. from May 5th 2011, to March 21st 2012 reached PLN 35.3m (exclusive of VAT) (see Current Report No. 11/2012 of March 21st 2012).

Annex to the pledge agreement with Bank Zachodni WBK S.A.

On May 14th 2012, an annex was signed to the pledge agreement concluded between KRUK and Bank Zachodni WBK S.A. ("the Bank") on June 21st 2011. Under the annex, the registered pledge amount, representing the maximum security amount covering the Bank's receivables comprising principal, interest, cost of recovery, commission fees and other fees under the credit facility agreement of April 8th 2011 as well as the annex to the credit facility agreement of March 7th 2012, was raised from PLN 114,285,715 to PLN 200,000,000 (see Current Report No. 24/2012 of May 14th 2012).

Annexes to agreement on provision of services relating to securitised debt between KRUK and PROKURA NS FIZ

Following the execution on July 10th 2012 by KRUK and PROKURA NS FIZ of annexes to the agreement on provision of services relating to securitised debt of February 27th 2006, the total value of agreements concluded between the KRUK Group and Secapital S.à.r.l., the Company's subsidiary, and PROKURA NS FIZ, a subsidiary of Secapital S. a r. l., in the period from November 3rd 2011, i.e. from the date of release of Current Report No. 66/2011, to July 11th 2012, reached PLN 32.8m. In terms of value, the largest of these agreements was the debt assignment agreement of December 15th 2011 between KRUK International SRL and Secapital S. a r.l., under which Secapital S.à.r.l. purchased from KRUK International S.R.L debt portfolios comprising a total of 12,413 due debt claims with a total nominal value of RON 106.7m, for a price of RON 8.3m. The debt purchased under the agreement had been acquired by KRUK International S.R.L from BRD-Groupe Société Générale S.A. under an agreement of December 2nd 2011. (Current Report No. 34/2012 of November 7th 2012)

Debt assignment agreement between KRUK and Secapital S.à.r.l., a subsidiary

Following the execution on November 5th 2012 by KRUK International S.R.L and Secapital S.à.r.l. (Secapital) of annexes to the framework agreement on provision of services relating to securitised debt of October 10th 2007, the total value of agreements concluded between the KRUK Group and Secapital, the Company's subsidiary, and PROKURA NS FIZ, a subsidiary of Secapital, in the period from July 11th 2012, i.e. from the date of release of Current Report No. 34/2012, to November 5th 2012, reached PLN 34m. In terms of value, the largest of these agreements was the debt assignment agreement of September 28th 2012 between the Company and Secapital (the "Agreement"), whereby Secapital purchased from the Company three debt portfolios comprising a total of 31,507 due debt claims with a total nominal value of PLN 376.8m, for a price of PLN 22.7m. (Current Report No. 42/2012 of November 5th 2012) On March 6th 2013, the Agreement was amended to extend the payment deadline from March 31st 2013 to June 30th 2013. The other terms of the Agreement remain unchanged.

Annex to revolving credit facility agreement between KRUK and Raiffeisen Bank Polska S.A.

For detailed information on the annex, see *“New and terminated loan or credit facility agreements”*

3.10.2. Material related-party transactions executed on a non-arm's length basis

The Company did not execute any material related-party transactions within the Group on a non-arm's length basis. For description of related-party transactions, see the Company’s Financial Statements for 2012.

3.10.3. New and terminated loan or credit facility agreements

Annexes to credit facility agreement with Bank Zachodni WBK S.A.

On March 7th 2012 (see Current Report No. 7/2012 of March 7th 2012), the Company (as a borrower) and Bank Zachodni WBK S.A. signed an annex to the revolving credit facility agreement of April 8th 2011, whereby Bank Zachodni WBK S.A. granted to the Company a revolving credit facility of up to PLN 80,000,000 (the "Facility") to finance or refinance acquisition of debt portfolios on the Polish market by the Company and some of its subsidiaries. The subject matter of the annex was:

- advance by Bank Zachodni WBK S.A. of a Supplementary Facility of up to PLN 60,000,000 to finance or refinance up to 70% of the purchase price of debt portfolios acquired by the Company and some of its subsidiaries on the Polish market,
- change of maturity date of the PLN 80,000,000 Facility.

Under the Annex, the maturity date of the Facility referred to in the Agreement was changed compared with the date specified in the Agreement and was set at February 28th 2015, and the maturity date of the Supplementary Facility was set at March 6th 2013.

Amounts drawn under the Supplementary Facility bear interest at a variable rate, based on the 1M WIBOR rate plus margin set forth in the agreement. Interest is payable on a monthly basis.

The other material terms of the agreement remained unchanged.

On October 26th 2012, the Company and Bank Zachodni WBK S.A. signed an annex to the revolving credit facility agreement of April 8th 2011 (see Current Report No. 41/2012 of October 26th 2012), whereby:

- PLN 80m revolving credit line was divided into two separate lines of PLN 63m and PLN 17m, respectively;
- Facility expiry date was changed to July 31st 2014 with respect to the PLN 17m credit line and July 31st 2015 with respect to the PLN 63m credit line;
- Final repayment date was changed to July 31st 2016 with respect to the PLN 63m credit line and July 31st 2015 with respect to the PLN 17m credit line.

The other material terms of the agreement remained unchanged.

The Facility and Supplementary Facility are secured with multiple instruments, including a registered and financial pledge
(under the Polish law) and a pledge (under the Luxembourg law) established on shares in the Luxembourg-based subsidiary
Secapital S.à.r.l of Luxembourg.

Under an annex of May 14th 2012 to the pledge agreement of April 14th 2011, the registered pledge amount, which is the maximum security amount covering the Bank's receivable, was increased from PLN 114,285,715 to PLN 200,000,000. The annex did not change the pledged assets, which comprised 77,784 Class E shares in Secapital S.à.r.l. with a par value of PLN 77,784,000 (see Current Report No. 24/2012 of May 14th 2012).

As at December 31st 2012, the pledge was established over 84,908 Class E shares in Secapital S.à.r.l., with a carrying amount in KRUK S.A.'s accounting books of PLN 93,398,800.

Credit facility agreement with Bank Pocztowy S.A.

On March 30th 2012, the Company (as a borrower) and Bank Pocztowy S.A. executed a revolving credit facility agreement, whereby Bank Pocztowy S.A. granted to the Company a revolving credit facility of up to PLN 10,000,000 to finance or refinance acquisition of debt portfolios by the Company and some of its subsidiaries. Pursuant to the agreement, amounts drawn under the facility bear interest at a variable rate, based on the 1M WIBOR rate plus the Bank's margin set forth in the agreement. Interest is payable on a monthly basis.

The agreed repayment date is March 29th 2016.

The facility is secured with a number of instruments, including a registered pledge over Company's shares in its subsidiary, Secapital S.à.r.l. of Luxembourg. As at December 31st 2012, the pledge was established over 8,649 Class C shares in Secapital S.à.r.l., with a carrying amount in KRUK S.A.'s accounting books of PLN 9,513,900.

Annex to credit facility agreement with Raiffeisen Bank Polska S.A.

On November 20th 2012 (see Current Report No. 47/2012 of November 21st 2012), the Company (as a borrower) and Raiffeisen Bank Polska S.A. signed an annex to the revolving credit facility agreement of September 13th 2011, whereby Raiffeisen Bank Polska S.A. granted to the Company a revolving credit facility of up to PLN 30,000,000 to finance or refinance acquisition of debt portfolios on the Polish and Romanian markets by the Company and some of its subsidiaries (execution of the revolving credit facility agreement of September 13th 2011 was reported in Current Report No. 49/2011 of September 14th 2011). The subject matter of the annex was:

- increase of the credit line by PLN 30,000,000, to PLN 60,000,000;
- change of the Facility's maturity date to November 30th 2016.

The other material terms of the agreement remained unchanged.

Pursuant to the agreement, amounts drawn under the facility bear interest at a variable rate, based on the 1M WIBOR rate plus the Bank's margin set forth in the agreement. Interest is payable on a monthly basis.

The facility is secured with a number of instruments, including a registered pledge over Company's shares in its subsidiary, Secapital S.à.r.l. of Luxembourg. As at December 31st 2012, the pledge was established over 27,342 Class B shares in Secapital S.à.r.l., with a carrying amount in KRUK S.A.'s accounting books of PLN 30,076,200.

Issue of debt securities

In 2012, the Company issued unsecured Series M^1, N^1, O^1, O^2 and P^1 notes, with a total nominal value of PLN 190,000,000. The notes were issued at par. In line with the terms of each of the note issues, the notes are ordinary bearer notes existing in book entry form and have been registered with the Polish National Depository for Securities (KDPW S.A.) and introduced into the Catalyst Alternative Trading System. The notes bear interest at 3M WIBOR plus a fixed margin determined separately for each series of notes. The interest on the notes will be calculated on a 365-day basis. It will accrue in consecutive three-month interest periods and is payable in arrears, at the end of each interest period.

The note issues in 2012 were carried out in order to raise funds for the financing of debt purchases by the Group or refinancing of the Company's debt.

a) Issue of series M^1 notes

Under the Management Board's resolutions of February 13th 2012 and March 21st 2012, the Company issued 70,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 70,000,000. The notes are due 48 months from the allotment date, and may be redeemed prior to maturity in the event of liquidation or transformation of the Company or if a noteholder calls for early redemption in the circumstances specified in the terms and conditions of the issue.

b) Issue of series N^1 notes

Under the Management Board's resolutions of March 8th 2012 and April 13th 2012, the Company issued 50,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 50,000,000. The notes are due by March 21st 2016 and may be redeemed prior to maturity in the event of liquidation or transformation of the Company or if a noteholder calls for early redemption in the circumstances specified in the terms and conditions of the issue. Based on a resolution of the Management Board of KDPW S.A. of July 31st 2012, Series N^1 notes were consolidated with Series M^1notes on August 3rd 2012.

c) Issue of series O^1 notes

On the basis of Management Board's resolutions which came into force on October 2nd 2012 and November 5th 2012, the Company issued 30,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 30,000,000. The notes are due 48 months from the allotment date, and may be redeemed prior to maturity in the event of liquidation or transformation of the Company or if a noteholder calls for early redemption in the circumstances specified in the terms and conditions of the issue.

d) Issue of series O^2 notes

On the basis of Management Board's resolutions which came into force on November 13th 2012 and December 6th 2012, the Company issued 20,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 20,000,000. The notes are due 48 months from the allotment date, and may be redeemed prior to maturity in the event of liquidation or transformation of the Company or if a noteholder calls for early redemption in the circumstances specified in the terms and conditions of the issue.

e) Issue of series P^1 notes

On the basis of Management Board's resolutions which came into force on November 30th 2012 and December 6th 2012, the Company issued 20,000 notes with a nominal value of PLN 1,000 per note.

The total value of the issue was PLN 20m. The notes are due 48 months from the allotment date, and may be redeemed prior to maturity in the event of liquidation or transformation of the Company or if a noteholder calls for early redemption in the circumstances specified in the terms and conditions of the issue. The Company intends to assimilate Series P^1 notes with Series O^2 notes following the end of the first interest period.

Use of issue proceeds

Proceeds from the note issues in 2012 were used in line with the issue objectives.

Redemption of debt securities

In 2012, the Company redeemed the following debt securities at maturity:

a) 15,882 series B notes at nominal value, for a total amount of PLN 15,882,000. The notes were redeemed on February 24th 2012.

b) 12,500 series E^1 notes at nominal value, for a total amount of PLN 12,500,000. The notes were redeemed on July 15th 2012.

c) 17,500 series E^2 notes at nominal value, for a total amount of PLN 17,500,000. The notes were redeemed on September 2nd 2012.

d) 10,000 series J^1 notes at nominal value, for a total amount of PLN 10,000,000. The notes were redeemed on July 11th 2012.

e) 20,000 series K^1 notes at nominal value, for a total amount of PLN 20,000,000. The notes were redeemed on September 6th 2012.

f) 10,000 series L^1 notes at nominal value, for a total amount of PLN 10,000,000. The notes were redeemed on June 5th 2012.

g) 5,000 series L^2 notes at nominal value, for a total amount of PLN 5,000,000. The notes were redeemed on December 5th 2012.

Moreover, in 2012 the Company bought back and then redeemed the following notes:

a) 7,000 series G^2 notes at nominal value, for a total amount of PLN 7,000,000.

b) 7,500 series H^1 notes at nominal value, for a total amount of PLN 7,500,000.

c) 6,600 series H^2 notes at nominal value, for a total amount of PLN 6,600,000.

d) 8,496 series I^2 notes at nominal value, for a total amount of PLN 8,496,000.

The buyback of the notes was reported Current Reports No. 19/2012 of April 20th 2012, 22/2012 of April 27th 2012 and 25/2012 of May 25th 2012.

Liabilities under debt securities

As at December 31st 2012, the nominal value of liabilities under notes issued by the Company by the end of 2012 was PLN 426,404,000.

Termination of credit facility and loan agreements

In 2012, the KRUK Group companies, except for Novum Finance Sp. z o.o. and KRUK S.A. in the Novum loans segment, did not terminate any credit facility or loan agreements.

3.10.4. Loans advanced and sureties and guarantees granted; sureties and guarantees received

Loans advanced by KRUK to its subsidiaries

In 2012, KRUK granted loans to its subsidiaries for a total value of PLN 14m (translated into PLN at the exchange rates quoted by the National Bank of Poland for the agreement dates). Loans were advanced to KRUK International S.R.L of Bucharest, Rejestr Dłużników ERIF BIG S.A. of Warsaw and Novum Finance Sp. z o.o. of Wrocław. Also, the subsidiary KRUK International S.r.o. of Prague has liabilities of PLN 11.3m towards KRUK under loans advanced to it in 2011. The loans bear interest at 3M WIBOR plus a margin. The agreed maturities of the loans ranged from 86 days to one year.

Loans advanced to KRUK International S.R.L of Bucharest

The loans were granted to KRUK International S.R.L of Bucharest to finance debt purchases or its operating activities. The value of the loan advanced to finance debt purchase was RON 2.1m (i.e. PLN 2.0m, as translated into PLN at the exchange rate quoted by the National Bank of Poland for the agreement date). The value of loans advanced to finance the operating activities amounted to RON 10.2m (i.e. PLN 9.4m, as translated into PLN at the exchange rate quoted by the National Bank of Poland for the agreement dates).

Debt under some loans advanced in 2012, totalling RON 6.3m (i.e. PLN 5.8m, as translated into PLN at the exchange rate quoted by the NBP for the agreement dates), was cancelled. Loans of RON 2m (i.e. PLN 1.9m, as translated into PLN at the exchange rate quoted by the NBP for the agreement dates) were set off against liabilities arising under the Resolution on share capital increase at KRUK International S.R.L by KRUK S.A.

As at December 31st 2012, the liabilities of KRUK International S.R.L towards KRUK under loans totalled RON 2.5m (i.e. PLN 2.3m as translated into PLN at the exchange rate quoted by the National Bank of Poland for December 31st 2012).

Loans advanced to Rejestr Dłużników ERIF BIG S. A. of Warsaw

Loans advanced to Rejestr Dłużników ERIF BIG S. A. of Warsaw were intended for the financing the company's operating activities. The aggregate amount of the loans advanced to the company in 2012 was PLN 1.96m.

As at December 31st 2012, Rejestr Dłużników ERIF BIG S.A.'s outstanding liabilities towards KRUK under loans were PLN 0.42m.

Loans advanced to Novum Finance Sp. z o.o. of Wrocław

Loans advanced by KRUK to Novum Finance Sp. z o.o. of Wrocław were intended for the financing the company's operating activities. The aggregate amount of the loans advanced to the company was PLN 0.65m.

As at December 31st 2012, Novum Finance Sp. z o.o.'s outstanding liabilities towards KRUK under loans were PLN 0.65m.

Loans advanced to KRUK International S.r.o. of Prague

In 2012, KRUK did not grant any loans to KRUK International S.r.o. of Prague.

As at December 31st 2012, KRUK International S.r.o. ’s liabilities towards KRUK under loans advanced to it in 2011 were PLN 11.3m (as translated into PLN at the exchange rate quoted by the National Bank of Poland for December 31st 2012).

Loans advanced by KRUK S.A. under the Novum project

By the end of April 2012, KRUK S.A. advanced 2,324 Novum cash loans with a net value of PLN 3.8m. Since May 2012, the lending business has been conducted by Novum Finance Sp. z o.o. As part of the Novum project, consumer loans of up to PLN 2,500 are granted for periods of 3 to 15 months. In the period when KRUK S.A. conducted lending activities, the service was designed for the Company’s debtors who have repaid their debts but remain excluded from the banking market.

Guarantees

On January 19th 2012, KRUK and Alior Bank S.A. executed an annex to the payment guarantee agreement securing KRUK’s payments under the agreement for the lease of office space at ul. Legnicka 56 from Legnicka Business House Sp. z o.o. The guarantee of EUR 168 thousand is valid until January 24th 2013. It is secured with a deposit of PLN 450 thousand and a power of attorney over KRUK’s accounts held with Alior Bank S.A.

On February 23rd 2012, KRUK and Towarzystwo Ubezpieczeń Europa S.A. executed an insurance guarantee agreement covering proper performance by KRUK of its obligations under the agreement for the lease of office space at Wrocławski Park Biznesu 2, complex B1A at ul. Wołowska 4, and complex B2A at ul. Wołowska 20. The guarantee of EUR 114.5 thousand is valid until February 24th 2013. It is secured with a blank promissory note issued by KRUK.

On October 31st 2012, an annex was signed to the insurance guarantee agreement of February 23rd 2012 between the Company and Towarzystwo Ubezpieczeń Europa S.A. whereby:

- the guarantee amount was raised by EUR 20.9 thousand, to EUR 135.4 thousand,

- the scope of the guarantee was extended to secure proper performance by KRUK of its obligations under the agreement for the lease of office space at Wrocławski Park Biznesu 2, complex B1B at ul. Wołowska 6.

On August 3rd 2012, PROKURA NS FIZ, represented by Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A., executed two bank guarantee agreements with Bank Zachodni WBK S.A., valid through September 14th 2012, to secure repayment of all liabilities towards Kredyt Bank S.A. related to PROKURA NS FIZ's participation in the sale of non-performing debt portfolios by Kredyt Bank S.A. The amounts covered by the guarantees were PLN 1m and PLN 5m. The bank guarantees were secured with powers of attorney over KRUK's bank accounts held with Bank Zachodni WBK S.A. and sureties under civil law issued by KRUK. The guarantees were not called.

Sureties

On August 3rd 2012, KRUK executed two surety agreements covering the liabilities of PROKURA NSFIZ towards Bank Zachodni WBK S.A. (under two agreements to issue bank guarantees executed between PROKURA NSFIZ and Bank Zachodni WBK S.A. on August 3rd 2012 and running through September 14th 2012). The sureties issued by KRUK covered liabilities of up to PLN 2m and PLN 10m, respectively. The sureties expired as the underlying guarantees had not been called.

3.11Development directions and prospects

Development directions and prospects of the Company are directly related to the development of the KRUK Group.

The Company's key strategic development goals for 2013-2015 are as follows:

- Development of credit management services and retail and corporate debt portfolio purchases,
- Expansion into foreign markets;
- Development of new products.

Below is presented an outline of the Group's strategic objectives along with a description of steps to be taken to implement the main objectives of the strategic plan for 2013-2015.

Development of credit management services and retail and corporate debt portfolio purchases

The Group intends to develop its activities on the Polish and foreign markets for debt management services and purchase retail debt portfolios, while expanding its corporate portfolio collection services. The Group will continue to focus on the most attractive segment, i.e. collection of retail bank debt, while taking advantage of the benefits offered by synergies and economies of scale following from its integrated business model and the provision of services to clients from other sectors. The Group plans to achieve these goals through the following measures:

Ongoing optimisation of the collection process as a source of competitive advantage, to be achieved through:

- Improvement of the quality of contact with debtors through the development of a network of field advisers;
- Enhancement of cost efficiency, including through the development of IT systems supporting the work of the collection personnel;
- Further development of statistical analysis skills;
- Use of the ERIF's Debtor Register database to improve the effectiveness of collection efforts;
- Optimisation of court proceedings, mainly on foreign markets;
- Continuous and progressive enhancement of operating methods and synergistic implementation of best practices in process management.

Enhancing competitive advantages in debt collection services through:

- Strengthening of the relationships with strategic clients;
- Promoting of deep integration with clients (including integration of IT systems);
- Development of advanced (non-standard) collection services.

Building a strong market position in collection of corporate debt through:

- Development of a dedicated process and organisation based on the experience in collection of corporate debt;
- Development of skills in the area of collateral repossession and enforcement of claims against collateral.

Selective foreign expansion

The Group plans to actively participate in the development of collection services abroad, including through expansion into the Czech and Slovak markets.

The successful implementation of the Group's business model in Romania proves that it can be replicated in foreign markets and confirms, in the Company's opinion, the effectiveness of the Group's organisation and strategy.

The objectives of the foreign expansion strategy include:

- Development of operations on the markets for retail debt portfolio purchases and credit management services in Romania, the Czech Republic and Slovakia;
- Entering new markets through greenfields or acquisitions;
- Replication of the tried-and-tested business model in selected new markets.

Development of new products

One of the directions of the Group's development strategy is to focus on a continuous search for and building of new growth areas based on the Group's existing competitive advantages. As at the date of this report these include:

Development of the Pożyczka Novum loan service
As of May 1st 2012, the Company transferred its lending activity to the newly established subsidiary, Novum Finance sp. z o.o. The Group intends to use its database of debtors' credit history for the purposes of the Pożyczka Novum cash loan project.

Expansion of the ERIF resources, also to include positive credit histories
Further commercialisation of the institutional market base, including on the consumer market, by creating competitive advantage based on:

- the volume of records and quality of database;
- the profile of debtors registered in the database, being adequate for risk management;
- the quality of sales and aftermarket services;
- the development of technologies for exchanging data and developing complementary services.

ERIF, operating as a credit reference agency within the Group, provides significant support for the Group's collection activities. The Group's ambition is to create Poland's largest database of debtors, both consumers and businesses, as a platform for business information exchange. At the end of 2012, ERIF resources comprised over 1.35m cases. The number of clients in 2012 was nearly 32 thousand.

3.12. Capital expenditure programme

3.12.1. Capital expenditure

In 2012, the main items of capital expenditure made by the Company included PLN 3.8m spent on new vehicles and PLN 1.7m spent on plant and equipment. The Company also made material investments of PLN 2.8m in licences and computer software, including PLN 2.2m invested in proprietary software.

3.12.2. Investments within the Group

In 2012, KRUK increased the share capital of its subsidiaries:

- the share capital of KRUK International S.r.l. of Bucharest was increased on December 27th, by way of a debt-to-equity swap (PLN 1.85m) and cancellation of loans (PLN 5.84),
- the share capital of Novum Finance Sp. z o.o. of Wrocław was increased on April 27th and on May 30th, respectively by PLN 6.4m and PLM 0.8m, by way of additional contributions to equity in connection with the transfer of lending activity from KRUK to this company,
- the share capital of Rejestr Dłużników ERIF BIG S.A. of Warsaw was increased on December 31st, by way of cancellation of a PLN 1.54m loan advanced to the company,
- the share capital of KRUK TFI S.A. was increased on February 24th by PLN 0.20m, and on September 18th by PLN 0.35m, in connection with the need to meet the minimum capital

adequacy requirement specified in Art. 50.1 of the Act on Investment Funds dated May 27th 2004,

- in 2012 the Company increased the share capital of Secapital S.à.r.l. by a total of PLN 123m.
- in 2012, the Company acquired KRUK International Z.r.t. for a total of PLN 1.3m.

3.12.3. Assessment of the feasibility of investment plans

In the opinion of the Company's Management Board, the investment plans are not exposed to any material risks as at the date of approval of this report.

3.13. Risk factors – internal factors

3.13.1. Material risk factors

Risk of failure to achieve the Company's strategic objectives

The implementation and delivery of the Company's strategy depend on a number of factors beyond the control of the Company, in particular market conditions, economic environment, force majeure events, availability and terms of financing, changes in legislation or its interpretation, actions taken by regulatory bodies, decisions made by the Company's shareholders at General Meetings, as well as on the strategy and activities of the Company's main competitors. Moreover, errors can be made by the persons responsible for the implementation and delivery of the strategy, relating in particular to the assessment of market conditions or identification of appropriate investments, including investments in debt portfolios acquired by the Company, which may result in wrong decisions. In addition, there can be no assurance that particular projects and investments carried out in pursuit of the strategy will not fail to yield the intended results over the assumed time horizons, or such projects or investment will not be carried out at all or will generate losses.

Failure to achieve any or all of the Company's strategic objectives within the assumed timeframe or the occurrence of any of the above-described circumstances may have a material adverse effect on the Company's operations, financial standing or performance.

Risk of error in estimating the fair value of acquired debt portfolios

The core business of the Company includes purchase of debt portfolios for own account. If purchased debt portfolios do not generate expected cash flows over specified time horizons it may be necessary to make a downward revaluation of the portfolios. This risk applies in particular to debt portfolios purchased on new markets, where the Company has not invested before.

Operational risk related to the Company's business

The Company has a quality assurance policy and operating procedures in place. However, the Company is subject to the risk of incurring a loss or unexpected costs due to inadequate or unreliable internal processes, human errors, operational systems, or external events, such as errors in the recording of business events, business disruptions (as a result of various factors, e.g. hardware failures, software failures, communication disruptions), damage to the Company's assets, fraud, illegal action or omission by the Company's employees or other entities for whose actions or omissions the Company is responsible.

Debt risk

The Company and its subsidiaries use and intend to use in the future bank borrowings, notes and other debt instruments to finance debt purchases. Moreover, the Company and the Group enter into lease arrangements to finance investments in property, plant and equipment. Any material deterioration in the Group's liquidity may result in the Group being unable to repay principal and interest or fulfil other obligations under the financing agreements it has concluded or under debt instruments in issue. If the Group defaults of any of its bank borrowings, the Group companies' debt under such borrowings may be accelerated, in whole or in part, and in the event of failure to repay the debt financial institutions will be entitled to enforce their claims against the collateral created over the Group's assets.

Risk of losing experienced management staff

The Company operates a business where human resources and staff qualifications are vital assets and one of the key success drivers. The knowledge, skills and experience of the Management Board members and other key personnel of the Company are factors of critical importance for the Company's strategic interests.

Resignation of any Management Board member or other staff important for the Company could have an adverse effect on the Company's operations, and consequently on its financial performance and development prospects.

Risk of IT systems' failure

A key asset of the Company and an element crucial for its market success are the modern technologies it applies, based on advanced IT systems, which facilitate a smooth execution of debt collection processes and valuation of debt portfolios. The systems used by the Company include the Delfin debt collection platform, a billing system, a Management Information System, a contact centre, the e-KRUK web service, and other. A potential loss of all or part of data due to failure of the computer systems used by the Group could have an adverse effect on day-to-day operations. The security of the IT systems is also important given the need to protect the personal data of debtors. Failure of any of the IT systems used by the Company or the occurrence of any of the above circumstances may have an adverse effect on the Company's operations.

Risk connected with related party transactions

The Company and the Subsidiaries have entered and will continue to enter into transactions as related parties. In the Company's opinion, all such transactions have been executed at arms' length. However, there can be no assurance that the transactions will not be challenged by tax authorities, which could result in higher tax liabilities of the Company and the Group.

Risk of negative PR in relation to the Company

The risk of negative PR in relation to the Company follows from a potential publication or distribution of untrue or unfavourable information concerning its operations.

There can be negative publicity concerning the Company's debt collection activities, designed to create a negative image of the Company and affect its credibility with the existing and potential business partners.

In particular, the Company may be exposed to negative publicity if a suicide threat is carried out by an debtor whose debt the Company seeks to recover. In the course of its business the Company deals with debtors in a difficult financial and personal situation. Some of them cannot cope with the accumulating financial, family, health or employment issues. Some of the debtors suffer from depression or undergo psychiatric treatment. In letters or on the phone they declare that they intend to commit suicide because of the amount of problems they have. In such special cases an attempt to contact such persons during the collection process, even if made in compliance with the highest service standards, may be a trigger causing the debtor to carry out their threat. The Company estimates that each month it deals on average with a dozen or so suicide threats. The Company is not aware of any suicide threat carried out by a debtor whose debt the Company was to recover. None of such threats are disregarded. They all are carefully analysed and the procedures applied by the Company also include reporting suicide threats to the police. However, no assurance can be given that in the future, as the scale of the Company's business grows and the debt spiral builds up, the number of suicide threats by debtors whose debts are collected by debt collectors will not rise or that such threats are not fulfilled. In consequence, explanatory and other proceedings may be initiated, in particular by public administration bodies.

3.13.2. Risk management system

The risk management policies applicable at the Company are designed to:

- Identify and analyse the risks to which the Company is exposed;
- Define appropriate limits and procedures;
- Control and monitor the risk level and adequacy of the risk management tools.

The risk management policies in place at the Company are regularly reviewed to ensure that they reflect the market trends and developments at a given time, as well as changes within the Company. The Management Board is responsible for defining risk management procedures and overseeing their implementation.

Using such tools as training, management standards and procedures, the Company seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

Management of credit risk relating to debt purchase activities

The credit risk involved in debt purchases is an investment risk. Based on its many years' experience, the Company has developed a system for analysing and assessing that risk. The key tools making up the system are as follows:

- Detailed and thorough analysis and estimation of the risk as at the date of purchasing a given debt portfolio, based on advanced economic and statistical tools (the results of the analysis and estimation are reflected in the price offered in the auction);

- Quarterly revaluation of each debt portfolio held;
- Purchasing various types of debt, with various degrees of difficulty and delinquency statuses.

Management of credit (trade) risk

Credit risk is the risk of incurring a financial loss if a client or a counterparty to a financial instrument fails to perform contractual obligations. Credit risk is primarily connected with accounts receivable from counterparties.

The Company's credit policy followed in client relations includes the following components:

- Assessment of each client’s creditworthiness prior to offering payment dates and other terms of the agreement;
- Regular monitoring of payment timeliness;
- Diversification of the client base (in 2012, revenue from the Group's largest client represented 3% of total revenue).

Management of liquidity risk

Liquidity risk is the risk of the occurrence of a situation where the Group faces difficulties in meeting its financial liabilities that are to be settled by way of delivering cash or other financial assets. The liquidity risk management policy is designed to ensure that the Group has sufficient liquidity to meet its liabilities as they fall due, without exposing the Group to a risk of loss or impairment of its reputation.

Liquidity risk management tools used at the Group include:

- Regular monitoring of cash needs and expenses;
- Flexible management of cash flows between the Group entities;
- Conducting collection activities on an on-going basis, ensuring continuous cash inflow;
- Actions designed to ensure that the Group complies with financial covenants under financing agreements;
- Use of external sources of financing, in the form of bank borrowings or notes.

Management of market risk

Market risk results from the sensitivity of the Company's performance to market factors such as exchange rate, interest rate and stock price movements. The objective of the market risk management policy implemented at the Company is to control and maintain the Company's exposure to market risk within the assumed values of parameters, while simultaneously optimising the rate of return.

Management of operating risk

Operating risk is connected with the possibility of incurring losses for reasons pertaining to the Company’s procedures, personnel or technologies, as well as losses caused by external factors such as legal regulations or generally accepted standards of corporate governance.

The operating risk management policy is designed to balance loss prevention with overall cost efficiency, while ensuring that control procedures are not expanded to the point where they constrain employees' initiative and creativity.

Selected control procedures and mechanisms implemented in the area of market risk management are:

- Appropriate division of responsibilities and correct authorisation of transactions;
- Procedures for reconciliation, documentation and monitoring of transactions;
- Procedures for periodic assessment of operating risks and adaptation of the relevant monitoring and control methods;
- Requirements with respect to reporting on operating losses and proposed remedies.

4 OPERATIONAL AND FINANCIAL REVIEW

4.1 Basis of preparation of the annual separate financial statements

The Company's separate financial statements have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union (the "EU-IFRS").
The accounting policies have been applied with respect to all the reporting periods presented in the separate financial statements.
The separate financial statements have been prepared on the historical cost basis, save for purchased debt portfolios at fair value through profit or loss, which are measured at fair value.

Purchased debt portfolios comprise mass overdue consumer debt (such as debt under consumer loans, unpaid utility bills, etc.) purchased by the Company under debt assignment agreements for prices lower than the nominal value of the debt. The Company recognises purchased debt portfolios as financial assets designated as measured at fair value through profit or loss, because it manages the portfolios and the Company's results of operations are assessed based on their fair value.
Purchased debt portfolios are initially recognised at acquisition price. Costs and expenses relating to debt purchase transactions are recognised in profit or loss of the period.

4.2 General information about current and expected financial position

There are no material risks to the Company's and the Group's current and expected financial position. As KRUK S.A. is the parent of the KRUK Group, its financial and operating results should be analysed in the context of the Group's performance. In 2012, the Company's net profit amounted to PLN 7.2m and was 13 times larger than in 2011. Such a significant growth followed from the PLN 11m improvement in debt purchase segment's revenue relative to the prior year.

4.3 Revenue by product

The main sources of revenue for the Company are credit management services and debt purchase activities.

In 2012, the Company’s total revenue was PLN 95.2m, 16% up on 2011. The main driver of this increase was the Company’s organic growth, fuelled by the increased investment in debt portfolios. As a consequence, revenue from debt purchase reached PLN 42.7m, while revenue from credit management amounted to PLN 49.9m in 2012.

Each segment's performance is discussed below. The efficiency of each segment is assessed based on the segment’s gross profit.

Table 5. Revenue by product

	2012	2011	change
	(PLN '000, unless stated otherwise)		
Revenue	**95,175**	**82,221**	**16%**
Purchased debt portfolios	42,680	29,934	43%
Collection services	47,322	51,154	-7%
Other products	5,173	1,133	357%
Direct and indirect costs	**(64,146)**	**(62,302)**	**3%**
Purchased debt portfolios	(11,571)	(9,877)	17%
Collection services	(50,425)	(49,169)	3%
Other products	(2,150)	(3,256)	-34%
Gross profit	**31,029**	**19,919**	**56%**
Purchased debt portfolios	31,109	20,057	55%
Collection services	(3,103)	1,985	-256%
Other products	3,023	(2,123)	142%

Source: the Company.

4.4 Geographical structure of sales

The Group conducts operations in two main geographical areas: in Poland and abroad (Romania, the Czech Republic and Slovakia).

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

Table 6. Geographical structure of sales

	2012	2011	change
	(PLN ’000, unless stated otherwise)		
Revenue	**95,175**	**82,221**	**16%**
Poland	61,681	66,684	-8%
Foreign markets	33,494	15,537	116%
Direct and indirect costs	**(64,146)**	**(62,302)**	**3%**
Poland	(57,034)	(59,723)	-5%
Foreign markets	(7,112)	(2,579)	176%
Gross profit	**31,029**	**19,919**	**56%**
Poland	4,647	6,961	-33%
Foreign markets	26,382	12,958	104%

Source: the Company.

4.5 Structure of assets and liabilities in the statement of financial position

Table 7. Structure of assets in the statement of financial position

	Dec 31 2012	Dec 31 2011	change
	(PLN ’000, unless stated otherwise)		
Assets			
Non-current assets			
Property, plant and equipment	13,899	12,144	14%
Intangible assets	6,879	6,385	8%
Investments in subsidiaries	618,954	483,235	28%
Deferred tax assets	1,197	1,671	-28%
Total non-current assets	**640 929**	**503,435**	**27%**
Current assets			
Inventories	654	393	66%
Current investments	55,007	106,566	-48%

Trade receivables from related entities	27,815	12,599	121%
Trade receivables from other entities	5,441	5,799	-6%
Income tax receivable	767		
Other receivables	5,039	9,444	-47%
Prepayments and accrued income	1,894	1,460	30%
Cash and cash equivalents	10,556	10,023	5%
Total current assets	**107.173**	**146,284**	**-27%**
Total assets	**748.102**	**649,719**	**15%**

Source: the Company.

The largest increase (up by PLN 136m) occurred under Investments in subsidiaries, which followed from acquisition of new shares in subsidiaries.

Table 8. Structure of equity and liabilities in the statement of financial position

	Dec 31 2012	Dec 31 2011	change
	(PLN '000, unless stated otherwise)		
Equity and liabilities			
Equity			
Share capital	16,900	16,900	0%
Share premium	45,107	45,107	0%
Other capital reserves	45,711	43,365	5%
Retained earnings	9,762	2,606	275%
Total equity	**117 480**	**107,978**	**9%**
Non-current liabilities			
Non-current liabilities under bank borrowings and other debt instruments	408,950	339,272	21%
Total non-current liabilities	**408,950**	**339,272**	**21%**
Current liabilities			
Current liabilities under bank borrowings and other debt instruments	187,007	137,371	36%
Trade and other payables	21,549	50,373	-57%
Current tax payable	-	660	-

Employee benefits payable	13,116	14,065	-7%
Total current liabilities	**221,672**	**202,469**	**9%**
Total liabilities	**630,622**	**541,741**	**16%**
Total equity and liabilities	**748,102**	**649,719**	**15%**

Source: the Company.

Debt under bank borrowings and other debt instruments increased substantially in connection with expenditure to finance debt purchases in the KRUK Group.

4.6 Cash flows

The Company's financing and cash management policy is based on:

- financing debt purchases with own funds, bank borrowings and notes issues;
- leasing property, plant and equipment and intangible assets or financing them with own funds;
- financing other operations with own funds.

For a description of financial risk management, see notes to the Separate Financial Statements.

The Company holds cash in PLN, EUR, USD, RON and CZK.

The main sources of operating cash flows are related to changes in purchased debt portfolios, disclosed under "Change in financial assets at fair value through profit or loss". Below are presented details of cash flows related to expenditure on debt portfolios and cash recoveries from debtors.

Table 9. Purchased debt portfolios

Purchased debt portfolios as at Jan 1 2012	**90,878**
Purchase of debt portfolios	590
Sale of debt portfolios	(23,516)
Cash recoveries	(69,723)
Liabilities to debtors due to overpayments	86
Revenue from debt purchase (interest and revaluation)	42,680
Purchased debt portfolios as at Dec 31 2012	**40,995**

Source: the Company.

As the Company recognises debt purchases under operating activities, the Company's investing activities related to the purchase of debt portfolios and the related increase in carrying amount of the fair value of purchased debt portfolios reduce net cash from operating activities.

4.7 Material off-balance sheet items by counterparty, subject matter and value

The Company did not have any material off-balance sheet items.

4.8 Financial ratios

An analysis of the Company's financial ratios does not provide an accurate picture of the Company's performance as KRUK's business relies on the operations of the entire Group. Therefore, the Company's performance should be assessed based on and in the context of the ratio analysis for the entire KRUK Group.

4.9 Explanation of differences between actual financial performance and previously published forecasts

KRUK S.A. did not publish any financial forecasts for 2012.

4.10 Financial instruments

4.10.1. Use of financial instruments

The Company holds the following financial assets other than financial derivatives:

- financial assets measured at fair value through profit or loss (purchased debt portfolios – overdue debts purchased by the Company under claim assignment agreements for prices lower than the nominal value of the debt);
- loans and receivables (financial assets with determined or determinable payments, but not listed on any active market; loans and receivables include cash and cash equivalents and trade receivables).

The Company holds the following financial liabilities other than derivative instruments: borrowings, debt securities, trade and other payables.

The Company is exposed to the following risks related to the use of financial instruments:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with receivables for the services rendered by the Company and from purchased debt portfolios.

Liquidity risk

Liquidity risk is the risk of potential difficulties that the Company may have with meeting its financial liabilities settled through delivery of cash or other financial assets. The Company's liquidity risk management policy is designed to ensure that the Company's liquidity is at all times sufficient to meet liabilities in a timely manner, both in a regular and crisis situation, without exposing the Company to a risk of loss or damage to its reputation.

Market risk

Market risk is related to changes in such market factors as exchange rates, interest rates or stock prices, which affect the Company’s performance or the value of financial instruments it holds. The objective of the market risk management policy implemented at the Company is to control and maintain the Company's exposure to market risk within the assumed values of parameters, while simultaneously optimising the rate of return.

4.10.2. Objectives and methods of financial risk management

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed on a regular basis, to reflect changes in market conditions and the Company’s activities. Using such tools as training, management standards and procedures, the Company seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

Table 10. Assets relating to credit risk

	Dec 31 2012	Dec 31 2011
	(PLN ’000)	
Financial instruments at fair value through profit or loss	40,995	90,878
Loans	14,012	15,688
Receivables	38,295	27,842
Cash and cash equivalents	10,556	10,023
Total	**103,858**	**144,431**

Source: the Company.

Financial instruments at fair value through profit or loss

Prior to a debt purchase, the Company performs a thorough analysis taking into account the likelihood of recovery of invested capital and the respective costs of the collection process. Additionally, the Company diversifies the types of purchased debt in order to mitigate the insolvency risk of a given group of debtors.

Loans

The Company advances loans to Group entities over which it exercises control. Also, in 2012 the Company advanced loans to natural persons who previously repaid their debts owned by the Group companies. At present, the lending business is handled by Novum Finance Sp. z o.o., a subsidiary.

Liquidity risk

The Company mitigates the liquidity risk through continuous debt collection which secures uninterrupted cash flows. The Group also monitors and takes actions to ensure proper performance of its borrowing agreements. Debt portfolio purchases involve making large one-off payments. To secure necessary funding, the Company relies on external financing in the form of bank borrowings or notes.

Market risk

In the Management Board's opinion, the market risk is mainly limited to changes in interest rates on financial liabilities and cash and equivalents, as well as to changes in the risk-free rate adopted to estimate the fair value of purchased debt portfolios. The currency risk with respect to debt portfolios is offset as recoveries from the assets are invested in the local market without currency conversion.
The Company does not use financial instruments to hedge the interest rate and exchange rate risks.

4.10.3. Assessment of financial resources management

In the opinion of the Management Board, there are no significant risks to the Company’s current or future financial position related to financial resources management. The Company is able to monitor and service its debts, and manages its financial resources reasonably. For detailed information, see Note 27 to the financial statements.

5 CORPORATE GOVERNANCE

5.1 Statement of compliance with corporate governance standards

Acting under Par. 91.5.4 of the Regulation on current and periodic information, the KRUK Management Board hereby presents the Statement of compliance with corporate governance standards in 2012.

5.1.1. Adopted code of corporate governance

The Company is subject to corporate governance standards described in the Code of Best Practice for WSE Listed Companies (Corporate Governance Standards), which constitutes an appendix to the WSE Supervisory Board's Resolution No. 19/1307/2012 of November 21st 2012. The document is publicly available on the website of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) dedicated to corporate governance (http://www.corp-gov.gpw.pl).
In connection with the admission to trading (on May 5th 2011) and the first listing (on May 10th 2011) of Company series A, AA, B, C and D Shares on the Warsaw Stock Exchange, on April 6th 2011 the Company's Management Board adopted a resolution containing a representation that the Company and its governing bodies observe the corporate government standards set in Code of Best Practice for WSE Listed Companies within the scope specified in the appendix to the resolution. The text of the appendix, which includes Code of Best Practice for WSE Listed Companies along with the declared scope of the Company's compliance with the standards set out in the document, is available on the Company's website.
Concurrently, by way of a resolution of December 20th 2012, the KRUK Management Board amended the appendix to the resolution, in order to incorporate the amendments introduced by WSE Supervisory Board's Resolution No. 19/1307/2012 of November 21st 2012. The text of the declaration, specifying the extent to which the Company intends to comply with the principles, is available at KRUK's website, at: http://pl.KRUK.eu/pl/dla-inwestora/spolka/dokumenty. The document also contains corporate government standards which the Company elected to comply with voluntarily.

5.1.2. Corporate governance standards which the Company elected not to comply with

As per the Management Board's statement, the Company declared compliance with corporate governance standards set forth in the Code of Best Practice for WSE Listed Companies with certain exceptions. The Company elected not to comply with the following standards:
Regarding the rule set out in part I, section 1 of the Code whereby a company should pursue a transparent and effective information policy using both traditional methods and modern technologies, the Company stated that it would not fully comply with the rule recommending companies to enable on-line broadcasts of general meetings over the Internet, record general meetings, and publish the recordings on the company website. For the time being, a decision to comply with that recommendation would require the Company to incur too much expenditure on appropriate technical

infrastructure which, in the Management Board's opinion, is not justified. In addition, non-compliance with the recommendation is intended to protect the shareholders, who have the right to refuse publication of their images and discussions recorded during General Meetings. However, the Company is considering the option to record its General Meetings and publish the recordings on its website. Moreover, the Management Board declares that – should a wider group of shareholders so request – it will take every effort to comply with the rule in its entirety.

Regarding the rule whereby a company should have a remuneration policy and rules of defining that policy, the Management Board informs that the Company did not implement a remuneration policy for Management and Supervisory Board members. The rules governing remuneration for Management Board members are defined in accordance with Par. 2.8 of the Rules of Procedure for the Management Board, i.e. by the Company's Supervisory Board. Based on these rules, the President of the Management Board proposes the amounts of remuneration for individual Management Board members other than the President, and submits the proposals to the Supervisory Board for approval. Remuneration of Supervisory Board members is determined by the General Meeting pursuant to Par. 12.5 of the Company's Articles of Association. The amounts of remuneration for members of the Company's governing bodies are disclosed in its annual reports. However, the Company is considering the development of a remuneration policy and rules of defining that policy at some point in the future.

In 2012, the Company did not observe the recommendation set out in part II, section 1.7) of the Code of Best Practice for WSE Listed Companies, concerning publication on the corporate website of shareholders' questions on matters on the agenda submitted before and during a general meeting, together with answers to those questions. The Company's position is that minutes of General Meetings should be taken by a notary public. A decision to include particular matters in the agenda rests with the Chairperson of the General Meeting, taking into account the applicable laws and circumstances of each case, with due regard to the interests of shareholders. Pursuant to the Commercial Companies Code, participants of a General Meeting have the right to submit written statements, which are attached to the minutes. The Company is also under an obligation to publish resolutions adopted during General Meetings. The Company's position is that the above requirements fully ensure transparency of the General Meeting. However, the Company declares that – should a wider group of shareholders so request – it will make every effort to implement the standard at the Company.

Regarding the obligation to have its website available in English, in 2012 the Company complied with that rule with certain exceptions. In line with the representation made by the Company, the English version of its website contains key corporate documents, annual reports, quarterly reports to the extent relating to the Company's financial performance (financial statements), as well as times, venues and agendas (without resolutions or their drafts) of General Meetings. In the Company's opinion, the availability of the above information in English adequately protects the interests of its existing shareholders. However, if the Company is advised by its shareholders of the need to extend the scope of information available in English, it is prepared to publish on its website the English language version of all information specified in the Code.

In 2012, the Company incidentally failed to comply with the principle expressed in part III, section 3 the Code of Best Practice for WSE Listed Companies (Best practices for Supervisory Board members), pursuant to which “A General Meeting should be attended by members of the Supervisory Board who are competent to answer questions that may be put forth at the General Meeting.” The failure to comply with this principle was due to the fact that after the publication of Notice of the General Meeting concerned, circumstances of professional nature emerged which prevented the Supervisory Board members from personally attending the meeting. This situation was of incidental nature, and in the future the principle of a General Meeting being attended by Supervisory Board members who are competent to answer questions that may be put forward at the meeting will be applied without the need to implement additional measures.

5.2 Shareholder structure

5.2.1. Shareholders holding directly or indirectly large holdings of shares in KRUK S.A.

As at December 31st 2012, the structure of shareholders holding directly or indirectly large blocks of shares in KRUK was as follows (based on shareholder notifications received by the Company):

Table 11. Shareholders holding large holdings of shares in KRUK as at December 31 2012

Shareholder	As at Dec 31 2012	
	Number of shares/number of votes at the General Meeting	% of share capital and the total vote at the General Meeting
Polish Enterprise Fund IV, private equity fund managed by Enterprise Investors	4,196,550	24.83
Piotr Krupa	2,625,928	15.54
Generali Otwarty Fundusz Emerytalny	866,101	5.12

Source: the Company.

After the end of the reporting period, i.e. on January 25th 2012, the Company received a notification from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A. that following acquisition of Company shares, effected on January 18th 2013, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (Aviva OFE) increased its share in the total vote in the Company above 5%. In accordance with the notification, as at January 23rd 2013 Aviva OFE held 887,388 Company shares comprising 5.25% of the Company's share capital and conferring the right to 887,388 votes, i.e. 5.25% of the total vote. The receipt of the notification was reported in the Company's Current Report No. 4/2013 dated January 25th 2013.

As at the date of release of this report, the structure of shareholders holding directly or indirectly large blocks of shares in KRUK was as follows (based on shareholder notifications received by the Company):

Table 12. Shareholders holding large holdings of shares in KRUK as at March 17 2013

Shareholder	As at March 17 2013	
	Number of shares/number of votes at the General Meeting	% of share capital and the total vote at the General Meeting
Polish Enterprise Fund IV, private equity fund managed by Enterprise Investors	4,196,550	24.83
Piotr Krupa	2,625,928	15.54
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	887,388	5.25
Generali Otwarty Fundusz Emerytalny	866,101	5.12

Source: the Company.

5.2.2. Changes in large shareholdings in 2012

The following changes in large shareholdings of KRUK shares occurred in 2012.

On April 5th 2012 KRUK received a notification from ING Otwarty Fundusz Emerytalny of its holding being reduced below 5% of the total vote at the General Meeting. In accordance with the notification, ING Otwarty Fundusz Emerytalny held 769,413 shares in the Company as at April 5th 2012, which represents 4.55% of its share capital. The shares confer the right to 769,413 votes (4.55% of the total vote) at the KRUK General Meeting. The receipt of the notification was reported in the Company's Current Report No. 15/2012 of April 5th 2012.

On July 24th 2012 KRUK received a notification from Mr Piotr Krupa, President of the Company's Management Board, concerning a disposal of 29,862 KRUK shares, which took place on July 18th 2012. The Company reported the disposal in Current Report No. 35.2012 dated July 24th 2012.

5.2.3. Treasury shares

On October 20th 2011, the Extraordinary General Meeting of KRUK authorised the Company's Management Board to reacquire the Company's own shares listed on the main market of the WSE, in the period from October 25th 2011 to April 30th 2015 provided that the total par value of the shares so reacquired may not exceed PLN 1m, and the maximum value of the funds to be spent by the Company on the buy-back may not exceed PLN 40m, including the price of the shares and transaction costs. The price at which the Company may buy back its own shares may not be higher than PLN 100 or lower than PLN 1. Own shares may be bought back in block transactions Shares reacquired by the Company as part of the buy-back programme may be used:

a) to implement the Management Stock Option Plan, operated by the Company under resolution of the Extraordinary General Meeting of KRUK of March 30th 2011,
b) to retire the Company's own shares and reduce its share capital,
c) for further resale.

Decisions as to the purpose of acquisition of own shares and the manner of their use are made by the Company's Management Board by way of a resolution. The Management Board may also, depending on the Company's interests, finish the buy-back of the shares before April 30th 2015 or before all the funds intended to be spent on the buy-back programme are used, or may altogether abandon the buy-back of the shares in whole or in part.

In 2012, the Company did not reacquire any of its shares.

5.2.4. Holders of securities conferring special control powers

Until the date of this report, KRUK S.A. has not issued any securities conferring special control powers on its shareholders.

5.2.5. Limitations on the exercise of voting rights

As at the date of this report, KRUK's Articles of Association did not provide for any limitations concerning the exercise of voting rights at the General Meeting.

5.2.6. Limitations on transfer of ownership of securities

As at the date of this report, the Company's Articles of Association did not provide for any limitations on transfer of ownership of KRUK securities.

5.2.7. Agreements which may give rise to changes in ownership interests held by the existing shareholders or bondholders

The Company is not aware of any agreements which, in the future, could give rise to changes in ownership interests held by existing shareholders and bondholders.

5.3 Incentive Scheme

KRUK operates an incentive scheme for key management personnel of the Company and the Group companies (Incentive Scheme, Scheme).
The rules of the Incentive Scheme for 2011–2014 were adopted in Resolution No. 1/2011 of the Extraordinary General Meeting of KRUK, dated March 30th 2011, and modified by virtue of a

resolution of the Extraordinary General Meeting dated August 29th 2011. Under the scheme, eligible persons will be granted options to acquire Company shares on preferential terms set forth in the resolution and in the Rules for the Option Plan. The eligible persons comprise members of the Management Board (excluding the President), Company employees and employees of 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 implementation of the Option Plan, the 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 objective 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 Option Plan. Holders of Subscription Warrants will be entitled to exercise the rights to subscribe for Series E Shares attached to the Subscription Warrants, at an issue price equal to the issue price of Company shares in the initial public offering, not earlier than six months after the acquisition of the Subscription Warrants and not later than on June 30th 2016.

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

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

- The growth of EPS in a given financial year preceding the year when the Subscription Warrants are offered in a given Tranche is no less than 17.5%;
- The growth of EBITDA in a given financial year preceding the year when the Subscription Warrants are offered in a given Tranche is no less than 17.5%;
- ROE in a given financial year preceding the year when the Subscription Warrants are offered in a given Tranche is no less than 20%.

The Resolution of the KRUK Supervisory Board reviewing the fulfilment of conditions set forth in the Management Stock Option Plan 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 I for 2011, became effective on June 20th 2012. The Supervisory Board established that the requirements set forth in the Incentive Scheme for granting the maximum number of Subscription Warrants in Tranche I for 2011 under the Scheme were fulfilled, and determined the List of Eligible Persons in Tranche I for 2011 and the list of persons eligible in Tranche I for 2011 from the Reserve Pool. Pursuant to the Resolution, issued on the basis of the 2011–2014 Incentive Scheme for key management personnel of the Company and the Group subsidiaries, the Supervisory Board allotted Subscription Warrants from the 2011 Management Stock Option Plan to the persons specified in the lists, including members of the Management Board. The Eligible Persons were presented with an offer to acquire subscription warrants that would entitle them to purchase new KRUK shares at an issue price of PLN 39.70 per share. Subscription warrants were delivered to Management Board Members on September 3rd 2012.

Number of warrants allotted to Management Board Members as part of Tranche 1 for 2011:

Table 13. Number of warrants allotted to Management Board Members as part of Tranche 1 for 2011

Name and surname	Position	Number of warrants allotted in Tranche 1 for 2011
Rafał Janiak	Member of the Management Board	10,507
Urszula Okarma	Member of the Management Board	10,507
Agnieszka Kułton	Member of the Management Board	10,507
Iwona Słomska	Member of the Management Board	9,257
Michał Zasępa	Member of the Management Board	10,507

Source: the Company.

The Management Board Members identified above hold no entitlements in respect of KRUK shares other than the subscription warrants. The President of the KRUK Management Board holds no entitlements to Company shares.

A total of 189,790 Warrants was granted to eligible persons under Tranche I.

The remaining 21,464 Warrants to be allotted in 2011 were transferred to Tranche II for 2012.

Subscription Warrants may be inherited, but may not be encumbered or disposed of.

5.4 Dividend policy

5.4.1. Historical data on dividend payments

In the period covered by the historical financial information, the Company did not pay dividend from net profit.

Concurrently, in the reporting period and until the date of release of this report a total of PLN 95m and PLN 8.5m was received by KRUK S.A. from the Luxembourg-based subsidiary Secapital S.à.r.l. and Kancelaria Prawna Raven Krupa&Stańko Sp. k., respectively, as part of distribution of profit for 2011 and 2012.

Kancelaria Prawna Raven Krupa&Stańko Sp. k. also paid PLN 187,775.90 to its general partners as part of profit distribution.

5.4.2. Dividend policy

In the medium term, the Group’s strategy provides for reinvestment of all profits in business development, to utilise the Group’s potential to increase its value. In view of its plans to continue the dynamic development of debt purchase activities, the Company does not plan to pay dividend from 2012 profits. However, the Company may pay out dividend in subsequent years to the extent such dividend does not affect its ability to raise financing required for further expansion.

5.5 Governing bodies

5.5.1. Management Board

Composition of the Management Board, changes thereto and rules of appointment

The Company's management body is the Management Board. The Management Board of the Company consists of six members.
The composition of the Management Board in the period January 1st – December 31st 2012 was as follows:

1) Piotr Krupa President of the Management Board
2) Rafał Janiak Member of the Management Board
3) Agnieszka Kułton Member of the Management Board
4) Urszula Okarma Member of the Management Board
5) Iwona Słomska Member of the Management Board
6) Michał Zasępa Member of the Management Board

Rules governing appointment and removal of members of the Management Board and their powers are set forth in the Company's Articles of Association. Pursuant to Par. 7.1 and Par 7.2, the Management Board is composed of three to eight members, and the number of members is defined each time by the Supervisory Board upon request by the President of the Management Board.

The Supervisory Board appoints and removes President of the Management Board. The process is similar for other members of the Management Board, but the appointment is made at the request of the President of the Management Board.

Members of the Management Board are appointed for a joint three-year term of office.

The mandate of a member of the Management Board expires on or before the date of the General Meeting approving the financial statements for the last full financial year in which he or she held the office.

At present, the Management Board consist of six members and was appointed by the Supervisory Board on March 19th 2012.

Powers of the Management Board

The Management Board, led by the President, manages the Company's business and assets, and represents the Company before courts, government authorities and third parties. Pursuant to Par. 8.1 of the Articles of Association, the Management Board makes decisions in all matters which are not in the exclusive competence of the Supervisory Board or the General Meeting under the Articles of Association or other applicable laws. In turn, the President of the Management Board has exclusive competence to take decisions on the establishment and liquidation of all the Company's organisational units.

Resolutions of the Management Board are passed with a simple majority of votes. In the case of a voting tie, the President of the Management Board has the casting vote.

A declaration of will on behalf of the Company may be made by: (i) two members of the Management Board acting jointly; (ii) a member of the Management Board acting jointly with a commercial proxy; or (iii) an agent with the power to perform certain types of activities, acting on his/her own, under a power of proxy granted to him/her by the Company. Apart from the above, the Company's Articles of Association provide for no additional powers for the managing personnel, such as the power to adopt decisions on the issue or purchase of shares.

By way of Resolution No. 4/2011 dated October 20th 2011, the Extraordinary General Meeting of KRUK authorised the Company's Management Board to reacquire the Company's own shares listed on the main market of the WSE, i.e. the official stock exchange market, pursuant to such procedure and on such terms as provided for in the said resolution.

Shares in the Company or in the Company's subsidiaries held by members of the Management Board

Members of the management staff of KRUK S.A. holding shares in the Company and the Company's subsidiaries as at December 31st 2012. As at the date of this report, the number of shares in the Company and the subsidiaries held by the management remained unchanged.

Table 14. Company shares held by members of the Management Board

Name and surname	Position	Number of shares held as at the date of the report	Par value as at the report date
Piotr Krupa	President of the Management Board	2,625,928	PLN 2,625,928
Rafał Janiak	Member of the Management Board	91,870 and 52,840 shares held indirectly	PLN 91,870 and PLN 52,840
Urszula Okarma	Member of the Management Board	110,350	PLN 110,350
Agnieszka Kułton	Member of the Management Board	117,220	PLN 117,220
Iwona Słomska	Member of the Management Board	40,858	PLN 40,858
Michał Zasępa	Member of the Management Board	8,000	PLN 8,000

Source: the Company.

None of the members of the Management Board holds shares in the subsidiaries.

On June 18th 2012 KRUK received a notification from Ms Iwona Słomska, member of the KRUK Management Board, concerning a disposal of a total of 1,530 KRUK shares. The Company reported the disposal of shares in Current Report No. 31/2012 dated June 18th 2012. On June 19th-22nd 2012, Ms Iwona Słomska disposed of further 7,212 KRUK shares, of which she also notified the Company. The receipt of the notification and of corrected notification was reported in Current Report No. 31/2012 dated June 25th 2012 and Current Report No. 32/2012 K dated July 2nd 2012, respectively.

Remuneration, bonuses and employment contract terms of the Management Board members

Pursuant to Par. 7.8 of the Company's Articles of Association, the rules of remuneration of the Management Board members and the amount of remuneration of the President of the Management Board are determined by the Supervisory Board. The amounts of remuneration of the individual Management Board members other that the President are determined by the Supervisory Board, based on proposals submitted by the President of the Management Board and in line with the remuneration rules defined by the Supervisory Board.

The Company has executed managerial or employment contracts with the following members of the Management Board:

Table 15. Members of the Company's Management Board

Name and surname	Effective date of the contract	Position
Piotr Krupa	March 19th 2012	President of the Management Board
Rafał Janiak	March 19th 2012	Member of the Management Board, Finance
Agnieszka Kułton	March 19th 2012	Member of the Management Board, Credit Management
Urszula Okarma	March 19th 2012	Member of the Management Board, Strategic Transactions and Customer Relations
Iwona Słomska	November 1st 2009	Member of the Management Board, Marketing, Public Relations and Human Resources
Michał Zasępa	March 19th 2012	Member of the Management Board, Investments and Development

Source: the Company.

Ms Iwona Słomska, Member of the Management Board in charge of Marketing, Public Relations and Human Resources, is employed by the Company under an employment contract. The President of the Management Board and the other members of the Management Board entered into managerial contracts with the Company for the duration of their mandates as members of the Management Board.

Under the executed managerial contracts, the members of the Management Board are entitled to monthly remuneration in the amounts specified in the contracts. Irrespective of their salary, they may receive additional remuneration (a bonus) and discretionary bonuses. The decision on the award and amounts of discretionary bonuses rests with the Supervisory Board.

The President of the Management Board receives a bonus for the performance of the financial plan for a given financial year, in accordance with the terms of his contract.

Bonuses to the other members of the Management Board are paid:

(i) for meeting personal targets set for each financial year on the basis of the Company's financial plan for the given financial year, in the amount specified in the relevant contract, and

(ii) for performance of the Company's financial plan for the given financial year, in the amount specified in the relevant contract, based on the percentage of the plan performance.

The terms of the managerial contracts correspond to the terms of mandates of the Management Board members: they expire with the expiry of a given mandate, including as a result of removal or resignation from office of the Management Board member. Furthermore, a managerial contract may be terminated by its parties on three months' notice. In the case of the President of the Management Board, the notice period is nine months. A managerial contract may also be terminated by its parties without notice in circumstances indicated in the contract.

The contracts concluded with the Management Board members contain provisions prohibiting the members, without the Company's written consent, from taking additional paid jobs while the contract is in force, as well as non-compete clauses effective during the contract term and for 2 (two) years from the day on which a given person ceases to be a member of the Management Board. The contracts with the Management Board members (excluding the President) provide for relevant compensation in respect of the prohibitions. The compensation is payable in monthly instalments for 24 months from the contract termination date and amounts to 40% of the person's remuneration (12 months and 25% of the remuneration in the case of the Member of the Mangement Board in charge of Marketing, Public Relations and Human Resources).

Furthermore, the contracts concluded with the Management Board members (except for the President of the Management Board) impose contractual penalties in the amounts specified therein for violation of the non-compete provisions.

The table below presents the amounts of remuneration and additional benefits received by the Management Board members (who were in office in 2012) from the Company and its subsidiaries for 2012 .:

Table 16. Remuneration of the members of the Management Board in 2012

Name and surname	Remuneration from the Company for 2012	Additional benefits* from the Company for 2012	Remuneration from the subsidiaries for 2012	Additional benefits* from the subsidiaries for 2012
	(PLN '000, unless stated otherwise)			
Piotr Krupa	744	11.7	15.75	1.86
Rafał Janiak	414.91	7.68	-	-
Agnieszka Kułton	366	8.09	11.76	1.86
Urszula Okarma	366	7.06	-	-
Iwona Słomska	292.46	6.72	-	-
Michał Zasępa	400.36	12.78	15.75	1.86

**Additional benefits include medical care, company cars and directors and officers liability insurance.*

Source: the Company.

The total value of remuneration and additional benefits for 2012 received from the Company and the subsidiaries by the Management Board members named above amounted to PLN 2,637.76 thousand and PLN 48.84 thousand, respectively. In 2012, Piotr Krupa, the general partner in Kancelaria Prawna Raven Krupa&Stańko, received PLN 93,887.95 as distribution from the law firm's profit.

Additional benefits received from the Company for 2012 do not include bonuses and awards for members of the Management Board for 2012. The bonuses will be paid in 2013, in the amount reflecting the performance of the Company's financial plan or – in the case of the discretionary bonus – in an amount depending on the Supervisory Board's decision. The Company recognised a PLN 1,967 thousand provision for this purpose.

In addition, in accordance with the Supervisory Board's resolution of July 20th 2012, issued under the Company's Incentive Scheme for 2011-2014 for the key members of the management staff of the Company and other Group companies, the Supervisory Board granted to the members of the Management Board (except for the President) subscription warrants conferring the right to acquire shares in KRUK. For detailed information on the Incentive Scheme operated by the Company, including information on subscription warrants granted to members of the Management Board, see the “Incentive Scheme” section.

5.5.2. Supervisory Board

Composition of the Supervisory Board, changes thereto and rules of appointment

The Supervisory Board is composed of five to seven members. The number of Supervisory Board members is each time determined by the General Meeting. Members of the Supervisory Board are appointed for a joint term of office of three years. As at the date of this report, the Supervisory Board of the Company is composed of five members.

The Supervisory Board is appointed and removed by the General Meeting, subject to the provisions below.

If Polish Enterprise Fund IV, L.P. or its legal successor holds shares in the Company conferring the right to 40% or more of the total vote at the General Meeting, it has the right to appoint and remove from office:

- 3 (three) members of a five-member Supervisory Board, including the Chairman of the Supervisory Board;
- 4 (four) members of a seven-member Supervisory Board, including the Chairman of the Supervisory Board.

If Polish Enterprise Fund IV, L.P. or its legal successor holds shares in the Company conferring the right to 20% or more, but less than 40% of the total vote at the General Meeting, it has the right to appoint and remove from office:

- 2 (two) members of a five-member Supervisory Board, including the Chairman of the Supervisory Board;
- 3 (three) members of a seven-member Supervisory Board, including the Chairman of the Supervisory Board.

If Mr Piotr Krupa holds shares in the Company conferring the right to 8% or more of the total vote at the General Meeting, he has the right to appoint and remove from office:

- 1 (one) member of a five-member Supervisory Board, including the Deputy Chairman of the Supervisory Board;
- 2 (two) members of a seven-member Supervisory Board, including the Deputy Chairman of the Supervisory Board

The right to appoint and remove from office members of the Supervisory Board as specified above, conferred upon Polish Enterprise Fund IV, L.P. and Mr Piotr Krupa, are exercised by delivery to the Company of a written statement on appointment or removal of a Supervisory Board member.

As at January 1st 2012 and December 31st 2012, the composition of KRUK's Supervisory Board was as follows:

1)	Dariusz Prończuk	Chairman of the Supervisory Board
2)	Józef Wancer	Member of the Supervisory Board
3)	Piotr Stępniak	Member of the Supervisory Board
4)	Krzysztof Kawalec	Member of the Supervisory Board
5)	Wojciech Małek	Member of the Supervisory Board

Following approval of the financial statements for 2011 by the General Meeting on June 5th 2012, the mandates of the persons listed above expired with effect as of that date. At the same time, the General Meeting reappointed all of those persons to the Supervisory Board for another term of office with effect as of June 5th 2012.

Powers of the Supervisory Board

The Supervisory Board exercises supervision over the Company's operations in each area of its activity. In addition to the responsibilities set forth in the Polish Commercial Companies Code, the Supervisory Board's powers shall include in particular:

- reviewing financial statements and the Directors’ Report on the Company’s operations for the previous financial year, in terms of their consistency with the accounting books, relevant documents and with the facts, and assessing the Management Board’s recommendations concerning the distribution of profit or coverage of loss;
- submitting to the General Meeting an annual written report on the results of the review referred to in item 1 above;
- appointing and removing from office the President of the Management Board;
- appointing and removing from office members of the Management Board (including Vice-Presidents);
- suspending from office members of the Management Board and delegating members of the Supervisory Board to temporarily perform functions of the Management Board members who are unable to perform their duties;
- determining the rules and amount of remuneration for the Management Board members at the request of the President of the Management Board;
- determining the amount of remuneration of the President of the Management Board;
- approving the Company’s annual financial plans (the budget) and strategic economic plans;
- granting consent to contracting borrowings by the Company, other than the borrowings provided for in the annual budget, in excess of a cumulative annual amount of PLN 5m, with the exception of borrowings contracted from related parties;
- issuing sureties and encumbering the Company's assets, assuming commitments under guarantees and other off-balance-sheet commitments and liabilities, in excess of a cumulative annual amount of PLN 5m, except where the sureties, encumbrances, commitments or liabilities are provided for in the budget or the transactions are executed solely with a related party of the Company;
- granting consent to contracting liabilities by the Company as part of a single transaction or a series of related transactions with a total value in excess of PLN 2m in a financial year, other than liabilities provided for in the budget approved in accordance with these Articles of Association or arising in the Company's ordinary course of operations;
- granting consent to assignment by way of security, or creation of a pledge, mortgage or other encumbrances over the Company's assets other than provided for in the budget approved in accordance with these Articles of Association, in excess of a cumulative annual amount of PLN 2m;
- granting consent to acquiring of or subscribing for shares in other commercial companies or joining other businesses by the Company;
- granting consent to the acquisition or disposal of the Company's assets exceeding 15% (fifteen per cent) of the Company's net book value as determined on the basis of the last audited financial statements;
- granting consent to the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks

- granting consent to engaging advisers and other third-party individuals as consultants, lawyers or agents by the Company or its subsidiary if the resulting total annual cost to the Company other than provided for in the budget would exceed PLN 500,000.00 (five hundred thousand złoty);
- approving the rules of management stock option plans;
- selecting an auditor to audit the Company's annual financial statements, referred to in Art. 395 of the Polish Commercial Companies Code, in accordance with the Polish and international accounting standards;
- granting consent to the execution of or amendment to agreements concluded between the Company or its subsidiary and Management or Supervisory Board members;
- granting consent to making any gratuitous disposals or commitments by the Company or its subsidiary within the scope of the Company's business in an amount exceeding PLN 1,000,000.00 (one million złoty) in a financial year;
- granting consent to making any gratuitous disposals or commitments by the Company or its subsidiary outside the scope of the Company's business in an amount exceeding PLN 200,000.00 (two hundred thousand złoty) in a financial year;
- granting consent to the issue of bonds by the Company;
- granting consent to the purchase or disposal of real estate, perpetual usufruct rights or interests in real estate by the Company.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board. The Rules of Procedure of the Supervisory Board define the detailed rules for its meetings

Supervisory Board resolutions are passed with an absolute majority of votes of the Supervisory Board members present at the meeting. In the event of a voting tie, the Chairman of the Supervisory Board has the casting vote. A resolution of the Supervisory Board is valid when all Supervisory Board members have been invited to the meeting and at least half of them attend the meeting.

Members of the Supervisory Board may vote on a resolution of the Supervisory Board in writing through another member of the Supervisory Board. Issues put on the agenda during the meeting of the Supervisory Board may not be voted on in writing Subject to the provisions of the Polish Commercial Companies Code, the Supervisory Board may adopt resolutions by voting in writing or using means of remote communication, provided that all Supervisory Board have been notified of the contents of the draft resolution.

Shares in the Company or in the Company's subsidiaries held by members of the Supervisory Board

As at December 31st 2012 and as at the date of this report, members of the Supervisory Board did not and do not hold any shares in the Company or its subsidiaries.

Remuneration, bonuses and employment contract terms of the Supervisory Board members

Pursuant to Par. 12.5 of the Company's Articles of Association, the Supervisory Board members receive remuneration for their services, unless the body or entities entitled to appoint them resolve otherwise. The amounts of remuneration payable to the members of the Supervisory Board are determined by virtue of a resolution of the General Meeting.

The table below presents the amounts of remuneration received by the Supervisory Board members (who were in office in 2012) from the Company and its Subsidiaries for 2012:

Table 17. Remuneration of the members of the Supervisory Board in 2012

Name and surname	Remuneration from the Company for 2012
	(PLN '000)
Piotr Stępniak	76.22
Dariusz Prończuk	-
Krzysztof Kawalec	64.27
Wojciech Małek	-
Józef Wancer	199.91*

**Remuneration payable in the euro. The amount is the złoty equivalent of EUR 48 thousand translated at the exchange rate quoted by the National Bank of Poland for the day preceding the payment day*
Source: the Company.

The total value of remuneration for 2012 received from the Company by the Supervisory Board members named above amounted to PLN 340.4 thousand. The amount includes the remuneration payable in the euro, translated into the złoty using the exchange rate quoted by the National Bank of Poland for the day preceding the payment day

In 2012, neither the Company nor its Subsidiaries paid any additional benefits to the members of the Supervisory Board.

As at the date of this report, there were no contingent or deferred benefits payable to the members of the Supervisory Board by the Company or the Subsidiaries.

As at the date of this report, there were no contracts executed by the Supervisory Board members with the Company or its Subsidiaries that would provide for post-termination benefits.

Supervisory Board Committees

Pursuant to the Rules of Procedure of the Supervisory Board, the following committees operate within the KRUK Supervisory Board:

- Audit Committee,
- Remuneration and Appointment Committee,
- Finance and Budget Committee.

Members of the committees are appointed by the Supervisory Board from among its members.

Pursuant to the Rules of Procedure of the Supervisory Board, the**Audit Committee** is composed of at least three members, including at least one independent member having the required expertise and experience in the area of accountancy and finance, i.e. meeting the criteria defined in Art. 86.4 and 5 of the Act on qualified auditors and their self-government, entities qualified to audit financial statements and public supervision of May 7th 2009 (Dz. U. of 2009, No. 77, item 649, as amended).
The Audit Committee’s responsibilities include in particular:

- monitoring financial reporting processes;
- monitoring the effectiveness of the internal control, internal audit and risk management systems;
- monitoring the financial audit function;
- monitoring the independence of the chartered auditor and the entity qualified to audit the financial statements;
- reviewing the Company's financial statements and presenting opinions on the financial statements to the Supervisory Board;
- reviewing related-party transactions;
- recommending an auditor to the Supervisory Board with relevant grounds.

In 2012, the Audit Committee consisted of:

1. Wojciech Małek – Chairman of the Audit Committee
2. Piotr Stępniak – Member of the Audit Committee
3. Krzysztof Kawalec – Member of the Audit Committee.

In particular, apart from statutory duties, the tasks of the Audit Committee in 2012 included:

– summary of findings from review of the annual report for 2011;
– discussion of interim financial statements of the Company and the Group and the Company's and the Group's performance in H1 2012;
– analysis of the accounting policy with respect to exchange differences relating to acquisition of debt portfolios.

The **Remuneration and Appointment Committee** is composed of at least three members, including at least one member with expertise and experience in the area of remuneration policy; independent Supervisory Board members should form the majority of the Remuneration and Appointment Committee.
The Remuneration and Appointment Committee’s responsibilities include in particular:

- planning the policy of remuneration of the Management Board members;
- aligning the remuneration of the Management Board Members with the Company's long-term interests and its financial performance;
- recommending candidates for the Management Board to the Supervisory Board;
- providing periodical assessment of the structure, number of members and performance of the Management Board and recommending changes in this respect to the Supervisory Board, providing periodical appraisal of the skills, expertise and experience of the individual Management Board Members to the Supervisory Board.

As of May 24th 2012, the composition of the Remuneration and Appointment Committee, as appointed by virtue of a Supervisory Board resolution of May 4th 2011, was as follows:

1. Dariusz Prończuk – Chairman of the Remuneration and Appointment Committee,
2. Krzysztof Kawalec – Member of the Remuneration and Appointment Committee,
3. Piotr Stępniak – Member of the Remuneration and Appointment Committee,

The composition of the Remuneration and Appointment Committee, as appointed by the KRUK Supervisory Board on July 25th 2012, was as follows:

1. Dariusz Prończuk – Chairman of the Remuneration and Appointment Committee,
2. Krzysztof Kawalec – Member of the Remuneration and Appointment Committee,
3. Józef Wancer – Member of the Remuneration and Appointment Committee,

In 2012, the Remuneration and Appointment Committee held meetings as part of the meetings of the Supervisory Board.

Pursuant to the Rules of Procedure of the Supervisory Board, the **Finance and Budget Committee** is composed of two to four Supervisory Board members. In 2012, the Finance and Budget Committee consisted of:

1. Dariusz Prończuk – Chairman of the Finance and Budget Committee,
2. Piotr Stępniak – Member of the Finance and Budget Committee.

The Finance and Budget Committee’s responsibilities include in particular:

- drafting budget resolutions, issuing opinions and assessing draft resolutions of the Supervisory Board concerning matters related to the finances of the Company
- supporting oversight of the performance of the Company's budget,
- performing the on-going analysis of the Company's financial performance and standing,
- addressing matters related to the operation of the Company's cash, credit and tax systems, as well as its financial plans, budgets and property insurance contracts.

In 2012, the Finance and Budget Committee held meetings during the meetings of the Supervisory Board.

5.5.3. General Meeting

Rules governing the convening and the functioning of the General Meeting as well as its powers are stipulated in the Commercial Companies Code and in the Company's Articles of Association.

A General Meeting may be held as either annual or extraordinary. An Annual General Meeting is convened by the Company's Management Board to be held no later than six months after the end of each financial year, in particular in order to:

- review and approve the Directors’ Report on the Company’s operations and the financial statements for the previous financial year,
- adopt a resolution concerning distribution of profit or coverage of loss,
- grant discharge to members of the Company's governing bodies in respect of their performance of duties,

An Extraordinary General Meeting may be convened by the Management Board (acting on its own initiative or at the request of shareholders representing at least half of the share capital or voting power within the Company), by the Supervisory Board (if it deems it advisable to do so) or by shareholders authorised to do so by the registry court under Art. 430.3 of the Commercial Companies Code.

Shareholders representing at least one-twentieth of the share capital may request that an Extraordinary General Meeting be convened and that particular items be placed on the Meeting's agenda. Any such requests should be made in writing or in the electronic form and submitted to the Management Board. An Extraordinary General Meeting should be convened within two weeks from the date when the Management Board receives a relevant request.

A shareholder or shareholders representing at least one-twentieth of the Company's share capital may request that certain items be placed on the agenda of the next General Meeting. Any such request should be submitted to the Management Board at least 21 days prior to the scheduled date of the General Meeting of Shareholders. The request should include grounds for, or a draft resolution pertaining to, the proposed agenda item. The Management Board is obliged to promptly (and in any case no later than eighteen days prior to the scheduled date of the General Meeting) announce any changes to the agenda introduced at the request of shareholders.

A shareholder or shareholders representing at least one-twentieth of the Company's share capital may, prior to a General Meeting, provide the Company (in writing or by electronic means) with draft resolutions concerning the matters which have been or are to be included in the Meeting's agenda. The Company is required to promptly publish such draft resolutions on its website. During a General Meeting, each shareholder may submit draft resolutions concerning the items on the agenda.

The General Meeting is convened by way of a notice published on the Company's website and in the manner required for the publication of current information pursuant to the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005. The notice should be published at least 26 days before the scheduled date of the General Meeting.

Each share confers the right to one vote at the General Meeting. A General Meeting is validly held regardless of the number of shares represented, unless the provisions of the Commercial Companies Code provide otherwise.

Resolutions of the General Meeting are passed with an absolute majority of the votes, unless statutory provisions or the Company's Articles of Association provide otherwise

The powers and responsibilities of the General Meeting include, without limitation:

- review and approval of the Directors' Report on the Company's operations and the financial statements for the previous financial year,
- decisions as to distribution of profit or coverage of loss,
- granting discharge to members of the Management Board and the Supervisory Board in respect of their performance of duties,
- decisions concerning claims for redress of any damage inflicted in connection with establishment of the Company or in connection with managing or supervising the Company,
- disposal or lease of the Company's business or its organised part and establishment of limited property rights thereon,

- amendments to the Company's Articles of Association,
- an increase or reduction of the share capital,
- merger, transformation or demerger of the Company;
- dissolution of the Company and opening of its liquidation,
- passing resolutions approving the Rules of Procedure of the General Meeting and the Rules of Procedure of the Supervisory Board,
- consideration and resolution of proposals put forward by the Supervisory Board,
- other matters reserved for the General Meeting under the provisions of the Articles of Association or the applicable laws,

Resolutions by the General Meeting concerning any material change to the Company's business profile do not require redemption of the opposing shareholders' shares, provided that they are adopted with a majority of two thirds of the total vote in the presence of persons representing no less than a half of the share capital.

5.6 Rules governing amendments to the Company's Articles of Association

The rules governing the introduction of amendments to the Company's Articles of Association are stipulated in the Commercial Companies Code. Pursuant to Art. 430 of the Code, any amendment to the Company's Articles of Association requires a relevant resolution by the General Meeting and must be entered in the relevant court register. In accordance with Art. 415 of the Commercial Companies Code, a resolution by the General Meeting concerning any amendments to the Company's Articles of Association requires a majority of three-fourths of the total vote.

The Company's Articles of Association do not include any provisions relating to their amendment which would stipulate in this respect any other rules than those defined in the Commercial Companies Code.

5.7 Key features of internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements

The Company has in place an adequate and effective internal audit system in the form of an internal organisational unit, which ensures safe operation, compliant with applicable laws, adopted strategy and internal procedures. The audit and security system focuses on periodical inspections of the mechanisms in place in order to detect risks and irregularities. Audit reports are provided to the Management Board of the Company.

To eliminate risks related to the preparation of financial statements, the Company, on an annual basis, submits the financial statements, including subsidiaries' financial statements, to be audited by a charter auditor, takes stock of assets, and monitors on an on-going basis the performance of individual business areas against the targets and objectives assumed in financial plans.

6 OTHER INFORMATION

6.1 Court, arbitration or administrative proceedings

General information

As part of the ordinary course of business, the Company and Subsidiaries are parties to court and enforcement proceedings concerning their operations. In 2012, the Company and Subsidiaries were plaintiffs or participants in 130,739 court proceedings (including bankruptcy proceedings), where the total value of claims was approximately PLN 786,172,787.55. Moreover, in 2012 435,397 enforcement proceedings instituted by the Company or Subsidiaries were pending, where the value of claims being enforced totalled approximately PLN 2,392,043,039.79. Court and enforcement proceedings are one of the stages of enforcing claims against debtors of the Company and Subsidiaries.

In 2012, the Company and Subsidiaries were defendants in 39 court proceedings, where the total value of litigation was approximately PLN 617,431.00. In 13 of these cases the rulings were in favour of the Company or Subsidiaries. In one case the ruling granted the claim to declare ineffectiveness of a loan agreement giving rise to a debt claim purchased by a Subsidiary. The Company and Subsidiaries believe other claims to be without merit and expect them to be dismissed. There are no proceedings pending against the Company or Subsidiaries where the value of claims would exceed 10% of the Company's equity.

No liquidation, bankruptcy or recovery proceedings were conducted with respect to the Company or Subsidiaries.

Proceedings where the value of claims exceeds 10% of the Company's equity

There was one proceeding, initiated upon a motion filed by a subsidiary, where the value of litigation exceeded 10% of the Company's equity: bankruptcy proceedings concerning Pascal Construction Sp. z o.o. w upadłości (in bankruptcy). The value of claim was PLN 18,166,719.36, the proceedings were instigated on January 25th 2006, and the parties to the proceedings were PROKURA NSFIZ and Pascal Construction Sp. z o.o. w upadłości (in bankruptcy). As part of the proceedings, the claim of PROKURA NSFIZ has been satisfied in part and PROKURA NSFIZ expects no further payments to be made.

Proceedings with the largest value of claims, not exceeding 10% of the Company's equity and concerning the Company's liabilities:

Among the proceedings concerning the Company's liabilities, where the value of claims did not exceed 10% of the Company's equity, proceedings with the largest value of the claim – PLN 200,000.00, were the proceedings against KRUK S.A. instigated by a natural person on September 27th 2010 for infringement of personal rights. The proceedings were discontinued on March 30th 2012.

Proceedings with the largest value of claims, not exceeding 10% of the Company's equity and concerning debts owed to the Company:

Among the court proceedings concerning debts owed to the Company, where the value of claim did not exceed 10% of the Company's equity, proceedings with the largest value of the claim – PLN 12,713,340.74, were the bankruptcy proceedings concerning the Company's claims, pending against the NISCO INVEST SRL of Romania. The Company expects its claim to be satisfied in part. In addition, a case against JORDY IMPEX SRL of Romania was pending, where the value of the Company's claim was PLN 6,274,758.00. The Company's claim has been satisfied in part and it expects no further payments to be awarded by the court.

6.2 Auditors

On July 26th 2012, the Company and KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. executed an agreement for the audit of separate and consolidated financial statements for 2012 and review of separate and consolidated financial statements for H1 2012. The fee for auditing the annual separate financial statements, auditing the annual financial statements of subsidiaries, reviewing the annual financial statements of subsidiaries, and auditing the annual consolidated financial statements was set at PLN 504 thousand (2011: PLN 396 thousand); while for other certification services, including the review of semi-annual consolidated financial statements – at PLN 70 thousand (2011: PLN 155 thousand). The separate and consolidated financial statements for 2011 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

6.3 Major research and development achievements

Research and development work is focused on improving Delfin, a debt collection IT platform designed to facilitate the credit management process. The platform comprises a number of systems tailored to the Group’s specific needs and internal procedures, as well as to the needs of the Group’s clients. In 2012, the strategy of building the platform to support the debt collection area remained unchanged - it was being continually developed by the Company’s internal resources, which resulted in the system's improved flexibility and scalability. The Company is also becoming increasingly open to the idea of outsourcing the implementation of solutions designed to support its back-office functions and key debt collection processes.

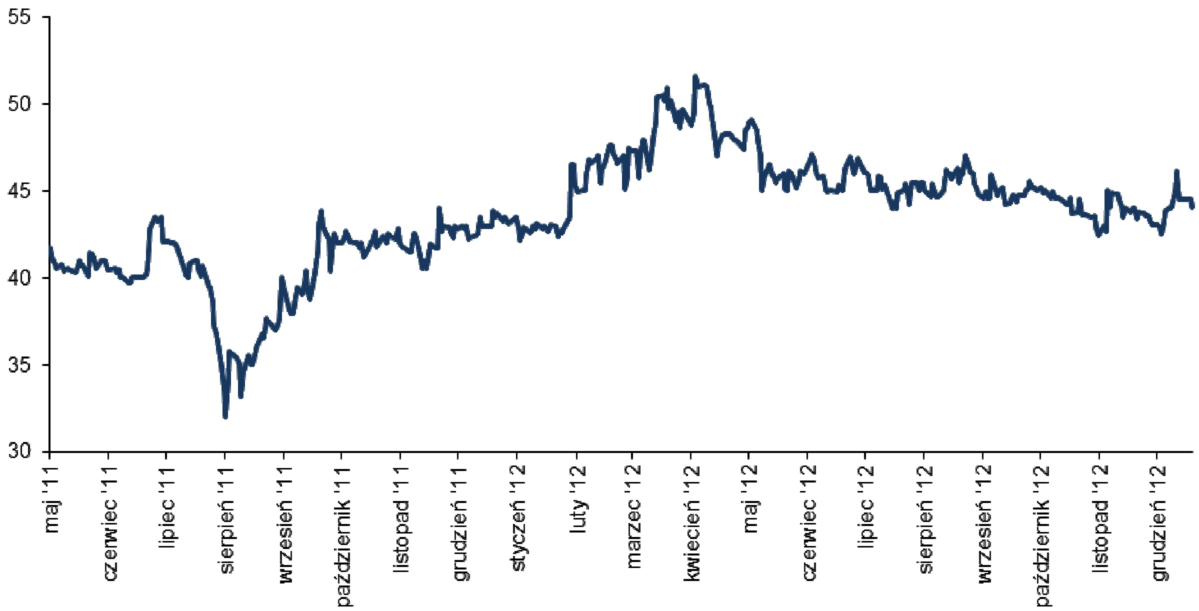
6.4 Environmental issues

Given the nature of the Company’s business, there are no material environmental issues involved in its activities.

6.5 Company shares on the Warsaw Stock Exchange

2012 was the first full year in which KRUK shares were listed on the Warsaw Stock Exchange. After the successful IPO of in 2011 and having appreciated by more than 10% by the end of December 2011, the stock opened at PLN 43.82 on the first trading session in 2012 (i.e. January 2nd 2012). The chart below presents the performance of KRUK stock from its first listing in May 2011 to the end of 2012 (at closing prices).

Chart 1. KRUK share price performance since the IPO



Source: Company data.

From the beginning of 2012 to April, the stock was moving in an upward trend, which started with a rebound following the sharp decline of the stock market in August 2011. It traded at the highest price (PLN 52.0) at the opening of the session on April 13th 2012. From the trough in the second half of 2011 to the peak in May 2012, the share price gained over 60%.

Starting from May 2012, the stock price was on a mildly downward trend, ending the year at PLN 44.06.

The table below presents the 2012 key statistics on the KRUK stock (at closing prices).

Table 18. Share price performance in 2012

	Issue price	Dec 31 2012	average price	low	high
KRUK	39,7	44.06	46,25	42,15	51.60

Source: Company data.

For the entire year 2012, the rate of return on the stock was +0.55%. In the same period, market indices offered higher returns. The broad-market WIG index gained 26%. The index of mid-caps mWIG40, which in 2012 included KRUK, grew 17% over the year.

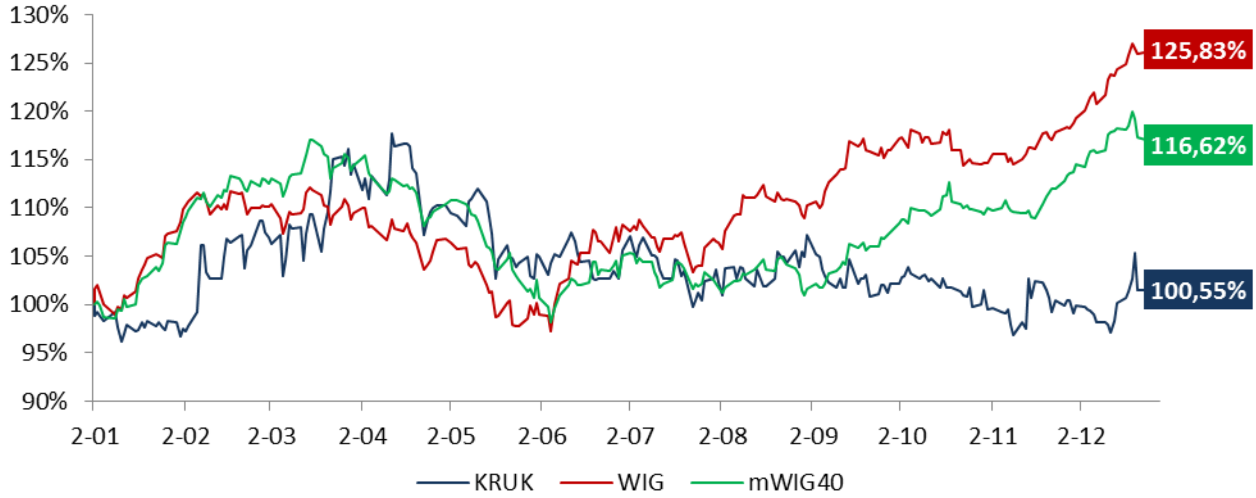
Table 19. KRUK share price performance against the mWIG40 and WIG indices

	KRUK	mWIG40	WIG
Jan 2 2012 (opening)	43.82	2,188.77	37,716.67
Dec 28 2012 (closing)	44.06	2,552.54	47,460.59
Rate of return	+0.55%	16.62%	+25.83%

Source: Company data.

The chart below presents the performance of KRUK stock relative to WIG and mWIG40 indices.

Chart 2. Price of Company shares against the mWIG40 and WIG indices

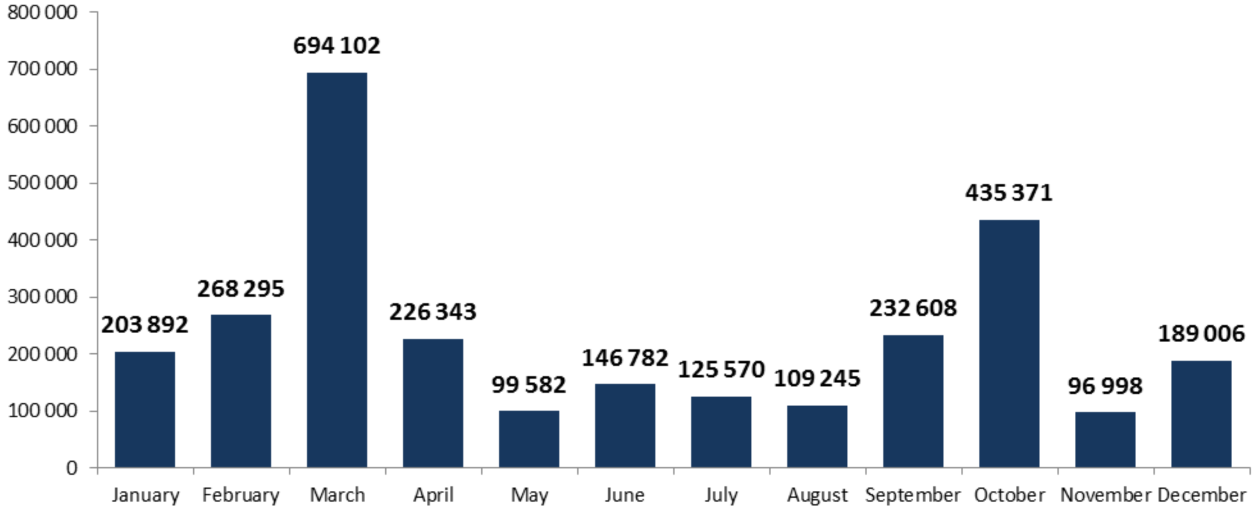


Source: Company data.

The total number of KRUK shares traded in 2012 was 2.8 million, which represents 16.7% of the Company's share capital. The average number of KRUK shares traded daily was 11,306. The highest trading volumes were seen in March and October, when the total volumes of were 694 and 435 thousand shares, respectively.

The chart below presents the monthly trading volumes for KRUK stock in 2012.

Chart 3. Monthly volumes of trading in KRUK shares in 2012



Source: Company data.

6.6 CSR policy

As KRUK is not a production company, the overview presented below does not address any matters traditionally associated with corporate social responsibility, such as environmental protection. However, the Company can boast certain socially relevant initiatives, both on a small scale (employees) and in a wider arena (regional or - as in the case of initiatives supporting financial education - nationwide projects).

Educational initiatives

The key message of the KRUK Group's educational initiatives is to make the public aware of the fact that indebtedness can affect anybody. More often than not individuals are faced with such a situation unexpectedly, and it is important that they be able to cope with it. The project is also aimed at educating the Polish, Romanian and Czech people on how to manage household budgets and deal with financial problems, while giving them an overall understanding of the financial market. Educational projects are undertaken by KRUK on its own or jointly with partners (consumer education associations and organisations) in all countries where the Group operates.

Articles, guidelines and advice

The Group regularly authors and distributes to the nationwide, local and thematic media general-knowledge articles concerning indebtedness, which describe potential consequences of default and ways of dealing with indebtedness.

As part of such information activities, guidelines containing tips and advice for the indebted are prepared. So far, the guidelines have been published in such dailies as Fakt and Super Express, as well as regional press and consumer magazines. They explained such matters as ways of dealing with indebtedness, steps to be taken after receiving a letter from a debt management firm, the best ways to reach an agreement with the creditor, and consequences of failure to repay debt. Responsible dealing with indebtedness has also been the subject of TV and radio programmes. In addition, KRUK authored and ran the Good Plan campaign, as part of which debtors were offered professional aid of legal advisers and coaches (from the Polish Association of Coaching and Development).

"Day without Debts" and "Our Debts"

This event is to remind people living in the countries where the Group operates that solving problems with debt repayment should not be postponed. "Day without Debt" is held annually on November 17th in Poland and Romania and on November 15th in the Czech Republic. As part of "Our Debts" campaign, at www.naszedlugi.pl the Group launched a dedicated website containing tips and advice for persons facing problems with debt repayment. The site contains advice for debtors, provides tips on how to borrow responsibly, and presents results of research into the problem of debt. The website also provides a household budget calculator, which helps to calculate monthly spending and estimate whether we can afford to borrow more or shows where to find the extra money to pay off the debt.

Active support for voluntary blood donation

The Group has for several years regularly partnered with the Regional Centre for Blood Donation and Chemotherapy (RCKiK) in Wrocław and Wałbrzych. In partnership with those institutions, KRUK organises among its employees regular blood donation events and campaigns encouraging donor registration with the National Polish Bone Marrow Donor Registry. KRUK also supports public blood donation events coordinated by the Centre, such as "Wrocławska akcja KREW" ("Wrocław's BLOOD Campaign"). For the past two years, the Company has also been supporting the "Wampiriada" campaign ("Vampire Feast") organised by the National Student Association.

Organisation of free first aid courses for employees

KRUK regularly provides its staff with first aid training. In partnershipwith the Medical Rescue Centre, regular practical training courses and emergency medical rescue and first aid demonstrations featuring modern rescue equipment are conducted. Thus the KRUK Group employees had an opportunity to learn various methods of administering first aid in accordance with the latest guidelines of the European Resuscitation Council. As part of several professional training rounds, tens of participants underwent a two-day training course, followed by an examination, and received a certificate confirming completion of the course.

Purchase and installation of life-saving defibrillators at the Company's offices

At the offices in Wrocław and Szczawno-Zdrój KRUK has placed three defibrillators, which can save life before the ambulance arrives. Our employees received training on the use of the equipment. KRUK was among the first companies in Poland to join the project designed to place AEDs in areas with high human traffic, such as office buildings or retail centres.

Encouraging and supporting employees to engage in charitable campaigns

The employees of the KRUK Group, including the Company's employees, have also been undertaking independent charitable initiatives. The Company supports its employees in the organisation and technical implementation of the undertaken projects.

6.7 Awards and distinctions

As an undisputed leader of the credit management market, the KRUK Group is required to constantly improve the quality of its processes and customer service, in particular with respect to the debtors. The effects of those efforts have been noticed by independent competition boards, as evidenced by a number of awards and distinctions received by the Company. In 2013 and 2012, KRUK was awarded the following distinctions:

Good Company 2012 (Dobra Firma 2012) KRUK S.A. won the Good Company 2012 title and joined the prestigious group of 20 most dynamic and efficient Polish businesses. The title is awarded by the Rzeczpospolita daily as part of the annual ranking of the largest Polish companies (Lista 2000). KRUK was the only company from the debt management sector to be awarded the title.

Bulls and Bears 2011 KRUK received the Bulls and Bears award for the most successful IPO on the Warsaw Stock Exchange in 2011.

Effie Award 2012

The "We help pay your debts" media campaign launched by KRUK received the silver Effie Award 2012 in the banking category. This was the first time in the history of the media market in Poland, and perhaps also globally, that a campaign organised by a credit management company was singled out for this prestigious award.

Book of Lists 2012 – Top position in the ranking of credit management companies.

Compiled by Warsaw Business Journal, the Book of Lists is the most comprehensive and longest-running business publication in Poland available in Polish and English; it provides an overview of the best performers in the respective business segments of the Polish market.

"The Best Annual Report 2011" – The annual report prepared by the KRUK Group was recognised as one of the most useful for readers in the banks and financial institutions category of "The Best Annual Report 2011" contest. The competition is organised by the Institute for Accountancy and Taxes.

Złoty Laur Klienta 2011 (Golden Laurel 2011)

The award attests to the popularity of the brand and the positive opinion it enjoys among customers. "Laur Klienta" is the largest consumer award programme in Poland. It is organised by Rzecz o

Biznesie, a nationwide business supplement of the Rzeczpospolita daily. A nationwide survey carried out as part of the programme shows which products and services are current popularity leaders in their categories. This means that the distinctions granted by the organisers are in fact granted by Polish consumers.

TOP BRAND 2013 in the LAUR KLIENTA/KONSUMENTA contest The Top Brand award is given by a selection panel consisting of journalists working for the daily based on how well a given brand fared in the previous editions of the Laur Konsumenta contest. KRUK has been awarded Złoty Laur each year since 2008.

Entrepreneur of the Year 2012 according to Ernst&Young – Piotr Krupa, President of the KRUK Management Board, was among ten finalists of the 10th edition of the prestigious Entrepreneur of the Year 2012 contest organised by Ernst&Young. The initiative promotes entrepreneurs who are most effective in business and espouse CSR principles.

Best Product for Your Business 2012. KRUK was named the Best Product for Your Business by Gazeta Finansowa in the debt collection category.

6.8 Glossary of terms

B2B	Business-to-Business relations
B2C	Business-to-Consumer relations
Auditor	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., ul. Chłodna 51, 00-867 Warsaw, the Company's auditor
EURO, EUR	The lawful currency of the Eurozone countries
FMCG	Fast Moving Consumer Goods
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
the Group, the KRUK Group	The Company as the parent along with its Subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
GUS	Polish Central Statistics Office
IBnGR	The Gdańsk Institute for Market Economics (Instytut Badań nad Gospodarką Rynkową)
RAVEN Law Firm	Kancelaria Prawna RAVEN Krupa & Stańko sp. k. of Wrocław
Polish NDS	Polish National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KRS	National Court Register
ERIF Bussines Solutions	ERIF Bussines Solutions Sp. z o.o. of Wrocław
KRUK International of Romania	KRUK International S.R.L of Romania
KRUK International of the Czech Republic	KRUK International S.r.o. of the Czech Republic
IAS	International Accounting Standards as endorsed by the European Union
IFRS	International Financial Reporting Standards as endorsed by the European Union
NBP	National Bank of Poland
Non-Standard Securitisation Closed-End Investment Funds	Prokura NS FIZ, Prokulus NS FIZ
GDP	Gross Domestic Product
PLN	The Polish Złoty, the lawful currency in Poland
UOKiK President	President of the Office of Competition and Consumer Protection
Incentive Scheme	An incentive scheme for 2011-2014 implemented by the Company, addressed to the Management Board members, except for the President of the Management Board, selected employees of the Company and selected members of management boards and employees of the Subsidiaries, under which up to 845,016 registered subscription warrants will be issued, conferring the right to subscribe for a total of 845,016 ordinary bearer shares issued as part of a conditional share capital increase.
Prokura NS FIZ	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty

Prokulus NS FIZ	Prokulus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty
Supervisory Board	The Company's Supervisory Board
Monetary Policy Council (RPP)	The Monetary Policy Council, a body of the National Bank of Poland
ERIF	Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A. of Warsaw
RON	The Romanian Leu; the lawful currency in Romania
Regulation on current and periodic information	The Minister of Finance’s Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. of 2009, No. 209, item 1744, as amended)
Regulation on the Market and Issuers	The Minister of Finance’s Regulation on detailed conditions to be met by an official stock exchange market and issuers of securities admitted to trading on that market, dated October 14th 2005 (Dz. U. of 2005, No. 206, item 1712)
Secapital Luksemburg	Secapital S.à.r.l. (Luxembourg)
Secapital Polska	Secapital Polska Sp. z o.o. of Warsaw
Consolidated Financial Statements	The Group's consolidated financial statements for the reporting period ended December 31st 2011, prepared in accordance with the IFRS
The Company; KRUK; the Issuer	KRUK S.A. of Wrocław
Subsidiaries	The Company's subsidiary undertakings, as defined in the Accountancy Act, and Kancelaria Prawna RAVEN
Articles of Association	The Company's Articles of Association
Eurozone	The group of countries which have adopted the Euro, including Austria, Belgium, Cyprus, Finland, France, Greece, Spain, Netherlands, Ireland, Luxembourg, Malta, Germany, Portugal, Slovakia, Slovenia, Italy and Estonia
UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
General Meeting	The Company's General Meeting
Management Board	The Company's Management Board