Directors' Report on the operations of the KRUK Group in 2013

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CEO'S LETTER

Dear Shareholders and Investors,

By way of introduction to our annual report, I have the pleasure to present to you the KRUK Group's most important financial and business achievements last year. These achievements enhanced the Company's value, consolidated our market position and will underpin our further development.

The deep commitment of the entire KRUK team, and consistent pursuit of our adopted strategy, helped us attain the financial objectives set for the Management Board and the Group for 2013. We are also motivated to improve our year-on-year financial performance by the expectations of our shareholders and stock exchange investors. So far we have succeeded in meeting these expectations, and we are making every effort to ensure that we continue to do so.

2013 was a record year for our financial results. Compared with 2012, our consolidated revenue rose by 18%, operating profit improved by 12%, and net profit advanced by 20%. A return on assets (ROE) of 24% was also a great success for our team. We were able to deliver such strong financial results thanks to the considerable investments in debt portfolios in 2011–2013 – an expenditure in excess of PLN 1.2bn. We spent PLN 367m in 2013 alone, up 19% on 2012. As a result, the nominal value of the debt portfolio managed by the KRUK Group rose to PLN 22.8bn as at the end of 2013. This amount included both debts outsourced for recovery and debts purchased by the KRUK Group in 2013 and in previous years. By comparison, at the end of 2012 the nominal value of the Group's debt portfolio totalled PLN 19.3bn. Investments made over last few years provide the foundation for further improvement of our financial performance and cash flows in the years ahead.

In 2013, we followed a consistent strategy of maintaining the lead in all our home markets. Our strong position in the Polish debt management market was once again confirmed in an industry ranking published by the Gazeta Giełdy Parkiet daily. The nominal value of debts purchased by us or outsourced for management to the Group on the Polish market in 2013 was PLN 5.1bn, which again put us clearly ahead of other debt management firms in Poland.

According to our own estimates, the KRUK Group also leads the outsourced debt collection market in Poland, with a 28% share. In 2013, we worked with nine of the 10 largest banks in the Polish market.

Last year, we were also active in foreign markets. In Romania, the Czech Republic and Slovakia, we invested a total of PLN 161m in debt portfolios. This compares with PLN 85m spent on foreign markets in 2012 – a robust 89% growth year on year. Our expenditure on debt portfolios in Romania grew considerably, to almost PLN 133m, up 128% on 2012. We estimate that this investment secured us a 49% share in the Romanian debt purchase market, and a leading position in the country's debt management market.

Since mid-2008, we have consistently pursued a strategy of out-of-court settlement with debtors. Under the strategy we perceive indebted individuals as consumers unable to meet their obligations for economic reasons or because of other life difficulties, but who are aware that they have to pay their debts and are willing to do so. This is why the KRUK Group offers to solve the problem on an amicable basis and split their debt into manageable instalments. Our unique strategy of amicable settlement and communication with debtors through media campaigns has substantially improved the stability of the KRUK Group's debt recovery cash flows, as well as its competitive advantage. In 2013, recoveries from debtors were almost PLN 538m, an advance of 19% on 2012, with most of these repayments made under out-of-court settlements. In 2013, the strategy was also supported by marketing and educational campaigns targeted at indebted individuals in Poland and Romania. These efforts reinforced the Group's positive image and its mission to support the debtors and help them restore financial health. **The surveys conducted in December 2013 on representative samples of one thousand adult Poles and one thousand adult Romanians confirmed that the KRUK Group is the most recognisable brand in the debt management industry in both countries.**

The year 2013 will be remembered not only for our business successes and record-high results, but also for our Company's 15th anniversary. After fifteen years of building our business, we have become the top player in the debt management industry in Central Europe. This unquestionable success is rooted in the ambitious and passionate employees working throughout the KRUK Group, who are always willing to take on new challenges.

Last year also saw dynamic growth in the price of KRUK shares on the Warsaw Stock Exchange. In 2013, the rate of return on our stock was 84%. In the same period, the broad market index WIG gained 7%, and mWIG40, an index of medium-sized companies also listing KRUK shares, rose 29%. From the Company's IPO in May 2011 until the end of 2013, the Company stock yielded a 98% rate of return, compared with the returns on WIG mWIG40 indices of 4% and 14%, respectively. We are happy to look, together with our shareholders, at how strongly KRUK's value has appreciated since the IPO.

In closing, I would like to recall one more important event in the history of our Company's presence on the stock exchange. Last year, we were granted a distinction in the European Small and Mid-Cap Awards competition, organised by the European Commission with the support of the Federation of European Stock Exchanges and European Issuers. KRUK ranked second in the Most Internationally-Minded category, for European listed names that are most open to the international markets. Awarded by an independent international jury of capital market pundits and top European financial journalists, the distinction is of particular importance to us. We were one of 31 companies listed on 12 European stock exchanges to take part in the competition.

I wish to thank all those who have contributed to our success and recognised our many years of work on building the KRUK Group's position in the foreign markets and in Poland. I invite you to read the detailed report on our operations and financial performance in 2013.

Yours sincerely,

Piotra Krupa

President
of the Management Board

1. INTRODUCTION

This Section presents key information on the KRUK Group, its selected consolidated financial and operating data, as well as an overview of the Group's operations in 2013.

1.1 Key information on the Parent of the KRUK Group

Form of incorporation of the Parent
The Parent of the KRUK Group is KRUK Spółka Akcyjna of Wrocław (the "Company").

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 first 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 of the Parent
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/

For the organisational chart of the KRUK Group, see Section 2.1.1.

1.2 Consolidated financial and operating highlights

1.2.1 Consolidated financial highlights

In 2013, the Group's financial performance continued on an upward trend. The Group posted PLN 405.6m in revenue (up 18% year on year), PLN 152.9m in operating profit (up 12% year on year), and PLN 97.8m in net profit (up 20% year on year).

1.2.2 Summary of operating results

As at Dec 31 2013, the Group was processing over 2.8 million debt cases with an aggregate nominal value of PLN 22.8bn.The amount includes both debts outsourced for recovery and debts purchased by the Group in 2013 and in previous years. To compare, as at the end of 2012, the Group was processing more than 2.5 million debt cases with an aggregate nominal value of PLN 19.3bn. The nominal value of debts placed under the Group's credit management in 2013 alone totalled nearly PLN 6.9bn.

The improved financial performance was achieved on the back of significant investments in debt portfolios made in 2011-2013 (in excess of PLN 1.2bn). Investments in debt portfolios in 2013 alone reached PLN 367m, of which PLN 206m (56%) was spent in Poland.

1.2.3 Business segments' performance

For a discussion of the performance of each business segment, see Section 3.2.1. "Revenue by product".

1.2.4 Group's key results compared with historical performance

Tables 1, 2, 3 present key items of the income statement for the last six financial years. The Group's financial results have been steadily improving. Since 2008, the Group's revenue rose 291% (CAGR of 31%), and net profit improved 486% (CAGR of 42%). Over the same period, EBIT and EBITDA went up 517% and 493%, respectively.

	PERIOD ENDED DEC 31		
	2013	2012	CHANGE
Revenue	405,611	342,992	18%
EBITDA	162,274	144,008	13%
Operating profit (EBIT)	152,945	136,673	12%
Net profit for the period	97,754	81,194	20%
Cash flows from operating activities, including	-37,181	-54,488	-32%
Debt purchases	-367,188	-309,269	19%
Cash recoveries	537,727	451,329	19%
Cash flows from investing activities	-7,527	-5,804	34%
Cash flows from financing activities	37,237	66,816	-44%
Total net cash flows	**-7,471**	**6,524**	**-215%**
Total assets	**1,162,825**	**971,430**	**20%**
Equity	415,555	317,632	31%
Return on equity (ROE)	24%	26%	
Earnings per share (PLN)			
Basic	5.77	4.80	20%
Diluted	5.67	4.78	19%

Table 1. The Group's historical financial highlights

Source: Consolidated Financial Statements
Return on equity (ROE) = net profit for the period / total equity

Purchased debt portfolios as at Jan 1 2013	**873,497**
Purchase of debt portfolios	367,188
Purchase price adjustment for discount	(465)
Cash recoveries	(537,727)
Liabilities to debtors due to overpayments	(2,001)
Valuation of loyalty scheme	612
Revenue from debt purchase (interest and revaluation)	355,733
Fair value translation differences	(2,924)
Purchased debt portfolios as at Dec 31 2013	**1,053,913**

Table 2. Change in purchased debt portfolios for cash-flow statement purposes

Source: Consolidated Financial Statements.

	2013	2012	2011	2010	2009	2008	CAGR '13/'08
Revenue	405,611	342,992	274,031	164,281	128,575	103,882	31%
EBITDA	162,274	144,008	101,422	46,573	34,813	27,388	43%
EBIT	152,945	136,673	95,995	42,636	31,723	24,773	44%
Profit before tax	98,487	85,094	68,546	35,605	27,337	16,275	43%
Net profit	97,754	81,194	66,392	36,119	23,489	16,688	42%

Table 3. KRUK Group's financial performance in 2008-2013 (PLN '000)

Source: Consolidated Financial Statements

	2013	2012	2011	2010	2009	2008
EBITDA margin	40%	42%	37%	28%	27%	26%
EBIT margin	38%	40%	35%	26%	25%	24%
Pre-tax margin	24%	25%	25%	22%	21%	16%
Net margin	24%	24%	24%	22%	18%	16%
Return on assets (ROA)	8%	8%	8%	11%	11%	8%
Return on equity (ROE)	24%	26%	28%	27%	23%	22%

Table 4. Profitability ratios of the KRUK Group in 2008-2013

Source: KRUK's calculations based on the Consolidated Financial Statements

1.2.5 Key financial ratios

In table 4 are presented key profitability ratios of the KRUK Group for 2008-2013.

1.3 Overview of the Group's operations

1.3.1 Overview of the Group's operations in 2013

In 2013, the KRUK Group reported a net profit of PLN 97.8m, up 20% year on year. Over the same period, the Group's revenue grew 18% year on year, to PLN 405.6m. Return on equity as at the end of 2013 was 24%. In 2013, the Group invested over PLN 367m to purchase 65 debt portfolios, mainly from banks, including 2 mortgage debt portfolios acquired in Poland. The purchased portfolios totalled nearly PLN 3.8bn in terms of nominal value, and included more than 337 thousand new debts. The portfolios generated financial benefits in 2013, and will continue to be an important driver of the Group's financial results in the years to come. To compare, in 2012 the Group invested over PLN 309m in 53 debt portfolios with an aggregate nominal value of nearly PLN 3.6bn.

The Group is consistently working towards its strategic objective of retaining or achieving the lead on all markets on which it operates. In 2013, the Group was active on three foreign markets - Romania, the Czech Republic and Slovakia, where it invested almost PLN 161m in debt portfolios. In 2012, the Group's investments in foreign markets totalled over PLN 85m, which means that its investments outside of the domestic market grew nearly 89% in 2013.

The KRUK Group's business model relies on the Group's strong presence in two key segments of the debt collection market: debt purchase and credit management services. The model's duality offers significant benefits, as it generates synergies and enhances efficiency at each stage of the operations – from business relations to continuously improved debt management processes.

The Group offers a very extensive range of services, from loss prevention, to debt collection at all stages of out-of-court and court collection, including hybrid services combining selected debt collection services and tools. This allows the Group to tailor its offering to the specific needs of individual clients and their debt management requirements. The Company believes that innovation is a key driver of the Group's future growth. Accordingly, the Group has been expanding and enhancing its services, tools and methods by implementing new, innovative solutions.

Since mid-2008, the Group has consistently pursued a strategy focused on amicable settlement with debtors. In line with the strategy, debtors are treated as consumers who are unable to pay debts either for economic reasons or because of other personal difficulties, but who nevertheless acknowledge that obligations once incurred must be settled and have the will to settle them. Accordingly, the Group gears its debt collection efforts towards achieving an optimum solution for both the debtor and the creditor. In doing so, it takes into account the debtor's current financial capabilities, mainly through instalment-based repayments that are within the debtor's means. The strategy has improved debt collection efficiency, leading to more regular streams of recoveries.

As part of its loss prevention services and to support debt management, the Group operates a credit reference agency - ERIF Debtor Register, which collects both negative and positive consumer and corporate credit histories. The ERIF Debtor Register operates under the Act on Access to Business Information and Exchange of Business Information, which defines the rules for the operation of a business information exchange system in Poland. The ERIF Debtor Register is one of the four business information agencies, but the only such agency in Poland which has its database regularly reviewed by an independent auditor. The findings of those reviews are summarised in regular quarterly reports, which describe the status and structure of the ERIF Debtor Register's database. As at January 2nd 2014, the ERIF database contained 1.78m records, showing debts with a value of PLN 9.8bn, a 32% and 40% year-on-year increase, respectively. Revenue generated from ERIF BIG's information services in 2013 was PLN 6.8m, which represented a year-on-year increase of 39%.

In order to diversify its revenue sources, in 2013 the KRUK Group also worked on developing a short-term cash loan service for formerly indebted individuals who have a track record of repaying their liabilities to the Group in a timely manner. Over 2013, the KRUK Group advanced more than 10,000 Novum cash loans, with a value of PLN 17.5m.Revenue from the Novum project posted by the Group for the full year 2013 was PLN 4.7m.

The Group's leading position on the Polish credit management market in 2013 was again confirmed by the industry ranking published by the "Gazeta Giełdy Parkiet" daily. In 2013, the nominal value of debts accepted for collection or purchased by the KRUK Group in Poland reached PLN 5.1bn, giving it the top position among the Polish debt management companies that agreed to disclose their data.

In 2013, the Group was processing debt cases which originated in many segments of the economy, but its activities focused on the financial services market, particularly unsecured consumer debt. Banks were the main group of the KRUK Group's clients. In 2013, the Group provided its services to 9 of the top 10 banks in Poland. Since 2007, the Group has also operated on the Romanian market, where over the last four years it has held the leading position. In 2013, the Group provided its services to 7 of the top 10 banks in Romania. In 2013, the Group also continued to operate on the Czech and Slovak markets, where it provided its services to 3 of the top 6 banks in the Czech Republic, and to 3 of the top 4 banks in Slovakia.

The headcount across the Group companies in 2013 totalled 2,335, having grown by 29% relative to the end of 2012.

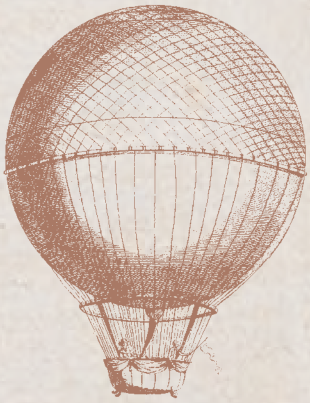


Chart 1. The Group versus competitors in Poland in 2013

Source: KRUK's calculations based on the "Gazeta Giełdy Parkiet" article: "Wielki test przed branżą windykacyjną" ("Debt Collection Industry Faces a Tough Test"), February 8th 2014, and its own estimates of the size of the Polish debt collection market

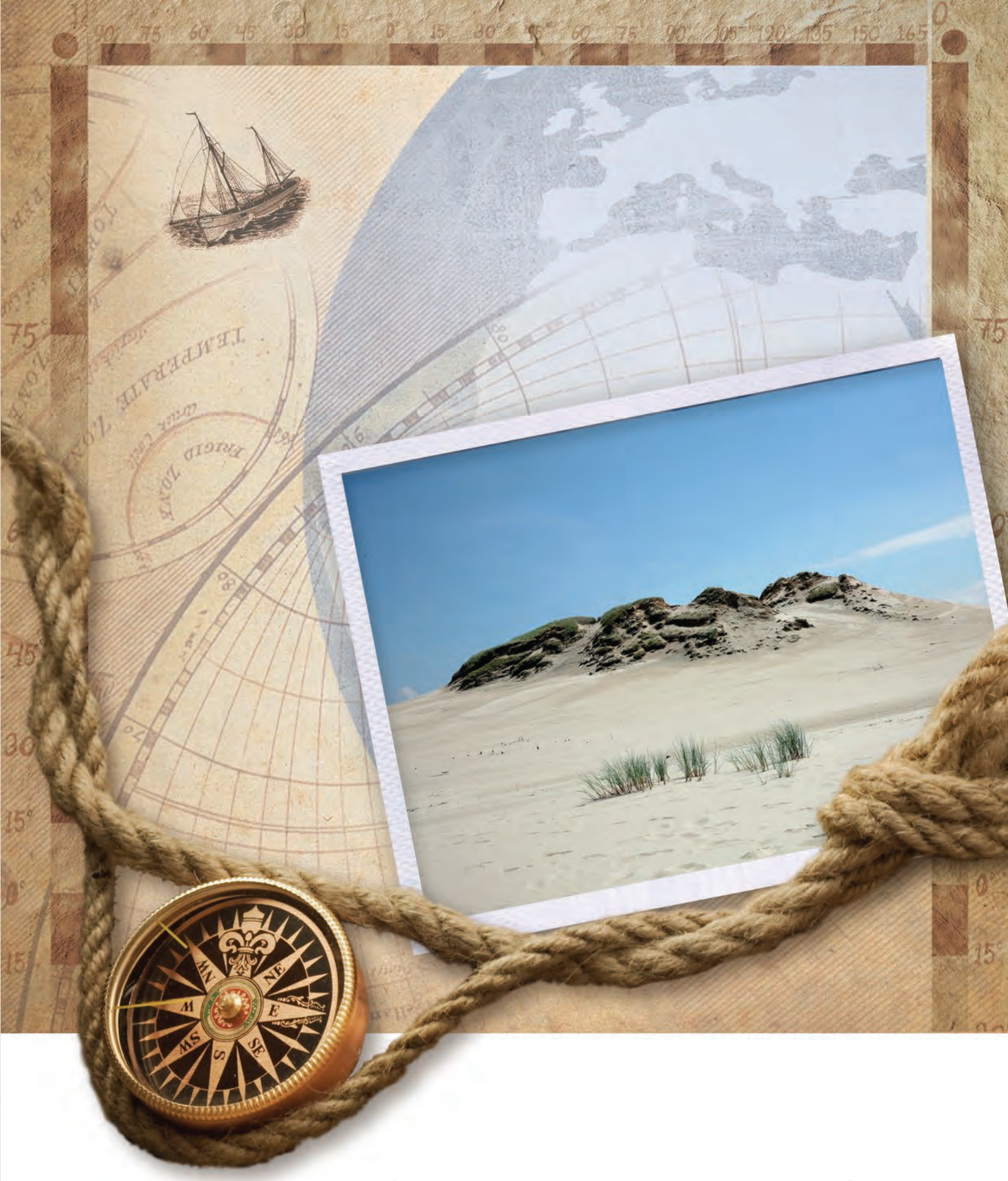
1.3.2 Issue and redemption of notes

In 2013, the Company issued unsecured notes with a total nominal value of PLN 250,000,000. 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.). The notes offered in private placements were introduced to trading in the Catalyst multilateral trading facility, whereas the notes offered to the public were introduced to trading on the regulated Catalyst market operated by the Warsaw Stock Exchange. The notes bear interest at 3M WIBOR plus a fixed margin determined separately for each series.

Interest on the notes is calculated on a 365-day basis, accrues in consecutive three-month interest periods, and is payable in arrears, at the end of each interest period – in the case of private placements, or on the day following the last day of the interest period – in the case of notes offered to the public.

The note issues in 2013 were carried out in order to raise funds for the financing of debt purchases by the Group, refinancing of the Company's or the Group's debt, or financing of the Group's growth through acquisitions.

For more detailed information on each series of the notes, see Section 3.3.2.



General information about the Group

2. GENERAL INFORMATION ABOUT THE GROUP

2.1 The Group's business model

The primary area of the Group's business is the management of consumer debt for financial institutions and other institutional clients, but also for the Group's own account. The KRUK Group manages receivables of banks, loan brokers, insurers, leasing companies, as well as debt portfolios of landline and mobile telecommunications operators, cable TV operators, digital TV operators, and companies from the FMCG sector. The Group focuses on the banking market, relying on long-term relations with its key accounts.

The core segments of the Group's operations include:

- purchase and management of debt portfolios for the Group's own account (purchased debt portfolios);
- credit management services (outsourced debt collection).

In the area of purchased debt, the key element of the Group's business is an appropriate approach to the valuation of debt portfolios and their subsequent management. From 2002 to the end of 2013, the KRUK Group purchased 311 debt portfolios with a total nominal value of nearly PLN 18bn. The Group purchases debt portfolios primarily from creditors holding high-volume receivables in four geographic markets: Poland, Romania, the Czech Republic and Slovakia. The number of debt cases purchased by the Group in 2002–2013 was approximately 2.7m, and in 2013 alone the Group purchased over 337 thousand cases. Each debt portfolio transferred to the KRUK Group is thoroughly analysed and valued based on detailed information and data about the debtors, products and related security, behavioural data, as well as information on current and expected macroeconomic conditions in a given market. Debt portfolios are valued with the use of advanced statistical tools and behavioural data, which the Company has been accumulating since 2003. By the end of 2013, the Group performed over 1,800 debt portfolio valuations.

Depending on the specifics and status of the debt, as well as client preferences, the credit management process is tailored to the client's individual needs, and is carried out in a professional manner, in accordance with applicable laws. In the area of debt portfolios purchased, the Group's main strategy is to agree with the debtor the optimum terms of debt repayment, considering the debtor's current financial capabilities. This strategy involves spreading repayment over instalments which the debtor would be able to pay. In the area of credit management, the Group manages receivables for third parties at all stages of delinquency, and applies instruments suited to a given debt portfolio (servicing period, tools and process used) and the client's specific requirements. The Group makes extensive use of efficient operational methods which rely on advanced IT systems, such as the Delfin platform, which supports the entire credit management process. The Group's innovative offering in Poland includes credit reference agency services (ERIF), and legal services provided by the Group's law firm (Kancelaria Prawna RAVEN), enabling the Group to provide a full range of tailor-made loss prevention and collection services, in line with the client's requirements and credit management policies. In 2007, the Group launched its operations on the Romanian market, and in 2011 – on the Czech and Slovak markets, and continued to develop those operations in 2013.

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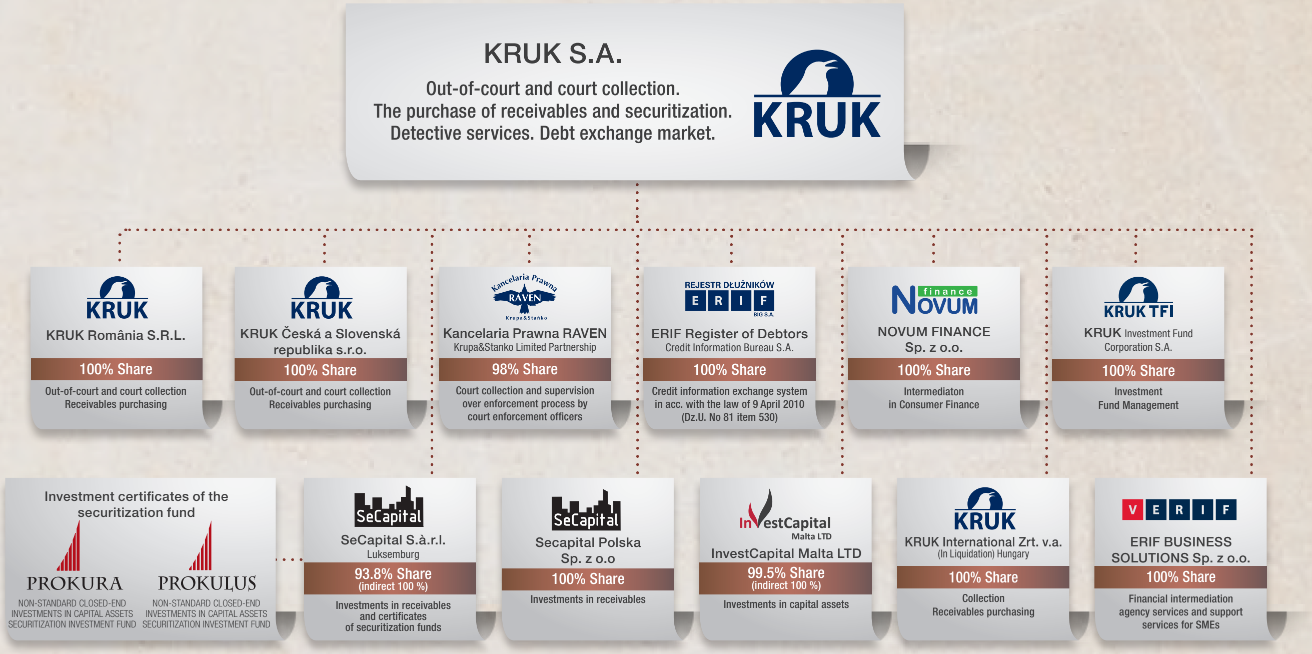
2.2 Structure of the Group

2.2.1 Description of the Group's structure

The structure of the KRUK Group as at December 31st 2013, with information on KRUK S.A.'s ownership interests in subsidiaries, is presented below:



As at December 31st 2013, the Group comprised KRUK S.A. (the Parent) and thirteen subsidiaries:

- **Kancelaria Prawna RAVEN Krupa & Stańko sp. k.** of Wrocław, a law firm providing comprehensive services to support litigation and enforcement, exclusively in connection with the debt recovery process carried out by the KRUK Group and its partners;
- **Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A.** of Warsaw, a credit reference agency serving as a platform for collection, processing and provision of information on natural persons and businesses, both delinquent debtors and timely payers;
- **ERIF Business Solutions Sp. z o.o.** of Wrocław, whose core business consists in financial and agency services, and support for small and medium-sized enterprises;
- **KRUK România s.r.l.** of Bucharest, Romania (until February 21st 2013 operating as KRUK International S.R.L.) – 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;
- **InvestCapital Malta Ltd.** of Malta, an investment company focusing on equity assets, including shares in KRUK Group companies;
- **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. The funds are managed by KRUK Towarzystwo Funduszy Inwestycyjnych S.A.;
- **SeCapital Polska Sp. z o.o.** of Wrocław, a securitised debt company;
- **Novum Finance Sp. z o.o.** of Wrocław, a company whose main business consists in agency services involving intermediation in consumer lending;
- **KRUK Česká a Slovenská republika s.r.o.** of Prague, Czech Republic (until February 22nd 2013 operating as KRUK International s.r.o. of Prague) – a company active on the market of credit management services and debt purchase;

- KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław, an investment fund management company;
- KRUK International Z.r.t. of Budapest, Hungary, a company in liquidation.

Until the date of approval of this report, there were no changes in the composition of the KRUK Group and in the information on the Group companies presented above.

2.2.2 Changes in the Group's structure

On May 15th 2013, Novum Finance Sp. z o.o., KRUK S.A.'s subsidiary, executed a cooperation agreement with KRUK S.A. concerning agency in executing cash loan agreements on behalf of KRUK S.A., administration services with respect to the agreements, and coordination of the sales process. Following execution of the agreement and as of its date, consumer loans under the NOVUM project have been granted by KRUK S.A.

On September 5th 2013, a resolution was adopted by KRUK S.A. to discontinue operations on the Hungarian market and relinquish the licence to purchase debts in Hungary that was granted to KRUK International Z.r.t. by the Hungarian Financial Supervision Authority (PSZÁF). For more information, see Current Report No. 61/2013 of September 5th 2013.

On October 8th 2013, the Company was notified of PSZÁF's decision of September 27th 2013 to commence liquidation proceedings with respect to KRUK International Z.r.t. The decision had been made upon KRUK International Zrt.'s request of September 11th 2013. Hitelintézeti Felszámoló Nonprofit Kft, with its registered office at Damjanich u. 11-15 1071, Budapest, was appointed liquidator of KRUK International Zrt. (see Current Report No. 67/2013 of October 8th 2013). At present, the Company is awaiting conclusion of the liquidation proceedings.

NAME OF THE ENTITY ISSUING/RETIRING SHARE CAPITAL	SUBSCRIBER OF SHARE CAPITAL/ BENEFICIARY OF RETIREMENT	TRANSACTION TYPE	SHARE CAPITAL INCREASE/ REDUCTION
SeCapital S.à.r.l.	KRUK S.A.	Retirement	from PLN 551,098 thousand to PLN 544,734 thousand
SeCapital S.à.r.l.	KRUK S.A.	Retirement	from PLN 544,734 thousand to PLN 535,007 thousand
SeCapital S.à.r.l.	KRUK S.A.	Increase	from PLN 535,007 thousand to PLN 536,371 thousand
SeCapital S.à.r.l.	KRUK S.A.	Retirement	from PLN 536,371 thousand to PLN 514,280 thousand
SeCapital S.à.r.l.	KRUK S.A.	Increase	from PLN 514,280 thousand to PLN 519,825 thousand
SeCapital S.à.r.l.	KRUK S.A.	Increase	from PLN 519,825 thousand to PLN 525,607 thousand
SeCapital S.à.r.l.	KRUK S.A.	Increase	from PLN 525,607 thousand to PLN 528,572 thousand
SeCapital S.à.r.l.	KRUK S.A.	Increase	from PLN 528,572 thousand to PLN 563,118 thousand
SeCapital S.à.r.l.	KRUK S.A.	Increase	from PLN 563,118 thousand to PLN 616,208 thousand
SeCapital S.à.r.l.	KRUK S.A.	Increase	from PLN 616,208 thousand to PLN 632,572 thousand

Table 5. Transactions involving increase or reduction of SeCapital S.à.r.l.'s share capital in 2013.

Source: the Company

On December 3rd 2013, InvestCapital Malta Ltd. of Malta, KRUK's subsidiary, was established as an investment company focusing on equity assets, including shares in KRUK Group companies. The Company holds 100% of the shares in InvestCapital, of which 99.5% are held directly and 0.5% are held indirectly through SeCapital Polska Sp. z o.o., a wholly-owned subsidiary.

NO.	DATE AND TIME OF DISCLOSABLE TRANSACTION IN CERTIFICATES	SERIES	TYPE OF CERTIFICATES	NUMBER
				2013
1	Redemption of Investment Certificates: Jan 16 2013	seria M	Certyfikaty Inwestycyjne Niepubliczne Imienne	-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
4	Redemption of Investment Certificates: Apr 22 2013	Series M	Non-Public Registered Investment Certificates	-2,336,849
5	Redemption of Investment Certificates: Nov 19 2013	Series C	Non-Public Registered Investment Certificates	-1,000,000
6	Redemption of Investment Certificates: Nov 19 2013	Series M	Non-Public Registered Investment Certificates	-1,903,211
7	Redemption of Investment Certificates: Nov 19 2013	Series N	Non-Public Registered Investment Certificates	-294714
8	Allotment of Investment Certificates: Nov 28 2013, 11:30 am	Series W	Non-Public Registered Investment Certificates	3,197,925
9	Redemption of Investment Certificates: Dec 4 2013	Series N	Non-Public Registered Investment Certificates	-2,557,544
10	Allotment of Investment Certificates: Dec 13 2013	Series X	Non-Public Registered Investment Certificates	1,602,727
				2014
1	Redemption of Investment Certificates: Jan 20 2014	Series N	Non-Public Registered Investment Certificates	-3,384,223
2	Allotment of Investment Certificates: Jan 29 2014	Series Y	Non-Public Registered Investment Certificates	3,384,223
3	Allotment of Investment Certificates: Feb 19 2014	Series C	Non-Public Registered Investment Certificates	-91,480
4	Allotment of Investment Certificates: Feb 19 2014	Series F	Non-Public Registered Investment Certificates	-774,279
5	Allotment of Investment Certificates: Feb 19 2014	Series H	Non-Public Registered Investment Certificates	-1,054,300
6	Allotment of Investment Certificates: Feb 19 2014	Series J	Non-Public Registered Investment Certificates	-1,430,066
7	Allotment of Investment Certificates: Feb 28 2014	Series Z	Non-Public Registered Investment Certificates	1,523,929

Table 6. Transactions related to PROKURA Investment Certificates in 2013 and 2014.

Source: the Company

On December 11th 2013, KRUK S.A. and InvestCapital executed an agreement on sale of shares in SeCapital S.à.r.l., representing 4.4% of the company's share capital. The ownership of the shares was transferred to InvestCapital on December 20th 2013.Prior to the transaction, the Company held directly 100% of the shares in SeCapital S.à.r.l. Following the transaction, KRUK held 95.6% of the share capital and the total vote at the general meeting of SeCapital S.à.r.l. directly, and 4.4% indirectly.

On December 30th 2013, KRUK S.A. and InvestCapital entered into another agreement on sale of shares in SeCapital S.à.r.l. The agreement concerned sale to InvestCapital of SeCapital S.à.r.l. shares representing 1.9% of the company's share capital. Following the transaction, KRUK holds 93.8% of the share capital and the total vote at the general meeting of SeCapital S.à.r.l. directly, and 6.2% indirectly.

The table 5 presents all transactions involving increase or reduction of SeCapital S.à.r.l.'s share capital in 2013.

The table 6 presents information on allotment and redemption of PROKURA NS FIZ investment certificates.

As at the end of 2013, the number of outstanding PROKURA Investment Certificates was 56,886,542.

In 2013, there were no changes in the register of Certificate Holders of the PROKULUS NS FIZ fund. As at the end of 2013, the number of outstanding PROKULUS Investment Certificates was 1,000,000.

2.2.3 Changes in the Group's significant management policies

In 2013, there were no changes in the significant policies of managing the Parent and its subsidiaries.

2.2.4 Consolidated entities

All Group entities are fully-consolidated.

2.2.5 Company branches

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.

2.3 Share capital

2.3.1 Share capital structure

As at December 31st 2013 and as at the date of this report, the share capital of KRUK S.A. was PLN 16,959,095 and was divided into 16,959,095 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;
- 58,755 Series E bearer shares.

2.3.2 Changes in the share capital

The following changes in the share capital of KRUK S.A. took place in 2013:

On July 24th and December 13th 2013, the Polish NDS registered, respectively, 27,896 and 30,859 Series E shares in the Company issued as part of a conditional share capital increase. On those dates, the shares were registered in the investors' securities accounts and consequently (in accordance with Art. 452.1 in conjunction with Art. 451.3 of the Commercial Companies Code) an increase in the Issuer's share capital within the limits of the conditional share capital, through the issue of Series E ordinary bearer shares with a par value of PLN 1 per share pursuant to Resolution No. 1/2011 of the Extraordinary General Meeting of March 30th 2011, was effected. Following registration of the shares in the investors' securities accounts, the Issuer's share capital totals PLN 16,959,095 and comprises 16,959,095 shares.

On October 18th 2013, an increase in the Company's share capital by 27,896 Series E shares was registered with the National Court Register. The entry was declarative in nature.

In the financial year 2013 and until the date of approval of this report, there were no changes to KRUK S.A.'s conditional share capital.

2.4 Human capital

2.4.1 Qualified personnel

A key success factor for the KRUK Group is its highly qualified staff. The Group employs experts with extensive debt collection and credit management experience. Some of the managers have previous experience of working for banks, financial brokerage firms, telecoms, and large distribution companies. The Company's professional risk management team has a central role in assessing and valuing debt portfolios for purchase, and in assessing debt collection performance. The Group also has a strong team of software developers and IT professionals who focus on developing the IT infrastructure. As at the end of 2013, approximately 65% of the Group's staff were university graduates.

Great emphasis is placed by the Group on employer branding efforts, designed to reach more potential employees and increase the labour market's awareness of the Group's operations and development opportunities it offers. In 2013, these efforts were manifest in the Group's participation in career fairs and involvement in the "Polish Champion" programme. In September 2013, KRUK became a signatory of the "Diversity Charter".

The table 7 sets out the Group's employment data (full- and part-time positions under employment contracts) as at the dates indicated.

	AS AT DEC 31 2013
The Company	1,170
Subsidiaries	1,165
Total	2,335

Table 7. The Group's workforce in 2013

Source: the Company

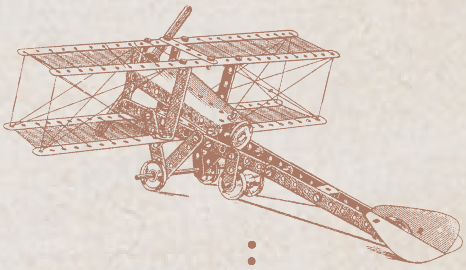
The table 8 sets out the Group's employment data (full- and part-time positions under employment contracts) as at the dates indicated, by geographical regions of the Groups' operations.

	AS AT DEC 31 2013
Number of employees, including:	2,335
Poland	1,711
Other countries	624

Table 8. The Group's workforce in 2013 in Poland and foreign markets

Source: the Company

In 2013, the Group employed personnel both under employment contracts and managerial contracts. It also commissioned work under temporary employment contracts (umowa zlecenia) and piecework contracts (umowa o dzieło).



Regarding highly-qualified staff as its vital asset, the Group makes efforts to ensure development of its team and to provide optimum work conditions. In 2013, the Group operated:

- an extensive internal training system, designed to improve the personnel's negotiation skills and to expand their knowledge of legal and psychological aspects of the debt collection process;
- a series of management training sessions for the Group's entire management staff, designed to develop managerial competence and broaden the necessary knowledge;
- xternal training for female staff carried out as part of the "KRUK Rozwija Skrzydła" project co-financed by the EU Social Fund.

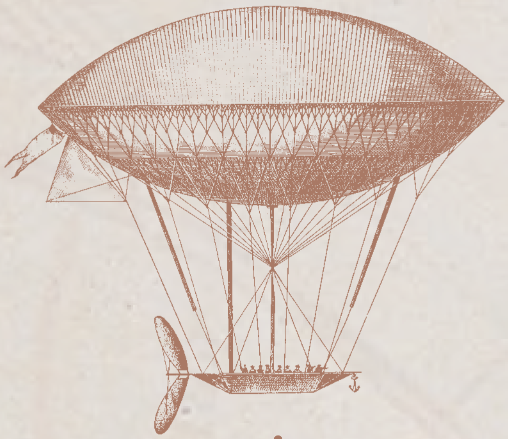
The Group's personnel, whether working under employment contracts or engaged under civil-law contracts, are eligible to participate in the incentive schemes operated by the Group. Additional benefits offered to employees include co-financing of post-graduate studies, training, acquisition of qualifications, specialist English courses, private medical care, fitness club membership, as well as rewards for special accomplishments. The Company's employees and persons providing services to the Company at its organisational units or in positions eligible to participate in the incentive schemes may also receive performance-based remuneration, including bonuses for the accomplishment of tasks assigned to individual employees and bonuses for the achievement of annual profit targets by the Company.

Members of the Company's Management Board and other key personnel of the Group are a strong team of experts in such areas as credit management, sales, high-volume process management, finance, debt valuation, HR management, legal support, IT, marketing, and public relations. Stability of the Group's management team, as manifest in its low turnover, combined with extensive expertise developed over the years, are a source of major competitive advantage for the Group. The key managers are also covered by an incentive scheme.

2.4.2 Incentive Scheme

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

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



General Meeting of August 29th 2011. Under the Scheme, eligible persons will have the right to acquire Company shares on preferential terms, set forth in the Resolution and in the Rules of the Incentive Scheme. The eligible persons comprise members of the Management Board (excluding the President), Company employees and employees of the Group companies, on condition they were in an employment relationship with the Parent or its subsidiary or in other legal relationship under which they provided services to the Parent or its subsidiary for a period of at least twelve months in the calendar year preceding the year in which the offer to acquire/subscribe for subscription warrants is made.

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

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

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

- growth of EPS in the financial year preceding the year in which subscription warrants of a given Tranche are offered is no less than 17.5%;
- growth of EBITDA in the financial year preceding the year in which subscription warrants of a given Tranche are offered is no less than 17.5%;
- ROE in the financial year preceding the year in which subscription warrants of a given Tranche are offered is no less than 20%.

Tranche I

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

The rights attached to the subscription warrants granted under Tranche 1 for 2011 were partly exercised:

- On July 24th 2013 by nine persons, including Ms Iwona Słomska, Member of the Management Board, who subscribed for 9,257 of the newly issued Series E shares; and
- On December 16th 2013 by 13 persons, including Mr Michał Zasępa, Member of the Management Board, who subscribed for 5,000 of the Series E shares.

As at December 31st 2013, persons eligible under Tranche 1 held a total of 125,025 subscription warrants, entitling them to subscribe for the same number of Series E shares.

Tranche II

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

Pursuant to the Resolution, the Supervisory Board allotted subscription warrants under the 2012 Management Stock Option Plan to persons named in the lists, including members of the Management Board. On October 1st 2013, 201,758 subscription warrants were delivered to the Eligible Persons.

Number of warrants allotted to Management Board Members under Tranche 2 for 2012 is presented in table 9.

The remaining 30,960 warrants to be allotted in respect of 2012 were transferred to Tranche 3 for 2013.

The Management Board Members named in table 10 hold no rights to KRUK shares other than those attached to the subscription warrants. The President of the KRUK Management Board holds no rights to Company shares.

NAME AND SURNAME	POSITION	NUMBER OF WARRANTS GRANTED UNDER TRANCHE 2 FOR 2012
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	14,507

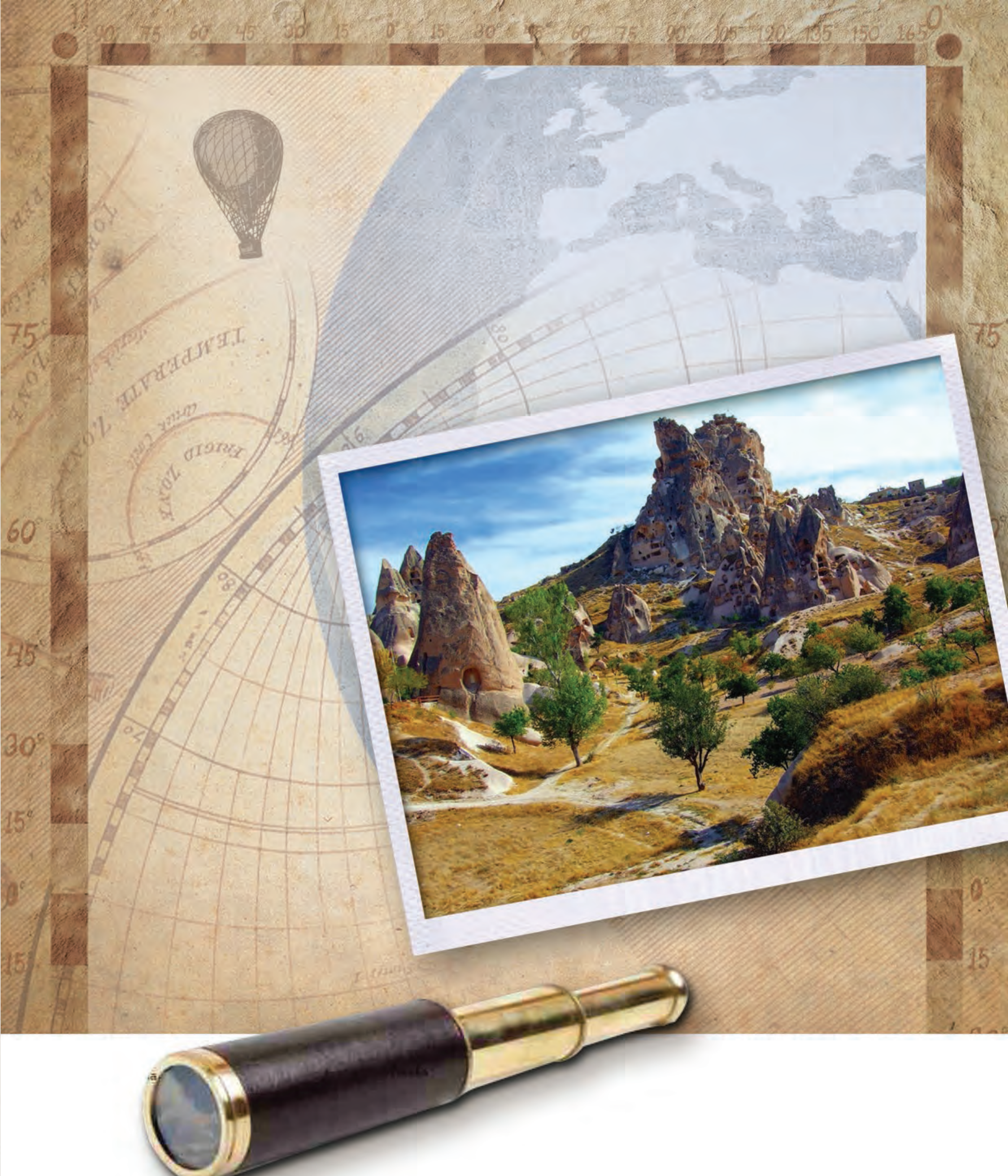
Table 9. Number of warrants allotted to current Management Board Members under Tranche 2 for 2012

Source: the Company

NAME AND SURNAME	POSITION	NUMBER OF WARRANTS
Urszula Okarma	Member of the Management Board	21,014
Agnieszka Kułton	Member of the Management Board	21,014
Iwona Słomska	Member of the Management Board	9,257
Michał Zasępa	Member of the Management Board	20,014

Table 10. Number of subscription warrants held by Management Board Members as at December 31st 2013

Source: the Company



Operating and financial review

3. OPERATING AND FINANCIAL REVIEW

3.1 Policies applied in the preparation of annual consolidated financial statements

The Parent's consolidated 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 consolidated financial statements.

The consolidated 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, and hedging derivative instruments.

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

Purchased debt portfolios are initially recognised at acquisition cost. Costs and expenses relating to debt purchase transactions are recognised in profit or loss of the period.

On July 1st 2012, a compartment (or a distinct part of business for which separate accounts are maintained) was established within subsidiary SeCapital S.à.r.l., whose purpose is to purchase debt portfolios denominated in the Romanian leu (RON). Therefore RON is the functional currency of the new compartment. This approach is consistent with IAS 21 which requires each individual entity preparing separate financial statements to determine its functional currency, being the currency in which the majority of its cash flows are generated, and measure its results, assets and financial position in that currency.

The decision was made based on the prevailing conditions in the Group's economic environment, in order to reflect the actual economic transactions, developments and factors as accurately as possible.

3.2 Analysis of the consolidated financial data

3.2.1 Revenue by product

The main sources of revenue for the KRUK Group are credit management services and debt purchase activities. Revenue from debt purchase includes interest income plus revenue from the difference on recoveries (difference between actual and assumed cash recoveries), and effects of debt portfolio revaluations, resulting primarily from a change in estimates of expected cash inflows from a given portfolio. Revenue from credit management services includes primarily commissions for collection of debt managed by the Group.

In table 11 is presented a historical breakdown of cash inflows from purchased debt portfolios as a share in the amount spent to purchase the portfolios.

In 2013, the Group's total revenue was PLN 405.6m, up 18% on 2012. The Group continued to pursue the strategy of consolidating its lead in the growing debt collection market. In 2013, the Group focused on the segment of purchased debt collection. As a consequence, revenue from debt purchase in 2013 reached PLN 355.7m, while revenue from credit management amounted to PLN 39.9m.

The performance of each reporting segment is discussed in table 12. The key performance metric for each reporting segment is gross profit.

WEIGHTED AVERAGE RECOVERY CURVE IN 2005-2013	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	TOTAL
Cash recoveries in each of the years as % of funds spent	24%	47%	39%	38%	30%	22%	25%	30%	+	274%

Table 11. Weighted average recovery curve in 2005–2013

Source: the Company

In 2013, the Group's gross profit was PLN 222.9m, having risen by PLN 28.7m, or 15%, on 2012. The rise in gross profit was mainly attributable to significant investments in debt portfolios in 2013.

Revenue derived from purchased debt portfolios increased 17% relative to 2012, which translated into improved gross profit of the debt purchase segment (up 12% year on year).

Gross profit generated by the credit management segment increased by PLN 6.3m, or 51%, relative to 2012. The main cause of the increase was a one-off transaction on the secondary market in early 2013.

3.2.2 Geographical structure of sales

The Group operates in three main geographical areas: in Poland, Romania and the other foreign markets (the Czech Republic and Slovakia).

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

In 2013, the KRUK Group saw an increase in revenue on the Romanian market. The increase was primarily attributable to significant investments in debt purchase in 2011-2013, as well as strengthening of the Romanian currency against the Polish złoty.

Both in Poland and in Romania, the Group recorded an increase in recoveries at the amicable settlement

	JAN 1 2013 – DEC 31 2013	JAN 1 2012 – DEC 31 2012
Revenue	**405,611**	**342,992**
Purchased debt portfolios	355,733	302,996
Credit management	39,933	32,883
Other products	9,945	7,113
Direct and indirect costs	**(182,757)**	**(148,882)**
Purchased debt portfolios	(153,384)	(122,176)
Credit management	(21,236)	(20,515)
Other products	(8,137)	(6,191)
Gross profit	**222,854**	**194,110**
Purchased debt portfolios	202,349	180,820
Credit management	18,697	12,368
Other products	1,808	922
Administrative expenses	(60,437)	(50,258)
Depreciation and amortisation expense	(9,329)	(7,335)
Other income	3,482	2,091
Other expenses (unallocated)	(3,625)	(1,936)
Finance income/costs	(54,458)	(51,579)
Profit before tax	98,487	85,094
Income tax	(733)	(3,900)
Net profit	97,754	81,194

Table 12. Performance of individual reporting segments (PLN '000)

Source: the Company

stage. However, the amounts recovered in Poland and in other foreign markets (the Czech Republic and Slovakia) at the litigation and enforcement stage were much lower than expected, which affected the Group's interest income in 2013 and led to a downward revision of recovery forecasts in those markets.

3.2.3 Structure of assets and liabilities in the consolidated statement of financial position

The Group's total assets were PLN 1,162.8m, having grown 20% relative to the end of 2012.

The largest increase was posted under investments, and was attributable to debt portfolio purchases. As funds had to be raised to finance the debt purchases, an increase was recorded in debt under bank borrowings and other debt instruments.

	JAN 1 2013 – DEC 31 2013	JAN 1 2012 – DEC 31 2012
Revenue	**405,611**	**342,993**
Poland	223,475	240,099
Romania	180,019	85,103
Other foreign markets	2,117	17,790

Table 13. Performance of individual geographical segments (PLN '000)

Source: the Company

	DEC 31 2013	DEC 31 2012	CHANGE
Assets			
Non-current assets			
Property, plant and equipment	20,079	17,209	17%
Other intangible assets	10,408	7,646	36%
Goodwill	1,024	1,024	0%
Deferred tax assets	2,421	1,603	51%
Total non-current assets	**33 932**	**27,482**	**23%**
Current assets			
Inventories	529	879	-40%
Investments	1,063,841	880,012	21%
Trade receivables	9,045	12,019	-25%
Income tax asset	0	767	-100%
Other receivables	17,768	5,160	244%
Prepayments and accrued income	2,452	2,382	3%
Cash and cash equivalents	35,258	42,729	-17%
Total current assets	**1 128 893**	**943,948**	**20%**
Total assets	**1 162 825**	**971,430**	**20%**

Table 14. Group's assets (PLN '000)

Source: the Company

	DEC 31 2013	DEC 31 2012	CHANGE
Equity and liabilities			
Equity			
Share capital	16,959	16,900	0%
Share premium	47,381	45,107	5%
Cash flow hedging reserve	-634	-	0%
Translation reserve	-7,726	-3,774	105%
Other capital reserves	48,289	45,711	6%
Retained earnings	311,157	213,532	46%
Equity attributable to owners of the Parent	**415,426**	**317,476**	**31%**
Non-controlling interests	**129**	**156**	**-17%**
Total equity	**415,555**	**317,632**	**31%**
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	512,817	409,179	25%
Hedge derivatives	634		0
Total non-current liabilities	**513 451**	**409,179**	**25%**
Current liabilities			
Current liabilities under borrowings and other debt instruments	174,642	187,204	-7%
Trade and other payables	35,572	38,508	-8%
Current tax liability	99	-	-
Employee benefit obligations	23,242	18,643	25%
Current provisions	264	264	0%
Total current liabilities	**233,819**	**244,619**	**-4%**
Total liabilities	**747,270**	**653,798**	**14%**
Total equity and liabilities	**1,162,825**	**971,430**	**20%**

Table 15. Group's equity and liabilities (PLN '000)

Source: the Company

	NOTE	JAN 1 2013 – DEC 31 2013	JAN 1 2012 – DEC 31 2012
Revenue	7	405,611	342,992
Other income	8	3,482	2,091
Employee benefit expense	10	(116,452)	(87,813)
Depreciation and amortisation expense	13,14	(9,329)	(7,335)
Services		(48,437)	(46,263)
Other expenses	9	(81,930)	(66,999)
Total operating costs		**(256,148)**	**(208,410)**
Operating profit		**152,945**	**136,673**
Finance income	11	428	1,232
Finance costs	11	(54,886)	(52,811)
Net finance costs		**(54,458)**	**(51,579)**
Profit before tax		**98,487**	**85,094**
Income tax	12	(733)	(3,900)
Net profit for the period		**97,754**	**81,194**
Net profit attributable to:			
owners of the Parent		97,625	81,039
non-controlling interests		129	155
Net profit for the period		**97,754**	**81,194**

Table 16. Consolidated income statement for the year ended December 31st 2013 (PLN ’000)

Source: the Company

3.2.4 Financial performance

There are no material risks to the Group’s current or future financial position. In 2013, the Group’s net profit was PLN 98m, up PLN 16.6m (20%) year on year.

In 2013, the Group invested PLN 367m in the debt purchase segment.

The consolidated income statement is presented in table 16.

3.2.5 Cash flows

The Group’s financing and cash management policy is based on:

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

For a description of financial risk management, see “Objectives and methods of financial risk management”. The Company holds cash in PLN, EUR, USD, RON and CZK.

The main sources of the Group’s operating cash flows are related to changes in purchased debt portfolios, disclosed under change in financial assets at fair value through profit or loss. Table 17 presents details of cash flows related to expenditure on debt portfolios and cash recoveries from debtors.

As the Group recognises debt purchases under operating activities, its investing activities related to the purchase of debt portfolios and the related increase in the fair value of at which the purchased debt portfolios are carried reduce net cash from operating activities.

	01.01.2013 – 31.12.2013
Purchased debt portfolios as at Jan 1 2013	**873,497**
Purchase of debt portfolios	367,188
Purchase price adjustment for discount	(465)
Cash recoveries	(537,727)
Liabilities to debtors due to overpayments	(2,001)
Valuation of loyalty scheme	612
Revenue from debt purchase (interest and revaluation)	355,733
Fair value translation differences	(2,924)
Purchased debt portfolios as at Dec 31 2013	**1,053,913**

Table 17. Change in value of debt portfolios in 2013

Source: the Company

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

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

3.2.7 Financial ratios

3.2.7.1 Profitability ratios

The table 18 presents key profitability ratios of the KRUK Group.

The EBIT margin was 38% in 2013, having fallen 2 pp year on year. The decline follows from the fact that operating expenses rose faster than revenue. The net margin remained unchanged at 24% in 2013.The unchanged net margin and falling EBIT margin resulted mainly from a lower share of the Group's finance costs. The Group maintained its high ROA, which stood at 8%.

	PERIOD ENDED DEC 31	
	2013	2012
EBITDA margin (operating profit plus depreciation/amortisation)	40%	42%
EBIT margin (operating profit)	38%	40%
Pre-tax margin	24%	25%
Net margin	24%	24%
Return on assets (ROA)	8%	8%
Return on equity (ROE)	24%	26%

Table 18. Profitability ratios

Source: the Company
Formulas used to calculate the ratios:
EBITDA – operating profit for period + depreciation/amortisation / total revenue
EBIT margin – operating profit for the period / total revenue
Pre-tax margin – pre-tax profit for the period / total revenue
Net margin – net profit for the period / total revenue
ROA – net profit for period / total assets
ROE – net profit for period / total equity

3.2.7.2 Debt ratios:

The table 19 presents key debt ratios of the KRUK Group.

In 2013, the KRUK Group's net debt ratio remained at 1.57, i.e. 10% below the 2012 level and 37% below the debt limit set out in the covenants [formula used to calculate the ratio: net debt ratio = (non-current liabilities under loans and borrowings, and other financial liabilities – cash and cash equivalents) / total equity].

In accordance with its capital management policy, the Group maintains a solid capital base to ensure business growth, while maintaining the trust and confidence of investors, lenders and other partners. The Parent's Management Board monitors return on equity on an ongoing basis to ensure high levels of the ratio.

In 2013, the total debt ratio was 64%, down 3 pp year on year. The decline was primarily attributable to the fact that equity grew faster than debt, which was the effect of a year-on-year increase in the Group's net profit. This also resulted in a lower debt to equity ratio, which fell to 180% as at the end of 2013.

The quick and current ratios are determined by the nature of assets from purchased debt portfolios, which, although recognised as current assets, will be used in operating activity within more than 12 months.

3.3 Securities issued

3.3.1 Shares

On July 24th and December 13th 2013, the Polish NDS registered, respectively, 27,896 and 30,859 Series E shares in the Company issued as part of a conditional share capital increase. On those dates, the shares were registered in the investors' securities accounts and consequently (in accordance with Art. 452.1 in conjunction with Art. 451.3 of the Commercial Companies Code) an increase in the Issuer's share capital within the limits of the conditional share capital, through the issue of Series E ordinary bearer shares with a par value of PLN 1 per share pursuant to Resolution No. 1/2011 of the Extraordinary General Meeting of March 30th 2011, was effected. The above shares were acquired by the holders of warrants allotted to eligible persons under the Incentive Scheme.

The warrants were granted free of charge and the issue price per Series E share was PLN 39.70. The proceeds from the issue, totalling PLN 2.3m before tax, were allocated to finance development of the Group's business.

	PERIOD ENDED DEC 31	
	2013	2012
Total debt ratio	64%	67%
Debt to equity ratio	180%	206%
ROE	37%	43%
Short-term debt ratio	20%	25%
Long-term debt ratio	44%	42%
Current ratio	4.8	3.9
Quick ratio	4.8	3.9

Table 19. Debt ratios

Source: the Company
Formulas used to calculate the ratios:
Total debt ratio – total liabilities / total equity and liabilities
Debt to equity ratio – total liabilities / total equity
ROE – operating profit/(loss) for period / equity excluding non-controlling interests
Short-term debt ratio – total current liabilities / total equity and liabilities
Long-term debt ratio – total non-current liabilities / total equity and liabilities
Current ratio – total current assets / total current liabilities
Quick ratio – (total current assets – inventory) / total current liabilities

3.3.2 Notes

Note issues

In 2013, the Company issued unsecured Series P^2, P^3, P^4, R^1, R^2, R^3, R^4, S^1, T^1 and U^1 notes, with a total nominal value of PLN 250,000,000.

Detailed information on note issues carried out in 2013 is presented below.

a) Issue of Series P^2 notes
On the basis of the Management Board's resolutions which came into force on February 5th 2013 and March 7th 2013, 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, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue.

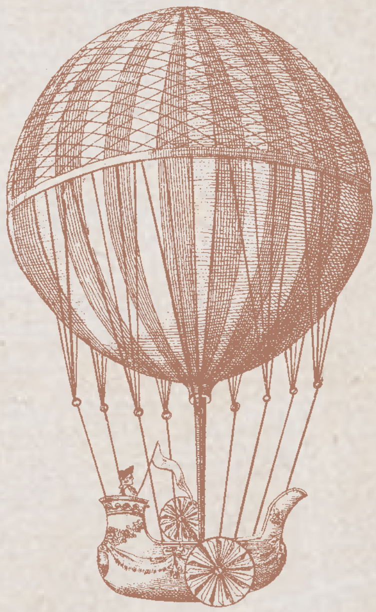
b) Issue of series P^3 notes
On the basis of the Management Board's resolutions which came into force on February 12th 2013 and March 14th 2013, the Company issued 30,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 30,000,000.The notes are due on March 7th 2017, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue. Based on a resolution of the Management Board of KDPW S.A. of July 19th 2013, the Series P^3 notes were assimilated with the Series P^2 notes on July 31st 2013.

c) Issue of series P^4 notes
On the basis of the Management Board's resolutions which came into force on April 15th 2013 and May 20th 2013, the Company issued 40,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 40,000,000. The notes are due 48 months from the allotment date, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue.

d) Issue of Series R^1 notes
On the basis of the Management Board's resolutions which came into force on April 15th 2013 and May 20th 2013, 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, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue. Based on a resolution of the Management Board of KDPW S.A. of October 28th 2013, the Series R^1 notes were assimilated with the Series P^4 notes on October 31st 2013.

e) Issue of Series R^2 notes
On the basis of the Management Board's resolutions which came into force on June 4th 2013 and June 25th 2013, the Company issued 15,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 15,000,000. The notes are due 60 months from the allotment date, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue.

f) Issue of Series R^3 notes
On the basis of the Management Board's resolutions which came into force on July 22nd 2013 and August 13th 2013, 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 60 months from the allotment date, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue.



g) Issue of Series R4 notes

On the basis of the Management Board's resolutions which came into force on September 3rd 2013 and October 3rd 2013, the Company issued 15,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 15,000,000.The notes are due 60 months from the allotment date, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue.

h) Issue of Series S1 notes

On the basis of the Management Board's resolutions which came into force on September 3rd 2013 and October 3rd 2013, the Company issued 25,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 25,000,000. The notes are due 60 months from the allotment date, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue. Based on a resolution of the Management Board of KDPW S.A. of January 28th 2014, the Series S1 notes were assimilated with the Series R4 notes on January 31st 2014.

i) Issue of Series T1 notes

On the basis of the Management Board's resolutions which came into force on November 15th 2013 and December 6th 2013, the Company issued 150,000 notes with a nominal value of PLN 100 per note. The total value of the issue was PLN 15,000,000. The notes are due 48 months from the allotment date, with the option of early redemption if the Company is liquidated. Furthermore, the Company will have the right to redeem the notes early, at its own option, after six months from the allotment date.

j) Issue of Series U1 notes

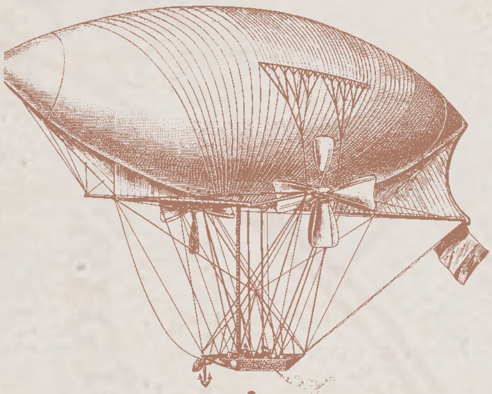
On the basis of the Management Board's resolutions which came into force on November 5th 2013 and December 5th 2013, the Company issued 10,000 notes with a nominal value of PLN 1,000 per note. The total value of the issue was PLN 10,000,000. The notes are due 60 months from the allotment date, but may be redeemed prior to maturity if the Company is liquidated or if a noteholder calls for early redemption in circumstances specified in the terms and conditions of the issue.

Use of issue proceeds

The note issues in 2013 were carried out in order to raise funds for the financing of debt purchases by the Group companies, refinancing of the Company's or the Group's debt, or financing of the Group's growth through acquisitions. Proceeds from the note issues in 2013 were used in line with the issue objectives.

Debt securities assimilation

Apart from assimilation related the 2013 note issues referred to above, the Management Board of KDPW S.A. also adopted a resolution of April 23rd 2013 whereby the Series P1 notes were assimilated with the Series O2 notes, issued in 2012, on April 30th 2013.



Redemption of notes

In 2013, the Company redeemed the following debt securities at maturity, determined separately for each series:

a) 20,000 Series G[1] notes at nominal value, for a total amount of PLN 20,000,000. The notes were redeemed on May 4th 2013;
b) 23,000 Series G[2] notes at nominal value, for a total amount of PLN 23,000,000. The notes were reeemed on March 30th 2013;
c) 22,500 Series H[1] notes at nominal value, for a total amount of PLN 22,500,000. The notes were redeemed on October 7th 2013;
d) 11,000 Series J[2] notes at nominal value, for a total amount of PLN 11,000,000. The notes were redeemed on July 11th 2013;
e) 25,000 Series K[2] notes at nominal value, for a total amount of PLN 25,000,000. The notes were redeemed on September 6th 2013.

Liabilities under debt securities

As at December 31st 2013, the liabilities under outstanding notes issued by the Company by the end of 2013 was PLN 574,539,000.

3.4 Financial instruments

The Group 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 Group under debt assignment agreements for prices lower than the nominal value of the debt);
- Loans and receivables (financial assets with determined or determinable payments, not listed on any active market; Loans and receivables include cash and cash equivalents, loans advanced and trade receivables).

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

The Group is exposed to the following risks related to the use of financial instruments.

3.4.1 Derivative financial instruments

On June 13th 2013, the Company and Bank Zachodni WBK S.A. executed a framework agreement defining the procedure for execution and settlement of transactions, under which the parties may execute specific agreements concerning the following treasury transactions:

(a) term deposit and demand deposit transactions;
(b) transactions in debt securities and other securities;
(c) foreign exchange transactions, including forward contracts;
(d) derivative transactions, including in particular:
   - interest rate swap transactions (IRS)
   - currency interest rate swap transactions (CIRS)
   - forward rate agreements / foreign exchange forwards
   - foreign exchange swaps
   - cross currency swaps
   - foreign currency options;
(e) other transactions similar to those listed in items a–d, as well as all types of options in respect of any of those transactions or their combinations.

Under the agreement, the Company executed three interest rate swap transactions (IRS) with Bank Zachodni WBK in 2013:

- On July 19th 2013 – to hedge the 3M WIBOR-linked part of the coupon on Series M[1] notes with a nominal value of PLN 40m. The contract will be effective from June 23rd 2014 until March 21st 2016. Payments will be made in three-month interest periods. Under the contract, the Company pays a fixed rate of 3.28%, while Bank Zachodni WBK pays a floating rate of 3M WIBOR.
- On October 16th 2013 – to hedge the 3M WIBOR-linked part of the coupon on Series M[1] notes with a nominal value of PLN 44m. The contract will be effective from June 23rd 2014 until March 21st 2016. Payments will be made in three-month interest periods. Under the contract, the Company pays a fixed rate of 3.50%, while Bank Zachodni WBK pays a floating rate of 3M WIBOR.
- On October 24th 2013 – to hedge the 3M WIBOR-linked part of the coupon on Series O[2] and P[1] notes with a nominal value of PLN 40m. The contract will be effective from June 9th 2014 until June 6th 2016.Payments will be made in three-month interest periods. Under the contract, the Company pays a fixed rate of 3.30%, while Bank Zachodni WBK pays a floating rate of 3M WIBOR.

3.4.2 Use of financial instruments

3.4.2.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with purchased debts, receivables for services provided by the Group and loans advanced by NOVUM.

3.4.2.2 Liquidity risk

The Group mitigates the liquidity risk through a continuous debt recovery process, which ensures an uninterrupted inflow of cash. The Group also monitors and takes actions to ensure proper performance of its credit facility agreements (financial covenants). Debt portfolio purchases involve making large one-off payments. To secure the necessary funding for its debt portfolio purchases, the Group relies on external financing in the form of bank borrowings or notes.

3.4.2.3 Market risk

Market risk is related to changes in such market factors as exchange rates, interest rates or stock prices, which affect the Group's performance or the value of financial instruments it holds. The objective behind market risk management is to maintain and control the Group's exposure to market risk within assumed limits, while seeking to optimise the rate of return.

3.4.3 Objectives and methods of financial risk management

The Group's risk management policies are established to identify and analyse the Group's risk exposure, to set appropriate risk limits and controls, and to monitor risks and compliance with the limits. The risk management policies and systems are reviewed on a regular basis, to reflect changes in market conditions and the Group's activities. Through appropriate training and management standards and procedures, the Group aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Assets relating to credit risk are presented in table 20.

3.4.3.1 Financial instruments at fair value through profit or loss

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

3.4.3.2 Loans

The Group advances loans to natural persons who previously repaid their debts towards the Group companies or are consistently repaying such debts. The Group has defined a set of information required to assess a borrower's creditworthiness.

3.4.3.3 Liquidity risk

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

3.4.3.4 Market risk

In the Management Board's opinion, the market risk relates primarily to the Group's exposure to the risk of changes in the PLN exchange rate against foreign currencies, in particular RON, given the Group's considerable investments in debt portfolios denominated in the Romanian currency. Other market risks follow mainly from changes in interest rates on financial liabilities, cash and cash equivalents, as well as from changes in the risk-free rate adopted to estimate the

	DEC 31 2013	DEC 31 2012
Financial instruments at fair value through profit or loss	1,053,913	873,497
Loans	9,928	6,515
Receivables	26,813	17,179
Cash and cash equivalents	35,258	42,729
Total	**1,125,912**	**939,920**

Table 20. Assets relating to credit risk (PLN '000)

Source: the Company

fair value of purchased debt portfolios. Recoveries from the KRUK Group's assets are reinvested on local markets, without currency conversion. Therefore, the Company did not use financial instruments to hedge the exchange rate risks in 2013.

3.5 Important events with a bearing on the Group's operating and financial performance

3.5.1 Material events during the financial year

Events and circumstances which had a significant effect on the operations of the Parent and its subsidiaries in 2013 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 "Agreements executed by the KRUK Group".

3.5.2 Non-recurring factors and events

In 2013, there were no non-recurring factors or events.

3.6 Assessment of financial resources management

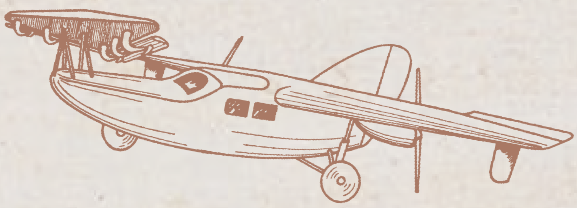
3.6.1 Financial forecasts

The KRUK Group did not publish any financial forecasts for 2013.

3.6.2 Assessment of future financial standing

The Group mitigates risks associated with its management of financial resources through a continuous debt management process, which ensures an uninterrupted inflow of cash. The Group relies on external financing, but it monitors and ensures proper performance under its credit facility agreements and other financial liabilities.

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



3.7 Dividend policy

3.7.1 Historical data on dividend payments

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

However, in the reporting period and until the date of approval of this report, a total of PLN 137.2m and PLN 5.6m was received by KRUK S.A. from its Luxembourg-based subsidiary SeCapital S.à.r.l. and Kancelaria Prawna Raven Krupa & Stańko Sp. k., respectively.

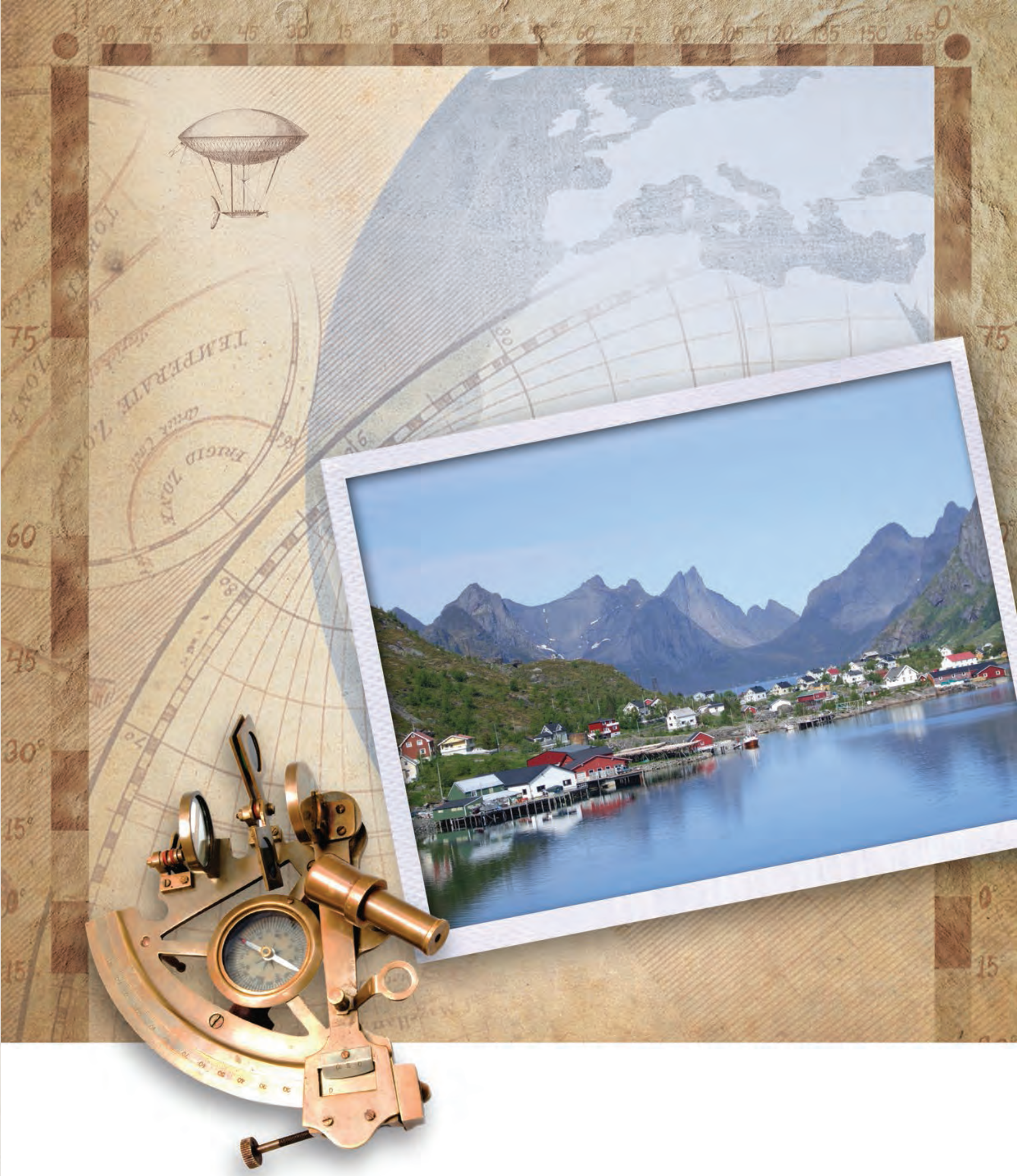
Kancelaria Prawna Raven Krupa & Stańko Sp. k. also paid PLN 156 thousand to its general partners as a profit distribution in 2013.

3.7.2 Dividend policy

In the medium term, the Group's strategy provides for reinvestment of all profits in business development, to realise the Group's value growth potential. In view of its plans to dynamically develop debt purchase activities, the Company does not expect to pay dividend from the 2013 profit. However, the Company may pay out dividends in subsequent years to the extent they do dot affect its ability to raise financing required for further expansion.

3.8 Auditors

On July 24th 2013, the Company and KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. executed an agreement for the audit of separate and consolidated financial statements for 2013 and review of separate and consolidated financial statements for H1 2013. The fee for auditing the annual separate financial statements of the Company, 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 574 thousand (2012: PLN 504 thousand); while the fee for other assurance services – at PLN 70 thousand (2012: PLN 155 thousand). The separate and consolidated financial statements for 2012 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.



The Group's operations and development directions

4. THE GROUP'S OPERATIONS AND DEVELOPMENT DIRECTIONS

4.1 Structure and description of the debt management market

The key segmentation criterion on the debt management market is the type of debt. Based on this criterion, there are three market segments:

- consumer debt market, comprising all debts of consumers (natural persons) to businesses (B2C sector), i.e. receivables of banks, insurers, service providers (such as telecommunications or cable TV operators), or housing cooperatives; this market segment may be further subdivided into the market of unsecured consumer debt and secured consumer debt (with property being the main type of collateral provided);
- corporate debt market, comprising debts of businesses, primarily resulting from outstanding financial liabilities towards banks (often collateralised), with significant unit nominal values;
- commercial debt market (B2B sector), comprising outstanding debts of businesses owed to other businesses, primarily resulting from unpaid invoices.

The following business segments can be distinguished based on the business models adopted by debt management agencies:

- credit management services;
- management of purchased debt portfolios.

The Group's primary markets in 2013 were the markets of unsecured consumer debt to banks in Poland, Romania, the Czech Republic, and Slovakia. In 2013, the KRUK Group also purchased corporate and mortgage debt on the Polish market.

The situation in the debt management industry in the countries where the Group operates depends on the prevailing macroeconomic conditions. The key macroeconomic factors which may affect the Group's financial performance include in particular unemployment rate, average pay level in the economy, household debt, GDP growth rate, investment growth rate, inflation rate, budget deficit, and the PLN exchange rate against other currencies. The macroeconomic environment has a two-fold effect on the Group's standing in each phase of the economic cycle.

The effect of the macroeconomic environment on the Group's standing in a period of fast economic growth:

- real growth in household incomes translates into consumers' greater willingness to spend and borrow, a natural consequence of which is the subsequent increase in banks' lending activity and the resultant growing number of indebted individuals;
- increase in the lending activity and the number of indebted individuals translates into a rising overall debt level in the economy and, consequently, into more cases being processed on the debt management market;
- Growing incomes of the population result in a higher loan repayment rate, which improves collectability of debt held by the Group and, in the subsequent periods, reduces the number of collection cases outsourced to debt collection agencies, unless the effect is compensated by an increase in the overall debt level in the economy.

The effect of the macroeconomic environment on the Group's standing in a period of economic slowdown:

- deteriorating loan repayment rates in the economy translate into a greater number of cases being processed on the debt management market; an increase in the number of outsourced debt collection cases follows with a lag of several months, whereas an increase in the stream of debt coming up for sale follows the trend up to a few years later;
- reduction of lending activity by banks translates into a lower number of new debtors in the banking sector;
- Growing unemployment rate and a decrease in people's incomes is followed by deteriorating loan repayment rates, and thus may adversely impact the recoverability of debt portfolios held by the Group;
- Any increase or decrease in the exchange rate of the currency in which debts are denominated and repaid in foreign markets may increase or decrease, respectively, the amount of payments expressed in the Polish zloty or the fair value of debt portfolios denominated in foreign currencies.

An important market parameter which has a bearing on the demand for debt collection services provided by the Group, and on the supply of new debt portfolios, is banks' interest in outsourcing these to debt collection agencies, defined as the share of debt outsourced for collection, or sold to specialised third-party service providers, in the overall volume of overdue debts.

The Group's clients, on the Polish and foreign markets, adopt a variety of debt management strategies. The Group is exposed to the risk that their interest in outsourcing debt collection or selling receivables will be reduced, resulting in an increase in the volume and value of debts collected by creditors using their own resources. Such lesser interest in outsourcing debt collection or selling receivables would suppress demand for external debt collection services rendered by the KRUK Group, and reduce the supply of debt portfolios available for purchase, thus adversely affecting the Group's revenue.

The Group has operated on the Romanian debt management market since 2007; in 2011 it launched its operations on the Czech and Slovak markets. In 2013, the foreign markets accounted for 45% of the Group's total revenue. On foreign markets, the Group purchases debt portfolios denominated in local currencies, for its own account. Exchange rate fluctuations affect the fair value of debt portfolios held by the Group and necessitate revaluation of such investments.

The KRUK Group is a party to credit facility and lease agreements, and issues floating interest notes. There is a risk that an increase in market interest rates will lead to higher finance costs incurred by the Group on any new financing or refinancing of existing debt.

One source of financial inflows to the Group is proceeds from default interest accruing at the statutory default interest rate. Although these inflows do not represent any material benefit in the Group's operations, a significant reduction of the statutory interest rate could have a negative effect on the Group's performance.

The credit management industry, where the KRUK Group operates, is highly competitive. Entities which provide debt collection services to financial institutions compete primarily in terms of the scale of their operations, recovery rates (effectiveness), prices, service standards, as well as personal data protection standards. The Group is exposed to the risk of losing one or more clients and being forced to reduce prices of its services, which may have an adverse effect on the Group's revenue.

Competition in the debt purchase segment is less intense than in the credit management segment due to higher entry barriers to the market. These include: access to capital, historical data on debt portfolio recovery rates as the basis for valuation of debt portfolios, as well as the size of the operations enabling large-scale management of significant debt portfolios. Debt portfolios are purchased in auctions, where the primary award criterion is the price. There is still a risk of new competitors entering the market and building their own history of debt recovery, which may translate into pressure on the Group to offer higher prices in auctions. In 2013, prices remained moderate due to less competitive pressure

4.1.1 Debt management market in Poland

According to the Group's estimates, the nominal value of debt transferred for management in 2013 was PLN 20.9bn (2012: PLN 19.1bn). This comprised two segments:

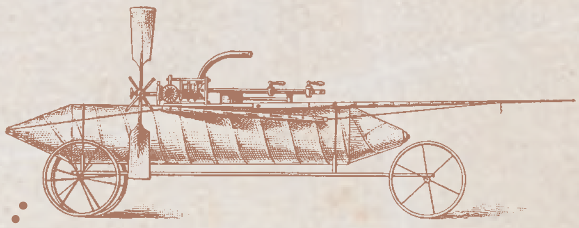
- the credit management segment – nominal value of PLN 9.7bn (unchanged relative to 2012);
- the debt purchase segment – cases with the nominal value of PLN 11.2bn (up 19% from PLN 9.4bn recorded in 2012, mainly due to the sale of a debt portfolio by a non-bank institution).

In 2013, banks continued to be the largest client group in the credit management segment. The nominal value of cases outsourced by banks to credit managers in 2013 was PLN 7.5bn, ca. 7% down on 2012.In 2013, banks remained less interested in outsourcing debt collection services and were increasingly more willing to sell their debt portfolios instead.

Banks were the largest group of institutions selling debt. According to the Group's estimates, in 2013 banks sold debt with a total nominal value of PLN 8.5bn, compared with PLN 8.6bn a year earlier. The total value of unsecured consumer debt sold by banks, which represent the main segment for the Group's debt collection services, rose from PLN 6.6bn to PLN 6.7bn.

Therefore, in terms of debt supply, 2013 was comparable to the previous year. Some banks continued a policy of regularly auctioning their debt portfolios.

In terms of the nominal value of offered debt portfolios, 2013 was very similar to 2012 also in the corporate debt segment. The nominal value of the debt sold by the segment in 2013 was approximately PLN 1.8bn, relative to PLN 2.0bn in the previous year.



In 2013, banks sold several mortgage-backed debt portfolios in Poland. The transactions were relatively small. It is possible that the supply of mortgage-backed debt portfolios from banks will increase in 2014 and the years ahead.

The nominal value of non-bank portfolios was dominated by one transaction – sale of a debt portfolio by International Personal Finance Group to a Polish debt management agency. Without this transaction, the nominal value of offered debt portfolios would have remained stable.

The list in table 21 includes entities which provided "Gazeta Giełdy Parkiet" with data on the value of debts accepted for management and debts purchased. The total value of debt purchased by and outsourced for collection to the KRUK Group is higher than the aggregate of debt managed by the next three agencies in the above classification.

Taking into account smaller operators and branches of foreign debt management agencies which were not included in "Gazeta Giełdy Parkiet's" ranking, the KRUK Group estimates the size of the credit management market in 2013 at about PLN 9.7bn, and of the debt purchase market at PLN 11.2bn.

According to KRUK's estimates, the Group is the leader of the credit management market, in which it enjoys a share of approximately 28%. The Group achieved the high share in the credit management market by processing debt cases originating from many segments of the economy, but its activities focused on the largest segment, i.e. financial services, and consumer bank debt in particular. In 2013, the Group provided its services to 9 of the top 10 banks in Poland.

In 2013, the Group incurred considerable expenditure on purchase of retail debt portfolios. Its investments in Polish debt portfolios totalled PLN 206m, 8% down on 2012. The KRUK Group's share in Polish consumer and corporate debt purchase market in 2013 was 19%, 1pp down on 2012.A considerable portion of the Group's investments involved acquisition of

	DEBT PURCHASED		DEBT OUTSOURCED FOR COLLECTION		TOTAL	
	2013	2012	2013	2012	2013	2012
KRUK	2,358	2,517	2,753	2,957	5,111	5,474
Ultimo	2,500	900	0	0	2,500	900
GK Best	803	1,252	321	348	1,124	1,600
Casus Finanse	362	102	744	1,036	1,106	1,138
EGB Investments	341	90	764	401	1,105	491
Navi Group	822	1,279	24	36	846	1,315
DTPartners	590	320	128	214	718	534
Kaczmarski Inkasso	0	0	633	394	633	394
e-Kancelaria	82	38	525	1,019	606	1,057
Kredyt Inkaso	306	782	68	0	374	782
Grupa Vindexus	254	141	0	0	254	141
Alektum Inkasso	11	33	190	181	201	214
Pragma Inkaso	22	14	62	167	84	180
Indos	20	19	42	41	62	60
Presco	55	489	0	0	55	489
TOTAL	8,525	7,977	6,254	6,793	14,780	14,769

Table 21. Structure of the debt management market by market shares of debt collection agencies, based on the value of cases processed in Poland in 2013 (PLNm)

Source: "Wielki test przed branżą windykacyjną" ("Debt Collection Industry Faces Tough Test"), "Gazeta Giełdy Parkiet", February 8th 2014

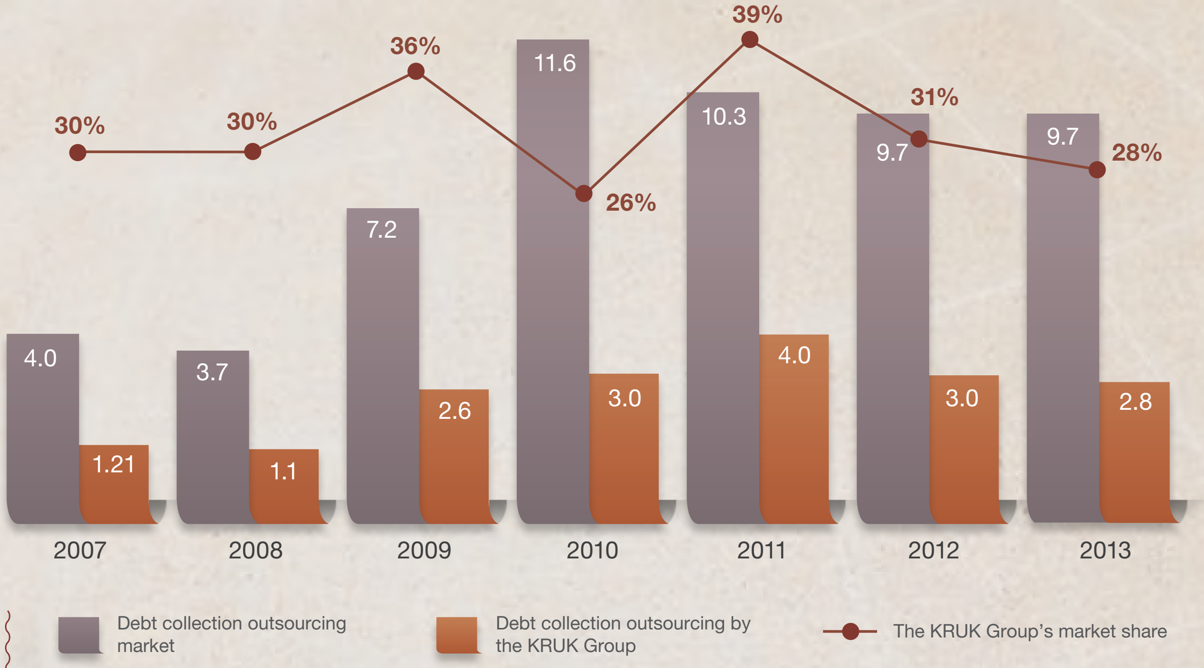


Chart 2. Group's estimated position on the market of credit management of retail debt portfolios, by nominal value (PLNbn)

Source: KRUK S.A.

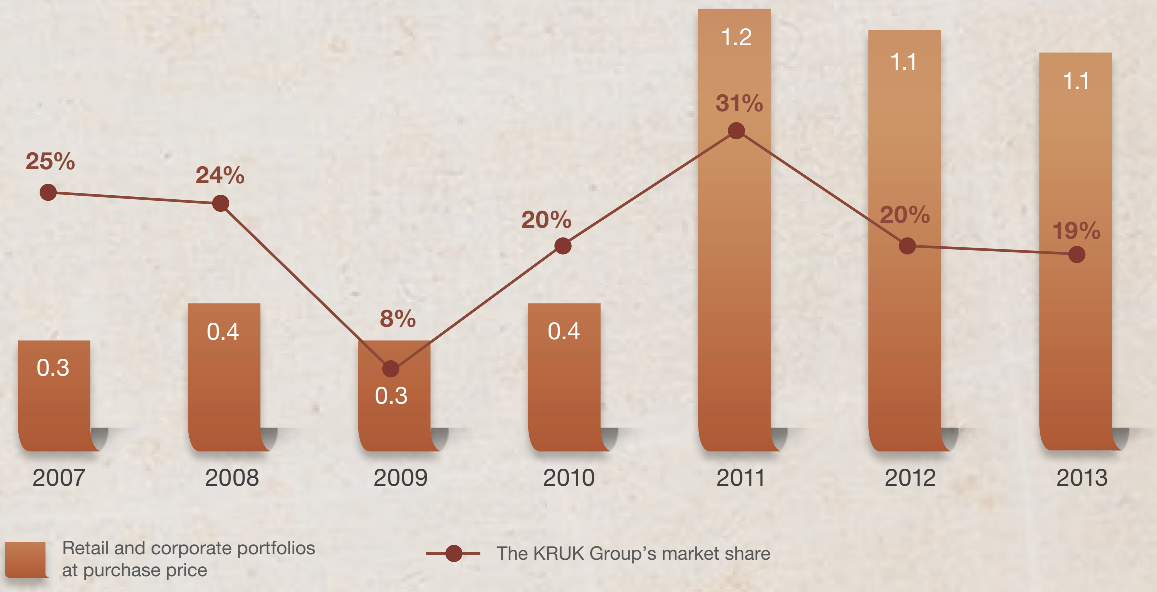


Chart 3. Estimated position of the Group on the market of unsecured (non-mortgage) retail and corporate debt portfolios, by purchase value (PLNbn)

Source: KRUK S.A.

consumer debts, although in 2013 the Group purchased also corporate debt with a nominal value of over PLN 0.6bn.

The debt management industry in Poland is characterised by relatively high competition, whether in the credit management or in the debt purchase segment. There are a number of debt collection agencies in the credit management market, and clients typically have relationships with a few competing entities from the sector. The key debt collection agencies operating on the Polish market in 2013 are listed above, in the table 21 “Structure of the debt management market by market shares of debt collection agencies, based on the value of cases processed in Poland in 2013.”

4.1.2 Foreign markets

4.1.2.1 Romania

The Company estimates that in 2013 Romanian banks and companies transferred to third-party collectors or sold debts with a nominal value of nearly PLN 7.2bn (data for unsecured consumer debt and for corporate debt), compared with PLN 5.7bn in 2012. The nominal value of debt outsourced for management was approximately PLN 4.4bn (up by over 60%), while the nominal value of debt portfolios sold was approximately PLN 2.8bn.

In 2013, the Group’s expenditure on debt purchases in Romania amounted to almost PLN 133m, up 128% on 2012. The expenditure gave the Group a 49% share in the debt purchase market. In 2013, in Romania, the Group accepted for management debts with a nominal value of over PLN 320m (down 4%), which gave it a 7% market share (compared with 12% in 2012).

The Romanian debt collection market is less fragmented than the Polish market. The two key operators on the Romanian debt purchase market are international players: the EOS Group and the KRUK Group. The Romanian credit management segment is more fragmented.

4.1.2.2 Czech Republic and Slovakia

According to the Company’s estimates, the value of the market for unsecured retail debt purchases in the Czech Republic and Slovakia in 2013 was ca. PLN 1.5bn in nominal terms. The capital expenditure incurred on debt purchases in this segment was over PLN 300m.

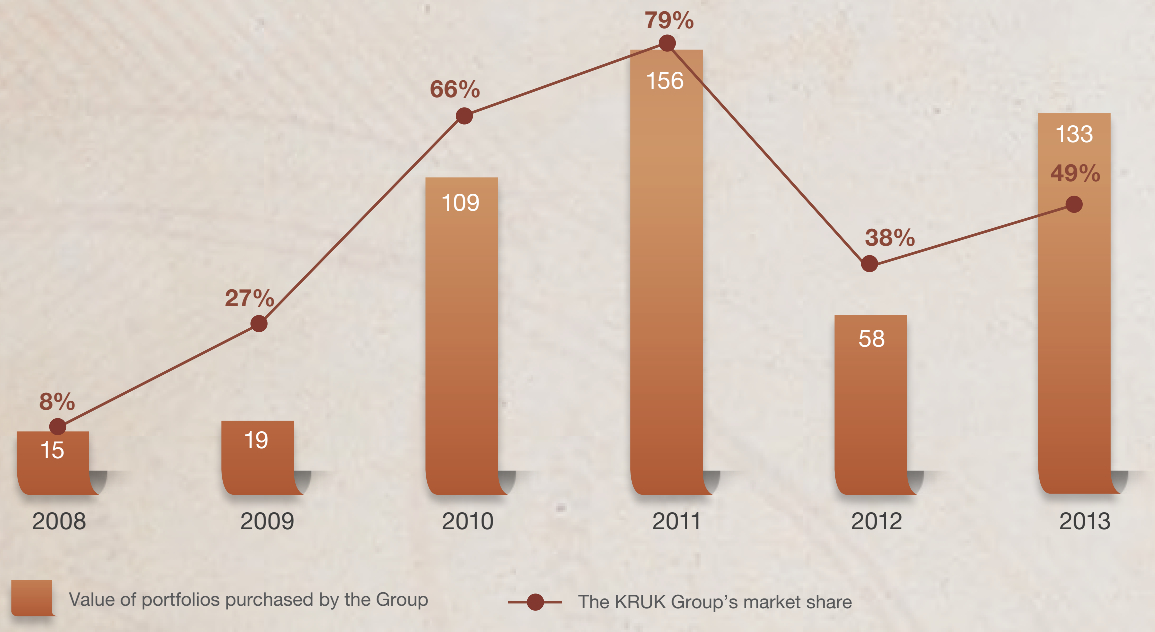


Chart 4. Group’s estimated market position in the segment of unsecured retail debt portfolios purchased on the Romanian market, by purchase value (PLNm)

Source: KRUK S.A.

In 2013, the Group continued to operate on the Czech and Slovak markets. In 2013, the KRUK Group invested a total of PLN 28m in the purchase of unsecured retail debt on both markets, which translates into a 3% increase year on year. Thus the Group achieved an approximately 9% share in the debt purchase market, estimated based on the value of expenditure made. The KRUK Group provides its services to three of the top six banks in the Czech Republic and is holding discussions with leading non-financial institutions. As at the end of 2013, the Group provided its services to three of the top four banks in Slovakia.

The credit management markets in the Czech Republic and Slovakia are highly fragmented. The Group estimates that there are over 150 debt collection companies on the Czech and Slovak markets. The largest competitors include the EOS Group, Intrum Justitia, MBA Finance, Profidebt and Transcom.

4.2 Legal and regulatory environment

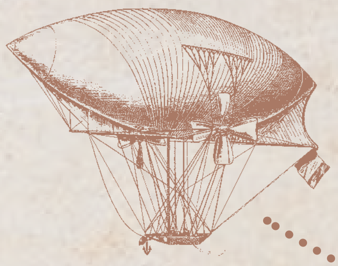
The Company was incorporated and operates under the laws of Poland. The Group also conducts activities on foreign markets. The foundation of the continental European legal systems, Polish law including, is the statute law. Large number of laws and regulations governing issue of and trade in securities, shareholders' rights, foreign investments, corporate activities and governance, trade and business activities, including consumer bankruptcy, as well as tax reliefs and benefits available to investment funds, have been and may be amended. These regulations are subject to differing interpretations, hence the risk that they may be applied in an inconsistent manner, which is further exacerbated by the fact that not all court judgements are published in official collections of judicial rulings. As a rule, court judgements, not regarded as an official source of law, are not binding in other cases, however, they have a certain influence on shaping the practice of law construction and application. Therefore, no assurance can be given by the Company that its interpretation of Polish law or laws of other countries applicable to the Group's business, will not be challenged, which may, in turn, result in fines or penalties being imposed on the Company, or the Company being required to change its policies. This may have an adverse effect on the Group's operations, financial standing and image.

In particular, the Group's operations comply with the applicable laws and regulations on competition and consumer protection. Given the nature of its operations, the Group is exposed to the risk that the President of the Polish Office of Competition and Consumer Protection (UOKIK), or another competent consumer protection authority (in particular abroad), finds that the Group's activities infringe on collective consumer interests. Also, there is a risk that the UOKIK President, or another competition protection authority, may bring abuse charges against entities holding a dominant market position. On concluding that such abuse exists, the UOKIK President, or another competition protection authority, may demand that the abuse of dominant position be discontinued, and impose a financial penalty.

Changes in legislation may also have a material effect on the Group's profitability or even on limitation of the Company's or its subsidiaries' ability to provide certain services. In particular, the Group's operations may be affected by changes of laws and regulations in the following areas: pursuing claims in court proceedings, operations of securitisation funds, terms and conditions of granting consumer loans and terms and conditions of entering debtors in registers maintained by credit reference agencies.

The nature of the Group's operations involves extensive personal data processing as part of the Group's everyday business. Personal data processing by the Group complies with the laws and regulations on personal data protection in effect in the countries where the Group is present. However, no assurance can be given by the Company that, despite employing technical and organisational measures to protect the personal data it processes, the Group will not fail to comply with its legal obligations in this respect, and in particular that personal data will not be disclosed to unauthorised persons.

Certain segments of the Group's business, in particular operation of securitisation funds and investment fund companies managing such funds, management of the funds' securitised debt, as well as operations involving the provision of detective services, are subject to special regulations under Polish, Romanian and EU laws. To be able to conduct such activities, the Group is required to obtain authorisations or consents from public administration authorities, including the PFSA, and is supervised by those authorities.



Tax systems in the countries where the Group conducts business are subject to changes. Certain tax laws are imprecise and there is no consistent and clear interpretation or practice of their application by tax authorities. Due to differing tax law interpretations, the tax risk in Poland and the other countries where the Group is present is greater than in the legal systems on developed markets. No assurance can be given by the Company that tax authorities will not establish different tax interpretations, being unfavourable to the Group, which may have a material adverse effect on the Group's operations, financial standing or performance. Furthermore, as the Group is active in different jurisdictions, double-tax treaties also have an effect on its business.

4.2.1 Securitisation funds

Operations of the Group's securitisation funds (Prokura NS FIZ and Prokulus NS FIZ) are regulated. Securitisation funds which operate in Poland as closed-end investment funds are supervised by the PFSA, which is equipped with broad supervisory powers and legal instruments.

The PFSA's powers include: grant of an authorisation for the management of the securitised debt of a securitisation fund by an entity other than an investment fund; supervision of entities which manage the securitised debt of a securitisation fund, including their compliance with applicable laws, the fund's articles of association, agreements executed with the investment fund management company and the relevant authorisation; and imposition of penalties and other measures in the event of a breach of laws governing investment funds' operations, including pecuniary penalties or withdrawal of authorisations.

Pursuant to the amended Act on Investment Funds (Dz.U. of 2011, No. 234, item 1389), the PFSA no longer has the authority to grant authorisations to establish

closed-end investment funds issuing only investment certificates, which according to such fund's articles of association will not be offered in a public offering, admitted to trading on a regulated market or introduced to trading in an alternative trading system. Such closed-end investment funds are formed upon their entry in the register of investment funds.

Additionally, irrespective of the PFSA's supervision, the Group's securitisation fund activities must be conducted in compliance with a number of Community and Polish laws.

By virtue of the decision of May 8th 2012, the Polish Financial Supervision Authority authorised KRUK Towarzystwo Funduszy Inwestycyjnych S.A. to conduct business activities consisting in creation and management of investment funds, including intermediation in the sale and redemption of investment fund units, representation of investment funds in dealings with third parties, and management of collective securities portfolios. On December 7th 2012, KRUK Towarzystwo Funduszy Inwestycyjnych S.A. took over the management of the KRUK Group's securitisation funds (Prokura NS FIZ and Prokulus NS FIZ).

In February 2013, the amendment to the Act on Investment Funds took effect and on April 30th 2013, on the basis of the amended Act, the Minister of Finance issued the Regulation on the manner and terms of, and procedures applicable in, conducting activities by investment fund management companies. KRUK Towarzystwo Funduszy Inwestycyjnych has brought its operations into compliance with the requirements of the amended legal regulations.

4.2.2 Bank outsourcing

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 the Group. Nonetheless, the Group companies are subject to the PFSA's oversight with respect to the performance of such collection outsourcing agreements.

4.2.3 Exchange of business information

The operations of the ERIF BIG S.A.'s Debtor Register is governed by the Act on access to business information and sharing of business data of April 9th 2010 (Dz.U. of 2010, No. 81, item 530, as amended).The supervision of compliance of ERIF operations involving providing access to and exchange credit information with the applicable laws is exercised by the Minister competent for the economy.

4.2.4 Other authorities materially involved in oversight of the Group's operations

The Group is also subject to oversight by other authorities which regulate specific areas of its business. These include:

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

4.2.5 Personal data protection

Due to the large scale of personal data processing in the Group's day-to-day operations, personal data protection regulations have special importance for the Group's activities. Personal data processing must take place in compliance with the relevant laws and with the use of technical and organisational measures which ensure personal data protection, in particular against disclosure to unauthorised individuals. In addition, individuals whose data are processed must have the right to access and correct such data.

ERIF's operations which involve making available credit information are also governed by the Act on Availability of Business Information. Furthermore, relevant provisions of the Banking Law concerning banking secrecy apply to the servicing of bank debts.

4.2.6 Other changes in laws and regulations applicable to the Group's business

In July 2013, amendments to the Code of Civil Procedure came into force. The amendments affected the Electronic Proceedings by Writ of Payment (elektroniczne postępowanie upominawcze) by introducing the requirement to provide the defendant's PESEL (personal ID) number and limiting the group of cases which can be pursued under those proceedings to cases with maturities of up to three years. KRUK S.A. and Kancelaria Prawna RAVEN Krupa & Stańko sp. k. have brought their operations into compliance with the requirements of the above amendment.

4.3 Geographical markets of the Group's operations

The Group operates on the Polish, Romanian, Czech and Slovak markets. On all of those markets, in 2013 the Group purchased 65 debt portfolios with the total nominal value of almost PLN 3.8bn, incurring expenditure of PLN 367m.

The Group's operations on all of the markets involve debt collection with respect to purchased debt portfolios. The Company's head office and the registered office of Kancelaria Prawna RAVEN are situated in Wrocław, where the Group also operates a contact centre, including the associated technical and logistic facilities. The Szczawno-Zdrój branch accommodates an operating centre and a back-up centre, which as at the end of 2013 had 531 employees, including 312 telephone consultants. In Romania, the Group has the main office in Bucharest and a contact centre in Targoviste. The total headcount in Romania as at the end of 2013 was 465, including 239 telephone consultants. In the Czech Republic, the Group operates an office in Prague, where the headcount as at the end of 2013 was 159, including 42 telephone consultants. As at the end of 2013, the Group did not have any offices in Slovakia, and the operations in this country are handled by the Czech subsidiary based in Prague.

	NOMINAL VALUE (PLNM)	EXPENDITURE (PLNM)
Poland	2,358	206
Romania	1,294	133
Czech Republic and Slovakia	139	28
Total	**3,791**	**367**

Table 20. KRUK Group's investments in 2013 on each geographical market of its operations

Source: the Company

4.4 Key factors with a bearing on the Group's core business and revenue sources

The Group's core business comprises two operating segments:

- debt portfolios purchased – management of debt portfolios purchased for the Group's own account;
- credit management services – fee-based management of debts for and on behalf of clients.

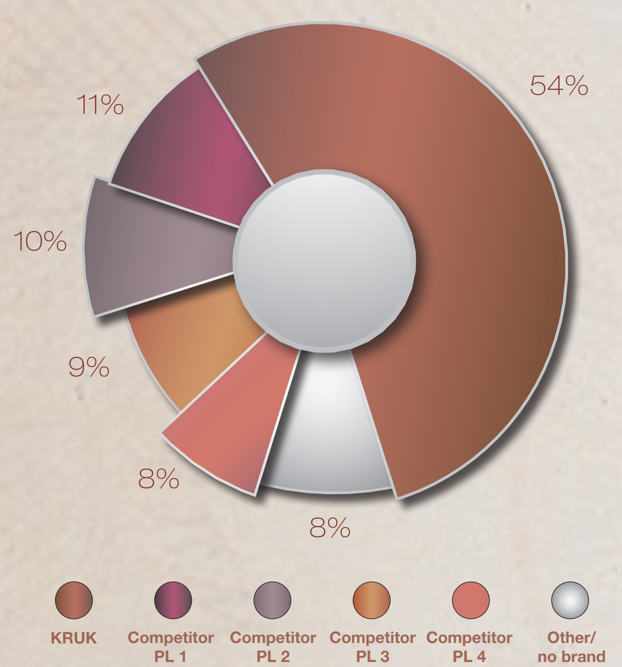
The Group's activities are focused on the banking sector. Accordingly, the amount of debt collected for the clients and purchased for the Group's own account depends chiefly on the conditions prevailing on financial markets, in particular the level of corporate debt and the related value of non-performing loans. Moreover, a market parameter that has a material bearing on the Group's revenue is clients' interest in outsourcing debt collection, i.e. whether they decide to use in-house debt collection or transfer debt collection to specialised external firms, either under outsourcing arrangements or by selling the debt. The KRUK Group operates on the Polish and foreign markets. Since 2007, it has been present on the Romanian market, and in 2011 it launched operations in the Czech Republic and Slovakia. A detailed description of key external factors affecting the Group's operations is presented in section "Structure and description of the debt collection market".

4.5 Strategy overview and business prospects

4.5.1 Amicable settlement strategy for debt collection

Since mid-2008, the Group has consistently pursued a strategy focused on amicable debt settlement with debtors. Under the strategy, debtors are treated as consumers who are unable to pay their debts for reasons beyond their control, acknowledge that obligations once incurred must be settled, and are willing to do so. As a result, the Group gears its debt collection efforts to achieving an optimum solution given the debtor's current financial capabilities (e.g. through instalment-based repayments).This strategy has maximised the efficiency of collection efforts and has led to regular payment streams from debtors. The implementation of the strategy was supported by a

Overall brand recognition in Poland*



Overall brand recognition in Romania*

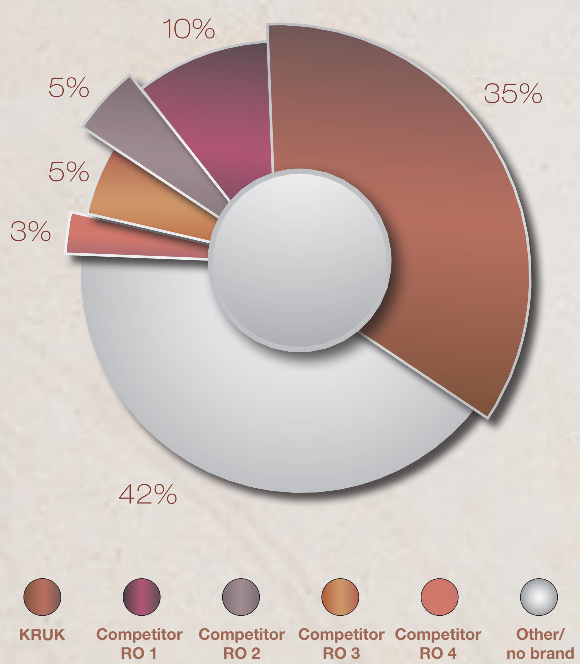


Chart 5. Awareness of KRUK brand versus competitors in Poland and Romania

*(total awareness of the name and logo)
Source: Report on TNS research on the awareness of debt management companies among Poles; Report on TNS CSOP Romania's research on the awareness of debt management companies among Romanians (2013). The research was commissioned by KRUK S.A. and carried out in December 2013 on representative samples of 1,000 adult Poles and 1,000 adult Romanians

media campaign targeted at debtors, which contributed to the Group's positive image and made it the most recognisable brand on the Polish and Romanian debt management markets. In 2013, over 58% of repayments received by the Group in Poland and over 67% repayments received by the Group abroad were made under amicable debt settlements.

4.5.2 Comprehensive and innovative product and service offering

The KRUK Group offers comprehensive and innovative services targeted at businesses. The Group's offer includes loss prevention services, debt recovery services and other services, including detective and specialist services. All services specified below were provided by the KRUK Group in 2013.

4.5.2.1 Loss prevention services

Provision of payment reports by ERIF
The ERIF Debtor Register is a platform for collecting, processing and providing information on liabilities incurred by individuals and businesses. The functionalities of the ERIF Debtor Register include: checking the credit worthiness of a person or business (positive and negative information in the form of reports), entering delinquent payers in the database, monitoring of individuals' or businesses' creditworthiness, and checking the authenticity of documents via a data transmission system.

Preventive monitoring
Reminding and monitoring activities are undertaken before the payment deadline. The Group 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.

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 members 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.

4.5.2.2 Collection services

Collection monitoring
Reminding and monitoring activities are undertaken immediately after the payment deadline and serve to more effectively predict, control and minimise the level of provisions for non-performing loans, while maintaining a high level of client satisfaction. The goal of collection monitoring is to ensure regular debt repayments and prevent 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 actions and collection tools. As part of the service, the Group handles cases at any stage of delinquency and with different statuses. Delfin, a proprietary collection system used by the Group, enables it to both provide mass collection services and process each case in a highly individualised manner.

Field consultants
The collection process may involve a field consultant's visit (doorstep collection) or detective activities at a debtor's domicile or place of business. During such visits, the consultant and debtor may agree upon the terms of debt repayment or settlement, and the consultant may also collect cash or collateralised assets. Doorstep collection is also 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 collateralised assets. The full 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 individual approach to each case. Each case is thoroughly reviewed to establish the facts, and 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 property amicably on the market, or the mortgaged property is sold in a bailiff auction.

ERIF Debtor Register's debt collection support tools – entering debtors on the Debtors List

This category of ERIF tools serves to improve debt collection effectiveness and may be flexibly incorporated into the client's existing collection processes. The tools may be applied both at the early stage of debt monitoring and after the implemented collection efforts prove ineffective.

Services offered by the ERIF Debtor Register include entering new debtors into the Register and sending debtors notices informing them that their data has become publicly available through the ERIF Debtor Register. Using the credit reference agency and the ERIF brand in individual debt collection proceedings helps improve debt turnover ratios and reduce the levels of clients' bad debt or lost. Clients may also request a hybrid service, which involves expanding the set of tools offered by the Group with an option to enter a debtor on the Debtors List as part of the same collection procedure. The penalising effect of being entered in the Debtors Register comes from two sources: the size of the database and the number of database queries made by creditors. The ERIF Debtor Register is the only credit reference agency in Poland which subjects its database to regular reviews by an independent audit and advisory firm. The review is performed every three months. According to a report of January 2nd 2014, as at the end of 2013 the Debtor Register contained 1.78 million records, which was 32% more than the year before.

Court and enforcement proceedings

Court and enforcement proceedings are conducted by Kancelaria Prawna RAVEN, a law firm being a member the KRUK Group. Kancelaria Prawna RAVEN represents the Group and its clients in court proceedings initiated to obtain a final court judgement with an enforcement clause, as well as during enforcement procedures.2013 was another year of gaining competence in the use of the EPU (Elektroniczne Postępowanie Upominawcze, Electronic Proceedings by Writ of Payment) system in debt management. In 2013, the Group used the platform to file another several hundred thousand cases with courts of law.

Pegaz hybrid service

This service consists in using the tools and activities specific to amicable proceedings in a court action, which makes it possible to recover debts faster without having to resort to means of state coercion. As part of this service, employees of Kancelaria Prawna RAVEN, specialising in negotiations with debtors, contact the persons against whom a court action is pending in order to persuade them to voluntarily repay their debt without the need to engage a bailiff.

4.5.2.3 Other services

e-KRUK

e-KRUK is an interactive multimedia service supporting the credit management process, available through web browsers. Currently, it is one of the few web services 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 Pożyczka Novum loan service

As part of the service, the Group grants short-term cash loans to persons who have repaid or will soon repay their debts to the Group. In 2013, the service was also tested on the market. As part of the Novum business line, consumer loans of up to PLN 3,000 are granted for periods from 4 to 15 months. The lending service is also intended to diversify the Group's revenue sources. Revenue from the Novum area reported by the Group in 2013 was PLN 4.7m, up 23% year on year, as the Group advanced more than 10 thousand Novum cash loans with a net value of PLN 17.5m.

VERIF Service

VERIF is a unique combination of verification, prevention and debt recovery services in a single package addressed to small and medium enterprises as well as sole traders.

4.5.3 Marketing activities and image building

4.5.3.1 The Group's image-building activities

In 2013, the Group's activities in the area of image building involved information and media campaigns targeted at debtors and businesses. These activities also consisted in information and advertising initiatives pursued in Poland and abroad, which included a television and radio advertising campaign in autumn 2013.

In 2013, the amicable settlement strategy was supported by a series of educational publications featured in consumer and regional magazines and press in Poland, Romania and the Czech Republic. Throughout 2013, the Group authored over 100 press releases, consumer advice articles and individual statements for the press. As a result, over 1,000 publications about the KRUK Group appeared in various media, including the television, the press, the radio, and the Internet.

4.5.3.2 Marketing activities

In 2013, the Group's marketing activities were focused on communication with debtors and included two campaigns. The first campaign involved product placement in one of Poland's most popular TV series "Barwy Szczęścia" and e-mail marketing activities, which were reinforced using the image of Sławomira Łozińska and Jan Pęczak, the show's actors. The campaign took place in March-June 2013.The second campaign, which was conducted between September and December 2013, was centred around debtors' real-life stories. Integrated, multi-channel communication with debtors was conducted through commercials broadcast on television, radio and the Internet. Advertisements were published in the press, and direct mailing was used.

Debtors received household budget planners for 2014, which contained useful advice and guidance on how to effectively manage household finances.

As part of the Group's operations on foreign markets, in 2013 KRUK Romania carried out two information campaigns targeted at debtors. Between March and June, Sofia Vicoveanca, a popular folk music singer, was KRUK's face in Romania. Advertisements were shown on television, placed in the press, and also delivered to debtors via e-mail. Another campaign was held from September to December, in the same form as in Poland, including integrated communication through the television, press, radio, direct mailing, and the Internet. For its "Any family can manage its finances" campaign, the Group received its second Golden Excellence Award in the Financial Products and Services Communication category.

In early 2013, in the Czech Republic, the Group ran an educational campaign in lifestyle magazines, where dedicated articles were published, encouraging indebted individuals to contact their creditors and make arrangements to pay off their debts.

In March, an official press conference was held in Bratislava to market the launch of the Group's operations on the Slovakian market. In April, at a press conference in Prague, the Group presented the average Czech debtor's profile, specifying their age, geographical origin and highest debt. During the educational campaign on the Czech market, the Group was partnered by Poradna při finanční tísni, a non-governmental organisation devoted to promoting financial education and skills required to solve financial problems. In May, the Group held a conference in Bucharest, which was attended by such special guests as Sofia Vicoveanca and professor Vintilă Mihăilescu. The latter discussed the results of an ethnographic study presenting Romanians' attitudes towards debt.

2013 saw the next editions of the "Day without Debt" in Poland (fifth edition), Romania (third edition) and the Czech Republic (second edition). The event was also held for the first time in Slovakia. The "Day without debt" is the Group's own initiative, implemented across all of its markets. Furthermore, the Group organised the second edition of the "Dobry Plan" (Good Plan) competition in Poland, addressed to those who managed to clear their debts. The participants were invited to share their stories via the dobry-plan.pl website, and prizes were awarded to the authors of the most interesting submissions. In Romania, KRUK invited its clients (debtors) to regional meetings, which were organised by the Group's representatives and coaches. At those gatherings, the participants were taught about household budgeting and how to successfully manage their finances and repay debts.

In autumn, the Czech and Slovakian markets saw the next round of the Group's educational campaign in lifestyle magazines. Advice articles published in the largest magazines and tabloid newspapers emphasised the importance of communication and dialogue in settling one's debts and recommended taking a pro-active approach in relations with creditors.

In Poland, the Group also commenced its image-building activities on Facebook. Through its "Domowy Plan Finansowy" (Household Financial Plan) profile, it educates Poles on debt repayment, saving methods, good spending habits, and household budgeting.

4.6 Development directions and prospects of the Group

4.6.1 The Group's key strategic objectives

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

- Development of credit management services, purchasing secured and unsecured retail and corporate debt portfolios;
- Expansion into foreign markets;
- Development of business information and loan 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 credit management services and purchase retail debt portfolios, while expanding its corporate portfolio management 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 credit management 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 consultants;
- Improvement of cost efficiency, including through the development of IT systems supporting the work of operating personnel;
- Further development of statistical analysis skills;
- Use of the ERIF Debtor Register's database to improve the effectiveness of collection efforts;
- Optimisation of debt court and enforcement 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;
- Promotion of deep integration with clients (including integration of IT systems);
- Development of advanced (non-standard) collection services.

Building a strong market position in management of purchased corporate and mortgage debt through:

- Development of a dedicated process and organisational structure based on the experience in outsourced management of corporate debt portfolios;
- Development of skills in collateral repossession and enforcement of claims against collateral.

Selective foreign expansion

The Group plans to actively participate in the development of services abroad, including through expansion on 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 a start-up business or acquisitions;
- Replication of the tried-and-tested business model in 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
Using its database of debtors' credit history, the Group grants short-term cash loans under the Pożyczka Novum service to persons who have repaid or will soon repay their debts to the Group.

Expansion of the ERIF Debtor register's resources, also to include positive credit histories
Further development of its institutional products, including on the consumer market, by creating competitive advantage based on:
- The volume of records and quality of the database;
- The profile of debtors registered in the database, being appropriate for risk management areas;
- The quality of sales and aftermarket services;
- The development of technologies for exchanging data and developing complementary services.

ERIF, operating as a credit information agency within the Group, provides significant support for the Group's debt management activities. The Group's ambition is to create Poland's largest database of debtors, both retail and corporate, as a platform for business information exchange. As at January 2nd 2014, ERIF resources comprised over 1.78m cases. ERIF provided more than 3.8m reports throughout 2013.

4.6.2 New products and services

In 2013, the Group launched the following new services:
- The Group expanded its credit management product offering dedicated for insurance companies in Poland. Further, the KRUK Group continued its innovative projects aimed at promoting insurance awareness, exchange of experiences, discussion of issues and development of common solutions for the insurance market.
- The Group launched the VERIF.PL service, which is a unique combination of verification, prevention and collection services in a single package addressed to small and medium enterprises as well as sole traders.

- The Group launched a bonus programme addressed to debtors, called "Dreams Guaranteed to Come True". As part of the programme, each debtor who enters into a settlement with KRUK and joins the programme receives bonus points for each timely repayment of their instalments. The points may then be redeemed for rewards.

4.7 The Group's investment programme

4.7.1 Capital expenditure

In 2013, the main items of capital expenditure made by the Group included PLN 7.2m spent on new vehicles (including under finance lease agreements) and PLN 1.5m spent on plant and equipment. The Group also made material investments of PLN 6.1m in licences and computer software, including PLN 4.9m invested in proprietary software.

4.7.2 Investments within the Group

In 2013, KRUK increased and reduced the share capital of its subsidiaries:
- At KRUK Romania s.r.l. of Bucharest - by cancelling liabilities under loans for a total amount of PLN 16.7m, and trade liabilities of PLN 2.0m.
- In 2013, the Company increased the share capital of SeCapital S.à.r.l. by a total of PLN 120m.
- In 2013, the Company reduced the share capital of SeCapital S.à.r.l. by a total of PLN 38m.

Novum Finance Sp. z o.o. of Wrocław repaid KRUK PLN 4.25m of the total of PLN 7.2m paid by KRUK as additional contributions to the company's equity pursuant to resolutions of April 27th and May 30th 2012. The repayment was made on the basis of a resolution of June 26th 2013.As at December 31st 2013, the company's liabilities towards KRUK under the repayment of additional contributions to equity amounted to PLN 0.25m, while the balance of contributions remaining at Novum Finance Sp. z o.o. was PLN 2.7m

Establishment of InvestCapital Malta Ltd.
On December 3rd 2013, KRUK S.A. acquired 99.5% of shares in InvestCapital Malta Ltd. of Malta (InvestCapital). The other shareholder in InvestCapital is SeCapital Polska Sp. z o.o.

InvestCapital is an investment company focusing on equity assets, including shares in KRUK Group companies.

On December 11th 2013, KRUK S.A. entered into agreement on sales of part of SeCapital S.à.r.l. (SeCapital) shares. Under the agreement, InvestCapital Malta Ltd. acquired 27,000 Class A shares in SeCapital, with a par value of PLN 1,000 per share, comprising 4.3% share in the share capital of SeCapital (Shares), for the total amount of PLN 40.5m. The carrying amount of the Shares in KRUK S.A.'s accounting books is PLN 1,100 per share, i.e. a total of PLN 29.7m, while the carrying amount in InvestCapital's accounting books is PLN 1,500 per share, i.e. a total of PLN 40.5m.The Shares are not encumbered by any third party rights. The ownership of the Shares was transferred to InvestCapital on December 20th 2013.

On December 30th 2013, KRUK S.A. entered into agreement on sale of part of SeCapital S.à.r.l. (SeCapital) shares. Under the agreement, InvestCapital Malta Ltd. acquired 12,250 Class A shares and 50 Class F shares in SeCapital, with a par value of PLN 1,000 per share, representing 1.9% of the share capital of SeCapital (Shares), for the total amount of PLN 18.8m. The carrying amount of the Shares in KRUK S.A.'s accounting books is PLN 1,100 per share, i.e. a total of PLN 13.5m, while the carrying amount in InvestCapital's accounting books is PLN 1,530 per each Class A share, and PLN 1,520 per each Class F share, i.e. a total of PLN 18.8m. The Shares are not encumbered by any third party rights. The ownership of the Shares was transferred to InvestCapital on December 30th 2013.

Since December 30th 2013, InvestCapital has held a total of 39,300 shares in SeCapital, i.e. 6.2% of the company's share capital.

InvestCapital treats the shares as a long-term investment.

4.7.3 Investment programme financing sources

The KRUK Group's investment programme is financed with: cash generated in the ordinary course of business, bank borrowings, and proceeds from bond issues.

4.7.4 Assessment of the feasibility of investment plans

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

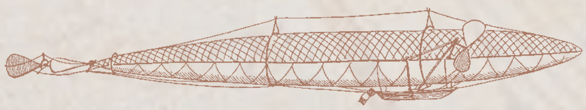
4.8 Risk factors – internal factors

4.8.1 Material risk factors

4.8.1.1 Risk of failure to achieve the Group's strategic objectives

The Group's growth strategy is presented in section "Development directions and prospects of the KRUK Group". The implementation and delivery of the Group's strategy are contingent on numerous factors beyond the control of the Group, 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 Shareholders Meetings, as well as on the strategy and activities of the Group's main competitors. Moreover, when assessing the feasibility of the Group's strategic goals errors may 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 Group, 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.

The Group's development strategy provides in particular for increasing revenues as a result of, inter alia, expansion into new geographical markets. Entering a new market involves expenditure on adapting the range of offered services to the local requirements (including consideration of legal barriers on the local markets) and developing completely different sales strategies. In addition, potential cultural differences between the existing and planned markets of the Group should be taken into account. There is a risk that benefits related to entering new markets may not be achieved, may be smaller than expected, or may be achieved over a longer period than assumed by the KRUK Group.



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

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

The core business of the KRUK Group includes purchase of debt portfolios for the Group's 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 Group has not invested before. An additional factor affecting the risk of error in estimating cash flows on foreign markets are potential fluctuations of currency exchange rates. Any weakening or strengthening of a foreign currency against PLN may translate into higher or lower payments, respectively, expressed in PLN.

4.8.1.3 Operational risk related to the Group's business

The Group has a quality assurance policy and operating procedures in place. However, the Group 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 Group's assets, fraud, illegal action or omission by the Group's employees or other entities for whose actions or omissions the Group is responsible.

4.8.1.4 Debt risk

The KRUK Group uses and intends to use in the future bank loans, notes and other debt instruments to finance purchases of debt portfolios. Moreover, the Group enters 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 fails to meet the terms of the loan agreements it has signed, the Group companies' debt under bank loans 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.

4.8.1.5 Risk of losing experienced management staff

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

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

4.8.1.6 Risk of IT systems' failure

A key asset of the Group 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 Group 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 the Group's 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 Group or the occurrence of any of the above circumstances may have an adverse effect on the Group's operations.

4.8.1.7 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.

4.8.1.8 Credit risk

Credit risk (commercial risk) arises when a client or the counterparty to a transaction involving financial instruments fails to meet its contractual obligations. In such circumstances the Group may incur a financial loss.

4.8.1.9 Risk of negative PR in relation to the Group

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

There can be negative publicity concerning the Group's debt collection activities, designed to create a negative image of the Group and affect its credibility with the existing and potential trading partners. In particular, the Group may be exposed to negative publicity if a suicide threat is carried out by an debtor whose debt the Group seeks to recover. In the course of its business the Group 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 Group is not aware of any suicide threat carried out by a debtor whose debt the Group was to recover. None of such threats are disregarded. They all are carefully analysed and the procedures applied by the Group also include reporting suicide threats to the police. However, no assurance can be given that in the future, as the scale of the Group's business grows and the debt spiral builds up, the number of suicide threats by debtors whose debts are collected by debt collectors (including the Group) 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.

4.8.2 Risk management system

The risk management policies applicable at the KRUK Group are designed to:
- identify and analyse the risks to which the Group 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 Group are regularly reviewed to ensure that they reflect the market trends and developments at a given time, as well as changes within the Group. The Management Board is responsible for defining risk management procedures and overseeing their implementation.

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

4.8.2.1 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 Group 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, representing different degrees of difficulty and delinquency statuses.

4.8.2.2 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 Group'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 2013, revenue from the Group's largest customer accounted for less than 2% of total revenue).

4.8.2.3 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 requirements and expenses;
- flexible management of cash flows between the Group entities;
- conducting collection activities on an ongoing basis, ensuring continuous cash inflow;
- actions designed to ensure that the Group meets financial covenants under financing agreements;
- Use of external sources of financing, in the form of bank borrowings or notes.

4.8.2.4 Management of market risk

Market risk results from the sensitivity of the Group'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 Group is to control and maintain the Group's exposure to market risk within the assumed values of parameters, while simultaneously optimising the rate of return.

4.8.2.5 Management of operating risk

Operating risk is connected with the possibility of incurring losses for reasons pertaining to the Group'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 Group's 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 at the Group 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.

4.9 Agreements executed by the KRUK Group

4.9.1 Material agreements

Below is presented an overview of agreements, annexes and transactions executed by the KRUK Group in 2013 which may be considered material for the Group's operations.

Following the execution on January 16th 2013 by KRUK and PROKURA NS FIZ of another annex to the agreement on the 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. a subsidiary of the Company, and PROKURA NS FIZ, a subsidiary of SeCapital S.à.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. For more information, see Current Report No. 3/2013 of January 16th 2013.

On February 18th 2013, the Company and its subsidiary PROKURA NS FIZ concluded a trilateral agreement (the "PROKURA Agreement") with Bank Zachodni WBK S.A. (the "Bank") on a revolving credit facility of up to PLN 70m, comprising:

- a credit facility of up to PLN 40m,
- a supplementary credit facility of up to PLN 30m.

At the same time, in connection with the PROKURA Agreement, on February 18th 2013 the Company executed a surety agreement with the Bank (the "Surety Agreement"). Under the Surety Agreement, the Company issued a surety covering PROKURA NS FIZ' liabilities towards the Bank under the PROKURA Agreement, thus becoming a joint and several debtor in respect of the liabilities. Furthermore, on February 18th 2013 the Company and the Bank signed an annex to the revolving credit facility agreement of April 8th 2011. Execution of the above agreements and annex with Bank Zachodni WBK S.A. was announced by the Company in Current Report No. 9/2013 dated February 19th 2013.

On February 27th 2013, the Company's subsidiary SeCapital S.à.r.l. and Ceska sporitelna a.s., an Erste Group company, executed a framework debt assignment agreement, as a result of which the total value of agreements executed between the KRUK Group and the Erste Group within the previous 12 months reached PLN 47m. The fact that the total value of agreements between the KRUK Group and the Erste Group reached the value specified above was announced by the Company in Current Report No. 11/2013 of February 27th 2013.

On April 19th 2013, a lease agreement was executed between the Company and DEVCO Sp. z o. o., providing for the lease of 7,335 sq. metres of floor space, comprising offices and storage areas forming part of an office building to be located in Wrocław at ul. Wołowska 8, within the Wrocław Business Park 2 complex, along with parking spaces. The Agreement was executed for a definite term of 10 years starting from the day on which the leased space is handed over, with the proviso that the leased space must be handed over by December 31st 2014.The aggregate amount of payments to be made under the Agreement over the 10-year lease term has been estimated at approx. PLN 56m (exclusive of VAT), including rent, service charges, utility bills and other costs. For more information on execution of the above lease agreement, see Current Report No. 31/2013 of April 19th 2013.

On June 12th 2013, PROKURA NS FIZ became aware that following an auction, on June 12th 2013 a positive decision was made by Bank Zachodni WBK S.A. (the "Bank"), a Santander Group company, on execution of debt assignment agreements between the Bank and PROKURA NS FIZ concerning portfolios with a total nominal value of approximately PLN 420 million. For more information, see Current Report No. 44/2013 of June 12th 2013. Next, on June 25th 2013 PROKURA NS FIZ signed two debt sale agreements with Bank Zachodni WBK S.A. The agreements provided for the purchase by PROKURA NS FIZ of retail debt portfolios and SME debt portfolios, comprising the Bank's receivables from debtors under agreements and other transactions, with a total nominal value of PLN 422.1m. For more information on execution of the above agreements, see Current Report No. 45/2013 of June 25th 2013.

On July 8th 2013, KRUK Romania SRL, a subsidiary of the Company, concluded a debt assignment agreement with BRD-Groupe Société Générale S.A., member of the Societe Generale Group, as a result of which the aggregate value of all agreements concluded by the KRUK Group with the Societe Generale Group in the preceding twelve months reached PLN 40.5m (VAT exclusive).The fact that the total value of agreements between the KRUK Group and the Societe Generale Group reached the value specified above was reported by the Company in Current Report No. 51/2013 of July 9th 2013.

On September 6th 2013, in Current Report No. 62/2013 the Company announced that its subsidiary PROKURA NS FIZ won an auction to purchase a debt portfolio with a nominal value of PLN 358.4m from Credit Agricole Bank Polska S.A. Next, on September 27th 2013, PROKURA NS FIZ concluded a debt assignment agreement (the "Agreement") with Credit Agricole Bank Polska S.A. (the "Bank"), which provided for the purchase of two debt portfolios comprising claims under banking activities with natural persons, with a total nominal value of PLN 358.4m, for a price of PLN 61.7m. In connection with the execution of the Agreement, the total value of agreements concluded between KRUK Group companies and Credit Agricole Group companies from December 14th 2012 to the Agreement date reached PLN 79.5m. For more information, see Current Report No. 64/2013 of September 27th 2013.

On October 22nd 2013, KRUK S.A. and PROKURA NS FIZ concluded another annex to the agreement on the provision of services relating to securitised debt of February 27th 2006. Consequently, the total value of agreements concluded between KRUK Group companies and SeCapital S.à.r.l., a subsidiary of the Company, and PROKURA NS FIZ, a subsidiary of SeCapital S.à.r.l., from January 16th 2013 to October 22nd 2013, reached PLN 44m. The fact that the total value of agreements between the KRUK Group and SeCapital S.à.r.l., a subsidiary of the Company, and PROKURA NS FIZ, a subsidiary of SeCapital S.à.r.l., reached the value specified above was announced by the Company in Current Report No. 70/2013 of October 22nd 2013.

On October 29th 2013, KRUK S.A. and Bank Zachodni WBK S.A. (the "Bank") concluded:
- annexes to the revolving credit facility agreement of April 8th 2011 and the trilateral revolving credit facility agreement (the "Trilateral Agreement") of February 19th 2013 (jointly the "Annexes"); and
- surety agreement under which the Company issued a surety for PROKURA NS FIZ's liabilities.

For more information, see Current Report No. 71/2013 of October 29th 2013.

On November 20th 2013, the Company's subsidiary SeCapital S.à.r.l. and Banca Comerciala Romana SA (the "Bank"), an Erste Group company, executed a debt assignment agreement (the "Agreement"), as a result of which the total value of agreements executed between the KRUK Group and the Erste Group from February 27th 2013 reached PLN 63.7m. The fact that the total value of agreements between the KRUK Group and the Erste Group reached the value specified above was announced by the Company in Current Report No. 76/2013 of November 21st 2013.

On December 11th 2013, the Issuer entered into an agreement (the "Agreement") with InvestCapital Malta Ltd. ("InvestCapital") on sale of part of the shares in SeCapital S.à.r.l. ("SeCapital"). The agreement provided for the sale of 27,000 Class A shares in SeCapital, representing 4.4% of the share capital of SeCapital for the total amount of PLN 40.5m. For more information on execution of the above agreement, see Current Report No. 83/2013 of December 11th 2013.

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

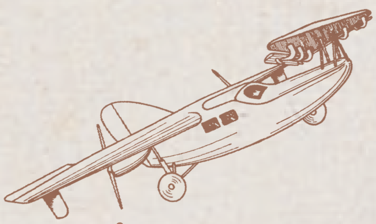
The KRUK Group did not execute any material related-party transactions on a non-arm's length basis.

4.9.3 New and terminated loan or credit facility agreements

Credit facility agreement with Bank Zachodni WBK S.A.

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 ("PROKURA NS FIZ", the "Borrower") concluded a trilateral agreement with Bank Zachodni WBK S.A. (the "Bank") on a revolving credit facility of up to PLN 70m ("PROKURA Agreement"), comprising:

- a credit facility of up to PLN 40m (the "Credit Facility"),
- a auxiliary credit facility of up to PLN 30m (the "Auxiliary Credit Facility").



Under the PROKURA Agreement:

- As of March 1st 2013, the Bank made available to the Borrower a Credit Facility of up to PLN 40m, divided into two limits:
  - a credit limit of up to PLN 31.5m, available until July 31st 2015 and repayable by July 31st 2016;
  - a credit limit of up to PLN 8.5m, available until July 31st 2014 and repayable by July 31st 2015;
- As of March 1st 2013, the Bank made available to the Borrower an Auxiliary Credit Facility of up to PLN 30m, available until and repayable by March 6th 2014.

The Credit Facility and the Auxiliary Credit Facility were 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 on arms' length basis.

The facilities will be repaid in quarterly instalments.

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 a selected account of the Company to satisfy the Bank's claims under the PROKURA Agreement,
- a registered pledge and financial pledge under Polish law and a pledge under Luxembourg law over KRUK S.A.'s shareholding in SeCapital S.à.r.l. of Luxembourg (reported by the Company in Current Report No. 28/2011 of June 22nd 2011 and Current Report No. 24/2012 of May 14th 2012),
- a surety under civil law issued by KRUK S.A. 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.

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

The following annexes were signed in 2013 in connection with the revolving credit facility agreement signed on April 8th 2011 between the Company (the borrower) and Bank Zachodni WBK S.A., as amended (the Credit Facility Agreement):

An annex of February 18th 2013 (see Current Report No. 9/2013 of February 19th 2013), whereby:

- the credit facility of up to PLN 80m granted under the Company's Credit Facility Agreement was reduced to PLN 40m, with effect as of March 1st 2013, in the following manner:
  - the credit limit available under the facility until July 31st 2015 and repayable by July 31st 2016 was reduced from PLN 63m to PLN 31.5m;
  - the credit limit available under the facility until July 31st 2014 and repayable by July 31st 2015 was reduced from PLN 17m to PLN 8.5m;
- the Additional Credit Facility of up to PLN 60m granted under the Company's Credit Facility Agreement was reduced, as of March 1st 2013, to PLN 30m;
- the repayment date and availability date of the Additional Credit Facility were changed to March 6th 2014.

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

On October 29th 2013, an annex was signed (see Current Report No. 71/2013 of October 29th 2013), whereby:

- the availability date for the credit limit of up to PLN 31.5m was changed to October 31st 2016, and the final repayment date was changed to October 31st 2017;
- the availability date for the credit limit of up to PLN 8.5m was changed to October 31st 2015, and the final repayment date was changed to October 31st 2016;
- the repayment date and availability date for the credit limit of up to PLN 30m were changed to October 31st 2014.

The other material terms of the agreement remained unchanged.

In relation to the trilateral revolving credit facility agreement of February 18th 2013, KRUK S.A., its subsidiary PROKURA Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("PROKURA NS FIZ", the "Borrower") and Bank Zachodni WBK S.A. (the "Bank") executed an annex on October 29th 2013, whereby:

- the availability date for the credit limit of up to PLN 31.5m was changed to October 31st 2016, and the final repayment date was changed to October 31st 2017;
- the availability date for the credit limit of up to PLN 8.5m was changed to October 31st 2015, and the final repayment date was changed to October 31st 2016;
- the repayment date and availability date for the credit limit of up to PLN 30m were changed to October 31st 2014.

The other material terms of the agreement remained unchanged.

The credit facilities granted under the revolving credit facility agreements executed on April 8th 2011 by the Company and Bank Zachodni WBK S.A., as amended, and on February 18th 2013 by the Company, its subsidiary PROKURA Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty, and Bank Zachodni WBK S.A., as amended, are secured with a financial and registered pledge under Polish law and a pledge under Luxembourg law established over shares in SeCapital S.à.r.l., KRUK S.A.'s Luxembourg-based subsidiary.

The registered pledge amount, which is the maximum security amount and covers the Bank's receivable, is PLN 200,000,000.As at December 31st 2013, a pledge existed 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.

Expiry of credit facility agreement with Bank Zachodni WBK S.A.

Following repayment of debt under the credit facility agreement, as amended, executed by KRUK S.A. and Bank Zachodni WBK S.A. on July 29th 2010, and in relation to the lapse of its term, the credit facility agreement expired on December 31st 2013. The expiry resulted in expiry of all forms of security for the credit facility.

Expiry of credit facility agreement with Bank Polskiej Spółdzielczości

Following repayment of debt under the credit facility agreement between KRUK S.A. and Bank Polskiej Spółdzielczości S.A. of July 6th 2010, as amended, and given the lapse of its term, the agreement expired on July 5th 2013.

The expiry resulted in expiry of all forms of security for the credit facility.

Termination of credit facility and loan agreements

In 2013, 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.

4.9.4 Loans advanced and sureties granted; sureties and guarantees received

4.9.4.1 Loans advanced by KRUK to its subsidiaries

In 2013, KRUK granted loans to its subsidiaries for a total value of PLN 28.7m (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, KRUK Česká a Slovenská republika S.r.o. of Prague, Rejestr Dłużników ERIF BIG S.A. of Warsaw, ERIF Business Solutions Sp. z o.o. of Wrocław, and Novum Finance Sp. z o.o. of Wrocław. The loans bear interest at 1M or 3M WIBOR plus a margin. The agreed maturities of the loans ranged from 353 days to one year.

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

The loans were granted to KRUK Romania S.R.L of Bucharest to finance its operating activities. The value of the loans advanced amounted to RON 20.2m and EUR 0.1m (i.e. PLN 19.4m, as translated into PLN at the exchange rate quoted by the National Bank of Poland for the agreement dates).

Debt under some of the loans advanced in 2012 and 2013, totalling RON 17.8m together with interest (PLN 16.7m, as translated into PLN at the exchange rate quoted by the National Bank of Poland for the dates of the debt cancellation agreements, including realised foreign exchange differences) was cancelled. The amount of cancelled debt increased the value of KRUK S.A.'s interest in KRUK Romania S.R.L.

As at December 31st 2013, liabilities of KRUK Romania S.R.L towards KRUK S.A. under loans totalled RON 5.3m and EUR 0.1m (total of PLN 5.3m, as translated into PLN at the exchange rate quoted by the National Bank of Poland for December 31st 2013). An impairment loss was recognised for the full amount of receivables under the loans advanced.

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 of the company's operating activities. The aggregate amount of the loans advanced to the company in 2013 was PLN 0.29m.

As at December 31st 2013, Rejestr Dłużników ERIF BIG S.A.'s outstanding liabilities towards KRUK under loans were PLN 0.24m.

Loans advanced to ERIF Business Solutions Sp. z o.o. of Wrocław

Loans advanced to ERIF Business Solutions Sp. z o.o. of Wrocław were intended for the financing of the company's operating activities. The aggregate amount of the loans advanced to the company in 2013 was PLN 0.86m.

As at December 31st 2013, ERIF Business Solutions Sp. z o.o.'s outstanding liabilities towards KRUK under loans were PLN 0.88m.

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 1.55m.As at December 31st 2013, Novum Finance Sp. z o.o. had no outstanding liabilities towards KRUK under loans.

Loans advanced to KRUK Česká a Slovenská republika S.r.o. of Prague

Loans advanced by KRUK Česká a Slovenská republika S.r.o. of Prague were intended for the financing of the company's operating activities. The value of the loans advanced amounted to CZK 37.9m and EUR 0.1m (PLN 6.5m, as translated into PLN at the exchange rate quoted by the National Bank of Poland for the agreement dates).

As at December 31st 2013, KRUK Česká a Slovenská republika S.r.o.'s liabilities towards KRUK under loans advanced to it in 2011 and 2013 were CZK 97.1m and EUR 1.0m (total of PLN 18.6, as translated into PLN at the exchange rate quoted by the National Bank of Poland for December 31st 2013).An impairment loss was recognised for the full amount of receivables under the loans advanced.

4.9.4.2 Loans received by KRUK from subsidiaries

Loans from Novum Finance Sp. z o.o. of Wrocław

Loans from Novum Finance Sp. z o.o. of Wrocław were used to repay some of the loans from other subsidiaries. As at December 31st 2013, KRUK S.A.'s outstanding liabilities towards Novum Finance Sp. z o.o. under loans were PLN 0.58m.

4.9.4.3 NOVUM loans advanced by the KRUK Group

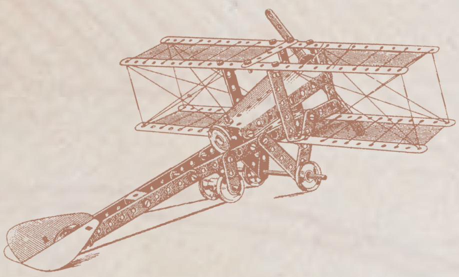
In 2013, the KRUK Group advanced an aggregate of 10,350 Novum cash loans, with a net value of PLN 17.5m. Until May 2013, the lending business was conducted by Novum Finance Sp. z o.o. Since May, NOVUM loans have been advanced by KRUK, for which Novum Finance Sp. z o.o. acts as an agent (responsible for sales, processing of agreements).

As part of the NOVUM business line, consumer loans of up to PLN 3,000 were granted for periods from 4 to 15 months. The NOVUM service is addressed to the KRUK Group's debtors who have repaid their debts or are repaying their debts in a timely manner, but are excluded from the banking market, as well as to customers on the market at large. Revenue from NOVUM loans posted by the Group in 2013 was PLN 4.7m, which represented a year-on-year increase of 23%.

4.9.4.4 Guarantees

On January 14th 2013, KRUK S.A. and Bank Zachodni WBK S.A. entered into a bank guarantee agreement for the period from January 25th 2013 to January 24th 2014, to secure the payment of all liabilities towards LEGNICKA BUSINESS HOUSE Sp. z o.o. under an office space lease agreement between KRUK S.A. and LEGNICKA BUSINESS HOUSE Sp. z o.o. The guarantee amount is EUR 168,000.00. The guarantee is secured with a power of attorney over the Company's bank accounts held with Bank Zachodni WBK S.A.

On February 18th 2013, KRUK S.A. and Bank Zachodni WBK S.A. entered into a bank guarantee agreement for the period from February 25th 2013 to February 24th 2014, to secure the payment of all liabilities towards DEVCO Sp. z o.o. under the office space lease agreement between KRUK S.A. and DEVCO Sp. z o.o. The guarantee amount is EUR 135,420.75The guarantee is secured with a power of attorney over the Company's bank accounts held with Bank Zachodni WBK S.A.



On January 3rd 2014, KRUK Romania S.r.l. obtained a guarantee from Banca Transilvania for the period from January 6th 2014 to February 5th 2015, to secure the payment of all liabilities under the lease of commercial space to be used for the purposes of its core business. The guarantee amount is EUR 89,975.91.

On January 17th 2014, KRUK Romania S.r.l. obtained a guarantee from Piraeus Leasing Romania IFN S.A. to secure the payment of all liabilities under the lease of cars. The guarantee amount is 482,247.84 EUR.

4.9.4.5 Sureties

On February 18th 2013, the Company and Bank Zachodni WBK S.A. entered into a surety agreement for the liabilities of NSFIZ PROKURA towards Bank Zachodni WBK S.A. (as reported by the Company in Current Report No. 9/2013 of February 19th 2013) under the trilateral Revolving Credit Facility Agreement of February 18th 2013 between NSFIZ PROKURA, the Company, and Bank Zachodni WBK S.A. (the PROKURA Agreement), thus becoming a joint and several debtor in respect of the liabilities. Pursuant to the surety agreement, on the basis of Art. 97 of the Banking Law, the Company declared it would comply with any enforcement action up to the credit facility amount plus contractual interest, fees, commissions and other costs under the PROKURA Agreement, up to the total amount of double the limits made available by the Bank, i.e. up to PLN 140m. The surety was issued for an indefinite time until the expiry of liabilities covered by the PROKURA Agreement. The Bank will also have the right to request the court to append an enforcement clause to the bank enforcement order until the date of limitation of claims under the PROKURA Agreement, that is until:

- July 31st 2019 with respect to the credit limit of up to PLN 31.5m provided for in the PROKURA Agreement,
- July 31st 2018 with respect to the credit limit of up to PLN 8.5m provided for in the PROKURA Agreement,
- March 6th 2017 with respect to the Additional Credit Facility of up to PLN 30m provided for in the PROKURA Agreement.

Following the execution, on October 29th 2013, of an annex to the trilateral Revolving Credit Facility Agreement of February 19th 2013 between the Company and Bank Zachodni WBK S.A., the Company and Bank Zachodni WBK S.A. entered into a new surety agreement on October 29th 2013 (as reported by the Company in Current Report No. 71/2013 of October 29th 2013), which reflected the changes in the final repayment dates of the facilities provided for under the annex. The new surety agreement of October 29th 2013 rendered the surety agreement of February 18th 2013 between the Company and Bank Zachodni WBK S.A. null and void. Under the surety agreement of October 29th 2013,the Company issued a surety covering the liabilities of NSFIZ PROKURA towards Bank Zachodni WBK S.A. under the PROKURA Agreement, subject to the provisions of Annex 1 of October 29th 2013 to the PROKURA Agreement, thus becoming a joint and several debtor in respect of the liabilities. Pursuant to the surety agreement of October 29th 2013, on the basis of Art. 97 of the Banking Law, the Company declared it would comply with any enforcement action up to the credit facility amount plus contractual interest, fees, commissions and other costs under the PROKURA Agreement, up to the total amount of double the limits made available by the Bank, i.e. up to PLN 140m. The surety was issued for an indefinite time, until the expiry of liabilities covered by the PROKURA Agreement. The Bank will also have the right to request the court to append an enforcement clause to the bank enforcement order until the date of limitation of claims under the PROKURA Agreement, that is until:

- October 31st 2020 with respect to the credit limit of up to PLN 31.5m provided for in the PROKURA Agreement,
- October 31st 2019 with respect to the credit limit of up to PLN 8.5m provided for in the PROKURA Agreement,
- October 31st 2017 with respect to the Additional Credit Facility of up to PLN 30m provided for in the PROKURA Agreement.

4.10 Court, administration and arbitration proceedings

4.10.1 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 2013, the Company and Subsidiaries were plaintiffs or participants in 142,474 court proceedings (including bankruptcy proceedings), where the total value of claims was approximately PLN 1,053,047,200.00. Furthermore, in 2013, upon a motion filed by the Company and Subsidiaries 280,983 enforcement proceedings were instigated, where the value of claims being enforced totalled approximately PLN 1,300,791,107.00. Court and enforcement proceedings are one of the stages of enforcing claims against debtors of the Company and Subsidiaries.

In 2013, the Company and Subsidiaries were defendants in 24 court proceedings, where the total value of claims was approximately PLN 379,049.00. The Company and Subsidiaries believe the 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.

4.10.2 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 18,209,415.90, the proceedings were instigated on January 25th 2006, and the parties to the proceedings are 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.

4.10.3 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 50,000.00, were the proceedings against KRUK S.A. instigated by a natural person on June 28th 2013 for infringement of personal rights in debt collection proceedings. The Company expects the claim to be dismissed in its entirety.

4.10.4 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 12,803,192.55, were the bankruptcy proceedings concerning the Company's claims, pending against the NISCO INVEST S.R.L of Romania. The Company does not expect its claim to be further satisfied. In addition, a case against LETA S.A. was pending, where the value of PROKURA NSFIZ's claim was PLN 8,347,490.88. The Company does not expect its claims to be satisfied in the course of bankruptcy proceedings.

4.11 Material events after December 31st 2013

In the period from January 1st 2014 to the date of approval of this report, there were no significant changes in the financial or trading position of the Group.

4.12 Major research and development achievements

Research and development work is focused on improving Delfin, an operating 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 2013, the strategy of building the platform supporting operating processes remained unchanged – the Company's internal resources continued the development of the platform, improving its 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.

4.13 Environmental issues

Given the nature of the KRUK Group's business, there are no material environmental issues involved in its activities.

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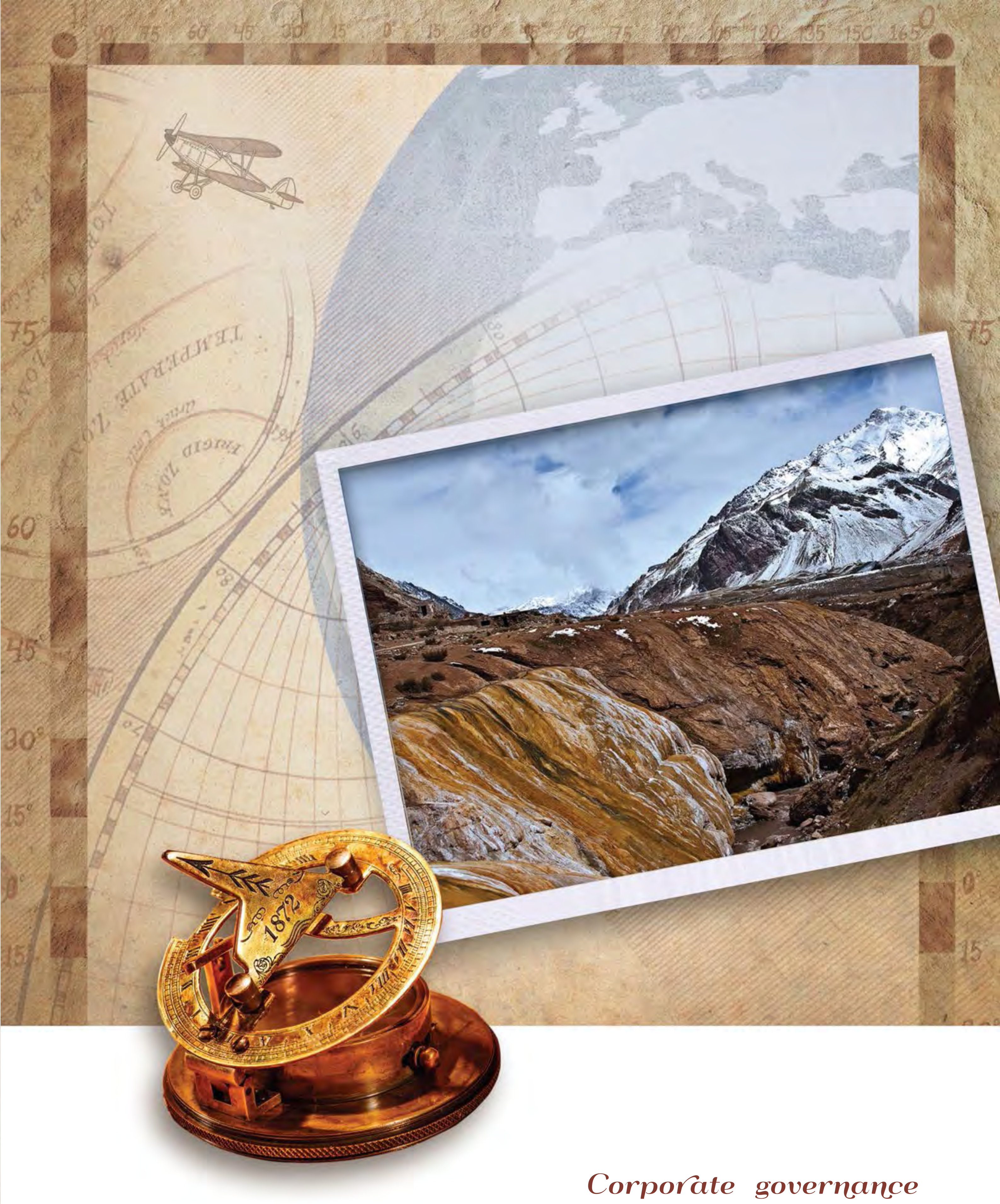


Corporate governance

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 2013.

5.1.1 Compliance with corporate governance principles

The Company is subject to corporate governance standards described in the Code of Best Practice for WSE Listed Companies (Corporate Governance Principles), which constitutes an appendix to the WSE Supervisory Board's Resolution No. 19/1307/2012 of November 21st 2012. The document is available on the website of Giełda Papierów Wartościowych w Warszawie S.A. (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 Series A, Series AA, Series B, Series C and Series D Company Shares on the Warsaw Stock Exchange, on April 6th 2011 the Company's Management Board passed a resolution stating that the Company and its governing bodies observe the corporate government standards set in Code of Best Practice for WSE Listed Companies to the extent specified in the appendix to the resolution. The appendix, containing the Code of Best Practice for WSE Listed Companies along with a specification of the declared extent of the Company's compliance with the standards set out in the document, is available on the Company's website.

Then, by way of a resolution of December 20th 2012, the Management Board of KRUK S.A. 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.A.'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 whereby a company should have a remuneration policy and rules of defining that policy, the Management Board notes that the Company did not implement a remuneration policy for Management or Supervisory Board members. The rules governing remuneration for the 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 the 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.

The Company elected not to comply with the recommendations included in part I section 12 and part IV section 10 of the Code of Best Practice for WSE Listed Companies, under which a company should enable its shareholders to remotely exercise their voting rights at a General Meeting personally or by a proxy using electronic means of communication, as well as enable its shareholders to participate in a General Meeting using electronic means of communication through real-life broadcast of General Meetings and real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting. The Company explains that it currently does not have appropriate technical facilities to enable its shareholders to participate in General Meetings as specified above. Consequently, the risk of incorrect progress of a General Meeting would outweigh the potential benefit of a larger number of shareholders participating in the meeting, which is the objective of the recommendation.

In 2013, 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 are 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 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 obliged to publish resolutions passed during General Meetings. The Company's position is that the above requirements ensure full 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.

The Company also elected not to comply with either the principle stipulated in part II section 1.9a) of the Code of Best Practice for WSE Listed Companies, whereby the Issuer should publish a record of the General Meeting in audio or video format on the Company's corporate website. The Company explains that it is considering recording its general meetings and publishing the records on its website, but by the date of approval of this report the Company had not made a final decision on compliance with this recommendation.

Regarding the obligation to run an English-language website, in 2013 the Company complied with that principle, 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 for more information available in English, it is prepared to publish on its website the English language version of all information specified in the Code.

5.2 Shareholder structure

5.2.1 Shareholders holding directly or indirectly large blocks of shares in KRUK

As at January 1st 2013, the shareholders holding directly or indirectly large blocks of shares in KRUK S.A. were as follows (presented in table 22, based on shareholder notifications received by the Company).

SHAREHOLDER	JAN 1 2013	
	NUMBER OF SHARES/VOTES	% OF SHARE CAPITAL/VOTING RIGHTS (%)
Polish Enterprise Fund IV, private equity fund managed by Enterprise Investors	4,196,550	24.83
Piotr Krupa	2,625,928	15.54
Generali OFE	866,101	5.12

Table 22. Significant shareholders as at January 1st 2013

Source: the Company

As at December 31st 2013, the shareholders holding directly or indirectly large blocks of shares in KRUK S.A. are presented in table 23.

	DEC 31 2013	
SHAREHOLDER	NUMBER OF SHARES/VOTES	% OF SHARE CAPITAL/VOTING RIGHTS (%)
Piotr Krupa	2,213,928	13.05
Aviva OFE	1,932,184	11.39
ING PTE*	1,835,643	10.82
Generali OFE**	1,575,000	9.29
AMPLICO PTE***	1,310,000	7.72

Table 23. Significant shareholders as at December 31st 2013

* Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A.
** Based on the list of shareholders participating in the Company's Annual General Meeting of June 27th 2013
*** Joint shareholding of AMPLICO OFE and AMPLICO DFE, managed by AMPLICO PTE S.A.

Source: the Company

As at the date of approval of this report, the shareholders holding directly or indirectly large blocks of shares in KRUK S.A. are presented in table 24.

	AS AT THE DATE OF APPROVAL OF THE 2013 ANNUAL REPORT	
SHAREHOLDER	NUMBER OF SHARES/VOTES	% OF SHARE CAPITAL/VOTING RIGHTS (%)
Piotr Krupa	2,213,928	13.05
Aviva OFE	1,932,184	11.39
ING PTE*	1,835,643	10.82
Generali OFE**	1,575,000	9.29

Table 24. Shareholders holding directly or indirectly large blocks of shares in KRUK S.A. as at the date of approval of this report

* Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A.
** Based on the list of shareholders participating in the Company's Annual General Meeting of June 27th 2013

Source: the Company

5.2.2 Changes in large shareholdings in the reporting year

Below are described changes in large shareholdings of KRUK S.A. shares in 2013.

On January 25th 2013, the Company received a notification from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A. to the effect that its share of the total vote at the Company's General Meeting had exceeded the 5% threshold. According to the notification, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK held 887,388 Company shares.

On April 9th 2013,the Company received a notification from Enterprise Investors Sp. z o.o., representing Polish Enterprise Fund IV L.P., to the effect that Polish Enterprise Fund IV L.P. had disposed of all Company shares.

On April 11th 2013, the Company received, from three significant shareholders, notifications concerning changes in their respective shares in the total vote at the Company's General Meeting. According to the notification from AMPLICO Powszechne Towarzystwo Emerytalne S.A., the funds managed by it (AMPLICO Otwarty Fundusz Emerytalny and Metlife Amplico Dobrowolny Fundusz Emerytalny) had increased their joint share in the total vote at the Company's General Meeting to more than 5% and, as at the notification date, jointly held 1,310,000 Company shares. According to the notification from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A., Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK had increased its share in the total vote at the Company's General Meeting to more than 10% and, as at the notification date, held 1,932,184 Company shares. According to the notification from ING Powszechne Towarzystwo Emerytalne S.A., the funds under its management (ING Otwarty Fundusz Emerytalny and ING Dobrowolny Fundusz Emerytalny) had increased their joint share in the total vote at the Company's General Meeting to more than 10% and, as at the notification date, jointly held 1,835,643 Company shares.

On May 28th 2013, the Company received a notification from Mr Piotr Krupa, President of the Management Board of KRUK S.A. and a significant shareholder of the Company, to the effect that Mr Piotr Krupa had sold 400,000 shares in KRUK S.A. in transactions executed during a trading session on the Warsaw Stock Exchange on May 24th 2013.

Based on the list of shareholders participating in the Company's Annual General Meeting held on June 27th 2013, the Company learnt that Generali Otwarty Fundusz Emerytalny increased its holding in KRUK S.A. to 1,575,000 shares.

On July 24th 2013, the Company's share capital was increased through the issue of 27,896 Series E shares. Consequently, the total number of Company shares and votes at the General Meeting rose by 0.16%. Following the increase, KRUK S.A.'s share capital was divided into 16,928,236 shares, conferring the right to 16,928,236 votes at the Company's General Meeting.

On December 13th 2013, the Company's share capital was increased again, through the issue of 30,859 Series E shares. Consequently, the total number of Company shares and votes at the General Meeting rose by 0.22%. As a result of the increase, KRUK S.A.'s share capital is divided into 16,959,095 shares, conferring the right to 16,959,095 votes at the Company's General Meeting.

On January 15th 2014, after the end of the reporting period, the Company received a notification from AMPLICO Powszechne Towarzystwo Emerytalne S.A. to the effect that AMPLICO PTE AMPLICO Otwarty Fundusz Emerytalny, managed by AMPLICO Powszechne Towarzystwo Emerytalne S.A., decreased its share in the total vote at the Company's General Meeting to below 5%.

5.2.3 Treasury shares

On October 20th 2011, the Extraordinary General Meeting of KRUK S.A. authorised the Company's Management Board to purchase the Company's own shares listed on the main market of the WSE, in the period from October 25th 2011 to April 30th 2015, with the proviso that the total par value of the shares so purchased may not exceed PLN 1m, and the maximum amount to be spent by the Company on the buy-back may not exceed PLN 40m, including the share price 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 not be bought back in block transactions Shares purchased by the Company as part of the buy-back programme may be used:

- to implement the Management Stock Option Plan, operated by the Company under a resolution of the Extraordinary General Meeting of KRUK S.A. of March 30th 2011;
- to retire the Company's own shares and reduce its share capital;
- 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 2013, the Company did not buy back any of its shares.

5.2.4 Holders of securities conferring special control powers

Until the date of approval of this report, KRUK S.A. had 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.A.'s Articles of Association do 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

The Company's Articles of Association do not provide for any limitations on transfer of ownership of KRUK securities.

5.3 Governing bodies

5.3.1 Management Board

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

The Company's management body is the Management Board.

In the period from January 1st to August 31st 2013, the Company's Management Board was composed of six members:

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

After Rafał Janiak resigned from his position as Management Board Member, tendering his resignation to the Chairman of the Company's Supervisory Board on May 9th 2013 with effect from August 31st 2013, the number of Management Board members was reduced to five by virtue of a Supervisory Board resolution. By way of a resolution of May 9th 2013, the Supervisory Board resolved to assign, as of September 1st 2013, the function performed by Rafał Janiak to Management Board Member Michał Zasępa, who was removed from the position of Management Board Member for Investments and Development with effect from August 31st 2013 and appointed to the position of Management Board Member for Finance with effect from September 1st 2013.

After all of the above changes, the composition of the Management Board from September 1st 2013 until December 31st 2013 was as follows:

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

Until the date of approval of this report, there were no changes to the composition of the Management Board of KRUK S.A.

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 term of office of the current Management Board began on the date of its appointment by virtue of a Supervisory Board resolution of March 19th 2012.

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.

5.3.1.2 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 on any matters not reserved for the exclusive competence of the Supervisory Board or the General Meeting under the Articles of Association or applicable laws. The President of the Management Board is solely authorised to decide on the establishment and liquidation of any organisational units at the Company.

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 Management Board member acting jointly with a commercial proxy; or (iii) an attorney authorised to perform certain types of activities, acting on his/her own, under a power of attorney granted to him/her by the Company.

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

Apart from the above, the Company's Articles of Association do not provide for any additional powers for the management personnel, such as the power to decide on issue or purchase of shares.

5.3.1.3 Shares in the Company or in the Company's related entities held by Management Board members

KRUK S.A. shares held by members of the Company's Management Board as at December 31st 2013 are presented in table 25. By the date of approval of this report, there were no changes in the holdings of KRUK S.A. shares by members of the Company's Management Board.

No member of KRUK S.A.'s Management Board holds shares in the Company's related entities.

NAME AND SURNAME	POSITION	NUMBER OF SHARES HELD AS AT THIS REPORT'S APPROVAL DATE	TOTAL PAR VALUE (PLN)
Piotr Krupa	President of the Management Board	2,213,928	2,213,928
Urszula Okarma	Member of the Management Board	110,350	110,350
Agnieszka Kułton	Member of the Management Board	92,220	92,220
Iwona Słomska	Member of the Management Board	44,257	44,257
Michał Zasępa	Member of the Management Board	13,000	13,000

Table 25. KRUK S.A. shares held by members of the Company's Management Board as at December 31st 2013

Source: the Company

5.3.1.4 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:

NAME AND SURNAME	EFFECTIVE DATE OF THE CONTRACT	POSITION
Piotr Krupa	March 19th 2012	President of the Management Board
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	March 19th 2012	Member of the Management Board, Marketing, Public Relations and Human Resources
Michał Zasępa	September 1st 2013	until August 31st 2013 – Member of the Management Board, Investments and Development since September 1st 2013- Member of the Management Board, Finance

Table 26. Managerial contracts with the Management Board members

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.

NAME AND SURNAME	REMUNERATION FROM THE COMPANY FOR 2013	ADDITIONAL BENEFITS* FROM THE COMPANY FOR 2013	REMUNERATION FROM THE SUBSIDIARIES FOR 2013	ADDITIONAL BENEFITS* FROM THE SUBSIDIARIES FOR 2013
Piotr Krupa	745.01	17.34	27.00	-
Agnieszka Kułton	367.02	12.35	12.00	-
Urszula Okarma	366.03	7.31	18.00	-
Iwona Słomska	300.00	6.88	-	-
Michał Zasępa	423.50	40.82	37.32**	-
Rafał Janiak***	336****	5.05	-	-

Table 27. Remuneration of the Management Board members in 2013 (PLN '000)

* Additional benefits include medical care, company cars and international travel insurance for Management Board Members
** Including remuneration payable in HUF - the amount is the złoty equivalent of HUF 736.65 thousand
*** Remuneration and benefits for service on the KRUK S.A. Management Board, i.e. for the period from January 1st to August 31st 2013
**** Including PLN 56.0 thousand as compensation for non-compete clause

Source: the Company

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 of KRUK S.A. 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 Management 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 27 presents the amounts of remuneration and additional benefits received by the Management Board members (who were in office in 2013) from the Company and its subsidiaries for 2013.

The total value of remuneration and additional benefits for 2013 paid by the Company and the subsidiaries to the Management Board Members specified above is PLN 2,627.31 thousand and PLN 94.32 thousand, respectively. In 2013, Mr. Piotr Krupa received a remuneration of PLN 77,897.57 from Kancelaria Prawna Raven Krupa & Stańko.

Additional benefits received from the Company for 2013 do not include bonuses and awards for the Management Board Members for 2013.The bonuses will be paid in 2014, in the amount reflecting the performance of the Company's financial plan, and – in the case of the discretionary bonus – in an amount decided by the Supervisory Board. The Company recognised a PLN 2,617 thousand provision for this purpose.

In addition, in accordance with the Supervisory Board's resolutions of July 20th 2012 and August 5th 2013, adopted 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 the Management Board Members (excluding the President) subscription warrants conferring the right to acquire KRUK shares. For detailed information on the Incentive Scheme operated by the Company, including information on subscription warrants granted to the Management Board Members, see the "Incentive Scheme" section.

5.3.2 Supervisory Board

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

The Supervisory Board is composed of five or 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 approval of this report, the Company's Supervisory Board is composed of seven members.

The Supervisory Board is appointed and removed by the General Meeting, with the proviso that if Mr Piotr Krupa holds shares in the Company representing 8% or more of the total vote at its General Meeting, he has the right to appoint and remove:

- 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.

Mr Piotr Krupa's right to appoint and remove from office members of the Supervisory Board as specified above are exercised by delivery to the Company of a written statement on appointment or removal of a Supervisory Board member.

In connection with the sale by Polish Enterprise Fund IV L.P. of all of its shares in the Company, by virtue of the General Meeting's resolution of June 27th 2013 the Company's Articles of Association were amended by deleting an analogous right held by Polish Enterprise Fund IV, L.P. or its successor to appoint and remove:

- 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. held Company shares authorising it to exercise 40% or more of the total vote at the Company's General Meeting; or
- 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 Polish Enterprise Fund IV L.P. held Company shares authorising it to exercise 20% or more, but not more than 40%, of the total vote at the Company's General Meeting.

From January 1st 2013 to March 27th 2013, the KRUK Supervisory Board was composed of the following five members:

Dariusz Prończuk	Chairman of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Wojciech Małek	Member of the Supervisory Board
Piotr Stępniak	Member of the Supervisory Board
Józef Wancer	Member of the Supervisory Board

On March 27th 2013, resignations were received from all of the above members of the KRUK Supervisory Board, with effect as of that date. On the same day, during an Extraordinary General Meeting, the Company received declarations by its shareholders, Polish Enterprise Fund IV, L.P. and Mr Piotr Krupa, on exercise of their rights to appoint members of the KRUK Supervisory Board. Polish Enterprise Fund IV, L.P. exercised its right in part and appointed Mr Dariusz Prończuk as Chairman of the Supervisory Board with effect from March 27th 2013. Mr Piotr Krupa appointed to the Supervisory Board Mr Robert Koński, with effect from March 27th 2013, and Ms Katarzyna Beuch, with effect from April 1st 2013. On March 27th 2013, the Extraordinary General Meeting also adopted a resolution to change the number of members of the Supervisory Board from five to seven and, with effect as of the same date, it appointed Messrs Józef Wancer, Piotr Stępniak, Krzysztof Kawalec and Arkadiusz Jastrzębski to serve on the Supervisory Board.

From April 1st 2013 to July 31st 2013, the composition of the Supervisory Board of KRUK was as follows:

Dariusz Prończuk	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Arkadiusz Orlin Jastrzębski	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Robert Koński	Member of the Supervisory Board
Piotr Stępniak	Member of the Supervisory Board
Józef Wancer	Member of the Supervisory Board

On May 31st 2013, the Company received a resignation letter from Mr Dariusz Prończuk, whereby he resigned from membership in the Supervisory Board with effect from July 31st 2013.

On July 31st 2013, the Supervisory Board appointed Mr Piotr Stępniak as Chairman of the Supervisory Board.

By virtue of a resolution of June 27th 2013, the Annual General Meeting appointed Tomasz Bieske to the Company's Supervisory Board, with effect from August 1st 2013.

After all of the above changes, from August 1st 2013 to December 31st 2013, the composition of the Supervisory Board was as follows:

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

By the date of approval of this report, there had been no changes in the composition of the Supervisory Board.

5.3.2.2 Operation 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:

- review of 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 assessment of the Management Board's recommendations concerning distribution of profit or coverage of loss;
- submission to the General Meeting of an written annual report on the results of the review referred to in item 1 above;
- appointment and removal of President of the Management Board;
- appointment and removal of Management Board members (including Vice-Presidents);
- suspension of the Management Board members and delegation of the Supervisory Board members to temporarily perform functions of the Management Board members unable to perform their duties;
- determination of the rules and amount of remuneration for the Management Board members, at the request of the President of the Management Board;
- determination of the amount of remuneration payable to the President of the Management Board;
- approval of the Company's annual financial plans (the budget) and strategic economic plans;
- granting consent for the Company to contract loans or issue bonds, other than loans or bonds provided for in the budget, in excess of a cumulative annual amount equal to 10% of the Company's equity, with the exception of loans to be contracted with companies of the KRUK Group;
- granting consent to creating security, providing surety or creating other encumbrances over the Company's assets other than provided for in the budget, in excess of a cumulative annual amount equal to 10% of the Company's equity, unless only entities of the KRUK Group are parties to the transaction. Consent of the Supervisory Board is not required to create security or provide surety in respect of loans and bonds which have been provided for in the budget or approved by the Supervisory Board;
- granting consent for the Company to contract liabilities under a single transaction or a series of related transactions with a total value in excess of the equivalent of 5% of the Company's equity in a given financial year, other than liabilities provided for in the budget or arising in the Company's ordinary course of business;
- granting consent to the Company acquiring or subscribing for shares in other commercial companies or joining other businesses which are not KRUK Group entities;
- granting consent to the acquisition or disposal of the Company's assets exceeding 15% (fifteen percent) of the Company's net book value as determined on the basis of the last audited financial statements, other than any acquisition or disposal provided for in the budget, and except for any acquisition or disposal of assets from or to entities of the KRUK Group;
- granting consent to the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks, unless only entities of the KRUK Group are parties to the transaction;
- 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);

- approval of the rules of management stock option plans;
- selection of 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 given financial year, unless only entities of the KRUK Group are parties to the transaction;
- granting consent to making any gratuitous disposals or commitments by the Company or its subsidiary, to the extent such disposals or commitments are outside the scope of the Company's business, in an amount exceeding PLN 200,000 (two hundred thousand złoty) in a given financial year, unless only entities of the KRUK Group are parties to the transaction;
- granting consent to the purchase or disposal of property, perpetual usufruct rights or interests in property by the Company, except with respect to property purchased or sold in the process of debt collection.

Meetings of the Supervisory Board are convened by its Chairperson or, failing him or her, by the Deputy Chairperson. 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.

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

In the course of 2013, as at December 31st 2013 and as at the date of approval of this report, members of the Supervisory Board did not hold any shares in the Company or in any of its related entities.

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

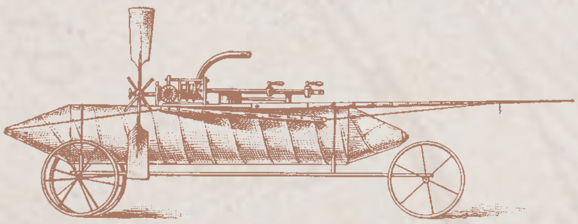
Pursuant to Par. 12.5 of the Company's Articles of Association, the Supervisory Board members receive remuneration for their services, unless the body or entities entitled to appoint them resolve otherwise. The amount of remuneration payable to the members of the Supervisory Board is determined by virtue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

The table 28 presents the amounts of remuneration received by the Supervisory Board members (who were in office in 2013) from the Company and its subsidiaries for 2013:

The total remuneration received from the Company by the Supervisory Board members named above for 2013 amounted to PLN 594.34 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 2013, 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.



NAME AND SURNAME	REMUNERATION FROM THE COMPANY FOR 2013 (PLN '000)
Piotr Stępniak	85.10
Wojciech Małek	-
Krzysztof Kawalec	82.31
Józef Wancer	201.74*
Robert Koński**	63.77
Arkadiusz Jastrzębski***	63.77
Katarzyna Beuch****	62. 78
Dariusz Prończuk*****	-
Tomasz Bieske******	34.87

Table 28. Remuneration of the members of the Supervisory Board in 2013

* Remuneration payable in EUR. The amount is the PLN equivalent of the total monthly remunerations received as member of the Supervisory Board in euro, i.e. the total of EUR 48 thousand, translated into PLN at the exchange rate effective on the day preceding the payment day.

** Mr Robert Koński's remuneration for serving as member of the KRUK S.A. Supervisory Board in the period from March 27th 2013 to December 31st 2013.

*** Mr Arkadiusz Jastrzębski's remuneration for serving as member of the KRUK S.A. Supervisory Board in the period from March 27th 2013 to December 31st 2013.

**** Ms Katarzyna Beuch's remuneration for serving as member of the KRUK S.A. Supervisory Board in the period from April 1st 2013 to December 31st 2013.

***** Mr Dariusz Prończuk's remuneration for serving as member of the KRUK S.A. Supervisory Board in the period from January 1st 2013 to July 31st 2013.

****** Mr Tomasz Bieske's remuneration for serving as member of the KRUK S.A. Supervisory Board in the period from August 1st 2013 to December 31st 2013.

Source: the Company

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.

5.3.2.5 Supervisory Board Committees

Pursuant to the Rules of Procedure of the Supervisory Board, the following committees operate within the KRUK S.A. 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 shall include in particular:

- monitoring of financial reporting processes;
- monitoring of the effectiveness of the internal control, internal audit and risk management systems;
- monitoring of the financial audit function;
- monitoring of the independence of the auditor and the auditing firm;
- review of the Company's financial statements and presentation of opinions on the financial statements to the Supervisory Board;
- review of related-party transactions;
- recommendation of an auditor to the Supervisory Board and presentation of grounds for the recommendation.

In the period from January 1st 2013 to March 27th 2013the Audit Committee consisted of:

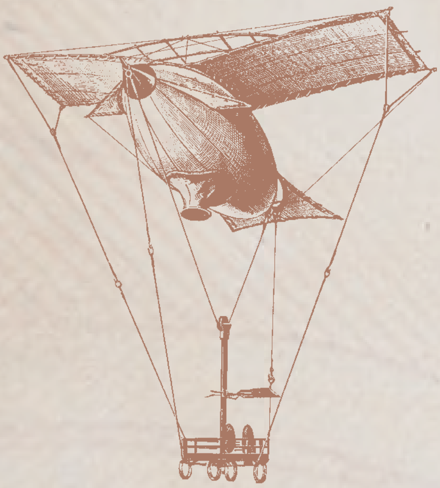
- Wojciech Małek – Chairman of the Audit Committee;
- Piotr Stępniak – Member of the Audit Committee;
- Krzysztof Kawalec – Member of the Audit Committee.

In connection with the appointment, on March 27th 2013, of the Supervisory Board of the new term, at its first meeting, held on May 9th 2013, the Supervisory Board adopted a resolution on the establishment of the Audit Committee of the KRUK S.A. Supervisory Board, with the following composition:

- Katarzyna Beuch – Chairperson of the Audit Committee;
- Arkadiusz Jastrzębski – Member of the Audit Committee;
- Piotr Stępniak – Member of the Audit Committee.

In particular, apart from statutory duties, the tasks of the Audit Committee in 2013 included:

- summary of the results of the audit of the 2012 annual report;
- analysis of offers submitted by auditing firms, regarding audit of the Company's and the Group's financial statements for 2013,
- discussion of the Company's and the Group's half-year financial statements and their performance in H1 2013, and discussion of the separate half-year financial statements of KRUK S.A., Prokura NS FIZ, and Prokulus NS FIZ.



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; the Remuneration and Appointment Committee should mostly include independent Supervisory Board members.

The Remuneration and Appointment Committee's responsibilities include in particular:

- planning of the remuneration policy for the Management Board members;
- alignment of the Management Board Members' remuneration with the Company's long-term interests and its financial performance;
- recommendation of candidates to the Management Board to the Supervisory Board;
- periodic assessment of the structure, number of members, composition and performance of the Management Board, and, where needed, recommendation of changes in this respect to the Supervisory Board, and submission of a periodic assessment of the skills, expertise and experience of the individual Management Board Members to the Supervisory Board.

In the period ended March 27th 2013, the Remuneration and Nomination Committee was composed of the members appointed on July 25th 2012:

- Dariusz Prończuk – Chairman of the Remuneration and Appointment Committee;
- Krzysztof Kawalec – Member of the Remuneration and Appointment Committee;
- Józef Wancer – Member of the Remuneration and Appointment Committee.

The composition of the Remuneration and Appointment Committee, as appointed by the KRUK Supervisory Board on May 9th 2013, was as follows:

- Dariusz Prończuk – Chairman of the Remuneration and Appointment Committee;
- Robert Koński – Member of the Remuneration and Appointment Committee;
- Piotr Stępniak – Member of the Remuneration and Appointment Committee;
- Józef Wancer – Member of the Remuneration and Appointment Committee.

Following Mr Dariusz Prończuk's resignation from membership of the Supervisory Board as of July 31st 2013, at the meeting held on October 28th 2013 the Supervisory Board appointed Mr Robert Koński as Chairman of the Remuneration and Appointment Committee.

After the above change, in the period from October 28th until the end of 2013 and onwards, the composition of the Remuneration and Appointment Committee was as follows:

- Robert Koński – Chairman of the Remuneration and Appointment Committee;
- Piotr Stępniak – Member of the Remuneration and Appointment Committee;
- Józef Wancer – Member of the Remuneration and Appointment Committee.

In 2013, 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.

Until March 27th 2013, the Finance and Budget Committee was composed of:

- Dariusz Prończuk – Chairman of the Finance and Budget Committee;
- Piotr Stępniak – Member of the Finance and Budget Committee.

On May 9th 2013, at the first Supervisory Board meeting following its appointment by the General Meeting, the Supervisory Board passed a resolution on appointment of the Finance and Budget Committee, with the following composition:

- Dariusz Prończuk – Chairman of the Finance and Budget Committee;
- Krzysztof Kawalec – Member of the Finance and Budget Committee;
- Piotr Stępniak – Member of the Finance and Budget Committee.

Following Mr Dariusz Prończuk's resignation from membership of the Supervisory Board as of July 31st 2013, at the meeting held on October 28th 2013 the Supervisory Board appointed Mr Tomasz Bieske as Chairman of the Finance and Budget Committee.

As of that date, the composition of the Finance and Budget Committee is as follows:

- Tomasz Bieske – Chairman of the Finance and Budget Committee;
- Krzysztof Kawalec – Member of the Finance and Budget Committee;
- Piotr Stępniak – Member of the Finance and Budget Committee.

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

- drafting of budget resolutions, issue of opinions and assessment of draft resolutions of the Supervisory Board on matters related to the Company's finances;
- supporting the oversight of the performance of the Company's budget;
- on-going analysis of the Company's financial performance and standing;
- 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 2013, the Finance and Budget Committee focused primarily on matters related to the Company's and the Group's budgets. To address these matters, the Committee held a meeting in January 2013, during the work on the budget for 2013, and in December 2013, during the work on the budget for 2014. Other matters within the powers of the Finance and Budget Committee were discussed during the meetings of the Supervisory Board.

5.3.3 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.

The General Meeting may be held as the Annual or an Extraordinary General Meeting. 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.

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

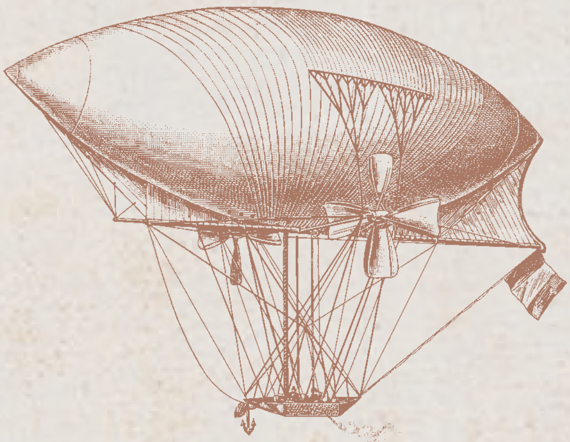
The rules governing the introduction of amendments to the Company's Articles of Association are stipulated in the Commercial Companies Code. Pursuant to Art. 430 of the Code, any amendment to the Company's Articles of Association requires a relevant resolution by the General Meeting and must be entered 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.

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

The Group 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 Group, 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 Performance of Company shares on the Warsaw Stock Exchange

Performance of KRUK stock on the Warsaw Stock Exchange in 2013.

In 2013, the rate of return on the KRUK stock was 84%.In the same period, the broad market gauge WIG gained 7%, while mWIG40, an index of mid-cap companies where KRUK is included, rose 29%. From the beginning of 2013, the Company stock followed a growing trend, underpinned by good prospects for the debt collection industry and optimistic forecasts by sell-side analysts, who anticipated an improvement in KRUK's financial performance in 2013. The Company stock price was also supported by an overall upturn on the Polish stock exchange, which grew on the back of low interest rate environments in Poland and globally.

The Company stock delivered the strongest growth in the second half of the year. In October, the stock exceeded its all-year high of PLN 73.5 recorded in September, and after a 20% rally peaked at PLN 88.5 at the close of the month. Following a slight correction in early November, the stock started to climb strongly again, and after the publication of the Company's third-quarter results, which beat analysts' forecasts, reached an all-time high of PLN 91.6. In December, the Warsaw Stock Exchange saw huge losses, attributable mainly to the sell-out of liquid assets by open-ended pension funds (OFE) before the transfer (scheduled for late January) of portions of their investment portfolios to the Social Security Institution (ZUS). The correction, which affected companies across the board, was also reflected in the KRUK stock price, which dipped below PLN 80. The stock then consolidated all the way to the end of the year, to reach PLN 82.76 at the close of the last trading session in 2013.

From the KRUK IPO at the Warsaw Stock Exchange in May 2011 until the end of 2013, the Company stock returned 98%.Over the same period, the WIG index, capturing the performance of the entire WSE market, gained 4%, and the mWIG40 index, presenting the trends in mid-cap stocks, yielded 14%.

The total volume of KRUK shares traded in 2013 was 3.7m, which represents 22.1% of the Company's share capital. The average number of KRUK shares traded daily was 15,024. The largest trading volumes were recorded in April and May, but trading in the Company stock was also above average in December. The trading volume rise seen in April was linked to the sale by Enterprise Investors of its entire holding in KRUK, i.e. 4,196,550 shares. Among other buyers, the shares were purchased by pension funds. The higher trading volume in May was attributable, among other things, to the sale of 400 thousand KRUK shares by the President of the Company's Management Board. This transaction by the Company's President was connected with his equity investment in a different financial sector company listed at the Warsaw Stock Exchange.

DATE	KRUK	WIG	MWIG40
Jan 2 2013	45.00	48,107.89	2,588.67
Dec 30 2013	82.76	51,284.25	3,345.28
rate of return	83.9%	6.6%	29.2%

Table 29. Rates of return on KRUK stock, WIG and mWIG40 in 2013 (Closing prices)

Source: the Company

Chart 6. KRUK stock price against WIG and mWIG40 throughout 2013

Source: the Company

Chart 7. Performance of KRUK stock against WIG and mWIG40 from the Company's IPO at the WSE in May 2011 until the end of 2013

Source: the Company

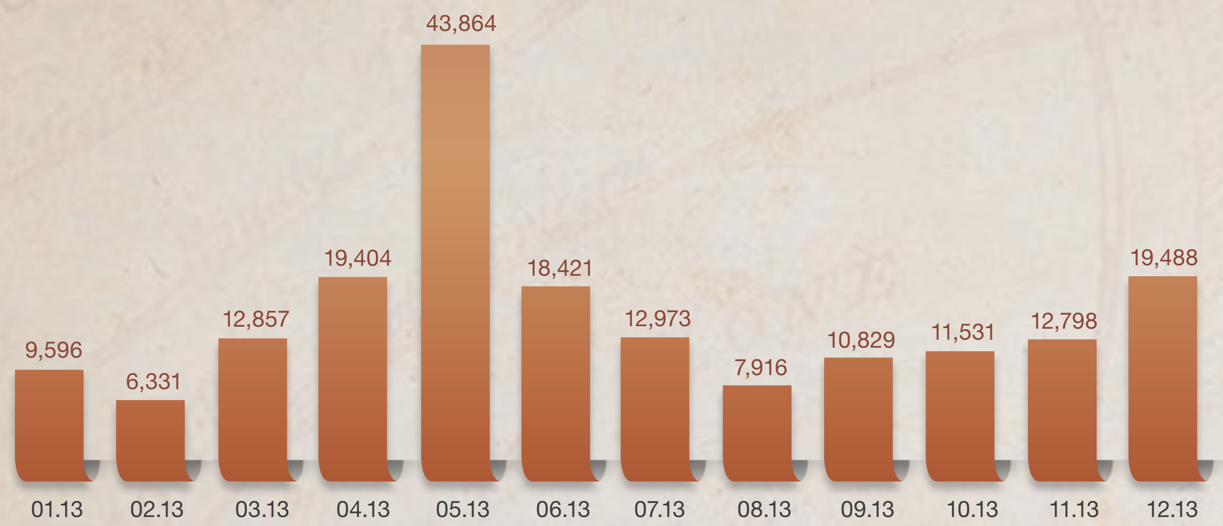


Chart 8. Average daily trading volume of KRUK shares in January–December 2013

Source: the Company

6.2 CSR policy

As KRUK is not a production company, the overview presented below does not address any of the issues traditionally associated with corporate social responsibility, such as environmental protection. However, the Company boasts certain socially relevant initiatives, both on a small scale (intended to benefit its employees) and with a wider reach (regional or – as in the case of support for financial education - nationwide).

6.2.1 Educational initiatives

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

6.2.2 Articles and guides

The KRUK Group regularly writes and distributes (to nationwide, local and thematic media) advice articles on the issue of indebtedness, which describe potential consequences of default and ways of dealing with debt.

As part of such educational efforts, guides are also prepared containing tips and advice for the indebted. So far, they have been published in the "Fakt" and "Super Express" dailies, as well as regional press and consumer magazines. They guides explained 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 attitude to taking on and dealing with debt has also been the subject of a number of TV and radio programmes. KRUK has also authored the "Dobry Plan" ("Good Plan") campaign, as part of which indebted persons could share their experiences and ways to getting out of debt.

6.2.3 "Day without Debts" and "Our Debts"

The initiative is to remind people living in the countries where the Group operates that they should not put off solving problems related to debt repayment. "Day without Debt" is held annually on November 17th in Poland and Romania and on November 15th in the Czech Republic and Slovakia. As part of the "Our Debts" campaign, a dedicated website was launched by the Group with tips and advice for those facing problems with debt repayment (www.naszedlugi.pl). The site contains advice for debtors, explains how to borrow responsibly, and presents the findings of research into the issue 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, while showing where to find extra money to pay off debts.

6.2.4 Active support for voluntary blood donation

For several years now, the Group has partnered with the Regional Centre for Blood Donation and Haemotherapy (RCKiK) in Wrocław and Wałbrzych. In partnership with those institutions, KRUK organises regular blood donor sessions among its employees. KRUK also supports public blood donor sessions coordinated by the Centre, such as “Wrocławska akcja KREW” (“Wrocław’s BLOOD Campaign”). For the past two years, the Company has also supported the “Wampiriada” (“Vampire Feast”) Student Association.

6.2.5 Organisation of free first aid courses for employees

KRUK regularly provides its staff with first aid training. Practical training courses are regularly held along with demonstrations of modern emergency medical rescue and first aid techniques. In this way, the KRUK Group employees have 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, a few dozen participants have undergone a two-day training course followed by an exam, and received a certificate confirming completion of the course.

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

At its offices in Wrocław and Szczawno-Zdrój, KRUK has placed three defibrillators, which can save life before an ambulance arrives. Our employees have been trained in how to use 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.

6.2.7 Encouraging and supporting employees to engage in charitable work

Employees of the KRUK Group, including the Company’s employees, have also been undertaking charitable activities on their own. The Company supports its employees in organising and technically implementing such projects.

In H1 2013, the Group also decided to deepen its involvement in CSR activities, becoming the main sponsor of “Bieg Firmowy” (“Corporate Run”), a 4 x 4 km relay race. Income from the event was donated to finance a surgery of a young girl named Alicja.

6.2.8 “Diversity Charter”

In 2013, KRUK joined the signatories of the Diversity Charter, an international initiative promoted by the European Commission and implemented in EU countries including Poland, France, Spain, Italy, Austria, Germany, Sweden, Belgium, Ireland, Finland, Estonia and Luxembourg. The Diversity Charter is a written commitment by an organisation to ban discrimination in the workplace and work towards creating and fostering diversity. It also expresses a company’s willingness to involve all its employees and social partners in these activities. By implementing this tool, an organisation commits to work towards social cohesion and equality.

6.3 Awards and distinctions

As an undisputed leader of the debt management market, the KRUK Group is obliged to constantly improve the quality of its processes and client service, in particular with respect to debtors. The effects of those efforts have been noted by independent award panels, as evidenced by a number of awards and distinctions received by the Company. In 2013, KRUK was awarded the following distinctions

- Second place in the European Small and Mid-Cap Awards 2013 competition, in the Most Internationally Minded Newcomer category. This award is held on the initiative of the European Commission, leading European stock exchanges and European Issuers to encourage small and medium-sized companies to enter capital markets through IPOs.
- The White List – Gold Certificate A certificate awarded in recognition of the Company’s inclusion in the Wrocław Commercial Chamber’s White List for eight years.
- Dynamic Company 2013 A distinction awarded by Bisnode Polska to the most dynamic business on the Polish market.
- Business Sharks 2013 A distinction awarded by the “Rynek Kapitałowy” economic magazine for leading the market and setting directions in the ocean of business.
- KRUK S.A.’s President, Mr Piotr Krupa, was ranked among the 25 best managers in finance. A distinction in the ranking put together by the “Home & Market” economic magazine, awarded in recognition of continuous efforts to observe ethical norms, values and standards relevant to the debt management sector.

6.4 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
CAGR	Cumulative Average Growth Rate
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	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK Česká a Slovenská republika	KRUK Česká a Slovenská republika s.r.o. of Prague, the Czech Republic
KRUK Romania	KRUK Romania s.r.l of Bucharest, Romania
KRUK TFI S.A.	KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław
ERIF Bussines Solutions	ERIF Business Solutions Sp. z o.o. of Wrocław
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
Polski Rynek Długów; PRD Sp. z o.o.	Polski Rynek Długów sp. z o.o. of Wrocław
UOKiK President	President of the Office of Competition and Consumer Protection
Incentive Scheme	An incentive scheme for 2011–2014 implemented by the Company for the Management Board members, except for the President of the Management Board, selected employees of the Company and selected members of the 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 (Prokura Non-standard securitisation closed-end investment fund)
Prokulus NS FIZ	Prokulus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokulus Non-standard securitisation closed-end investment fund)
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
ROE	Return on Equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	The Romanian leu; the lawful currency in Romania
Regulation on current and periodic information	The Polish 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 Polish 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 S.à.r.l. 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 2013, prepared in accordance with the IFRS
The Company; KRUK;	Jednostki zależne Spółki w rozumieniu Ustawy o Rachunkowości oraz Kancelaria Prawna RAVEN
the Issuer	KRUK S.A. of Wrocław
Subsidiaries	The Company's subsidiaries, as defined in the Polish 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	The Polish 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

SIGNATURES OF MANAGEMENT BOARD MEMBERS

The KRUK Group Directors' Report 2013 is submitted by the Company's Management Board composed of:

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

Wrocław, 03.03.2014

Your finances in good shape

KRUK Group

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