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THIS MARKETING DOCUMENT IS ONLY AN ENGLISH TRANSLATION OF THE POLISH PROSPECTUS OF KRUK S.A. WHICH WAS APPROVED BY THE POLISH FINANCIAL SUPERVISION COMMISSION ON 6 APRIL 2011 AND WHICH IS THE ONLY LEGALLY BINDING DOCUMENT PROVIDING INFORMATION ON THE COMPANY, THE OFFERING AND THE OFFER SHARES FOR THE PURPOSES OF THE OFFERING. ON PAGE 1, 88, 91 AND 204 OF THIS MARKETING DOCUMENT AMENDMENTS TO ORIGINAL VERSION WERE INTRODUCED. TO THE EXTENT PERMITTED BY LAW, THE COMPANY, THE SELLING SHAREHOLDER, THE JOINT BOOKRUNNERS AND THEIR ADVISERS IN CONNECTION WITH THE OFFERING DO NOT AND WILL NOT BEAR ANY LIABILITY TOWARDS ANYONE FOR THIS TRANSLATION.



KRUK S.A.

(joint-stock company with registered office at ul. Legnicka 56, Wrocław, Poland, entered in the register of entrepreneurs of the National Court Register under No. 0000240829)

Public offering of 1 to 1,100,000 Series D ordinary shares and 3,300,000 to 8,200,000 Series AA ordinary shares with a par value of PLN 1 per share and seeking of admission and introduction to trading of up to 15,800,340 Series A, AA, B and C ordinary shares, 1 to 1,100,000 Series D ordinary shares, and up to 1,100,000 allotment certificates for Series D shares to trading on the regulated market of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)

This Prospectus is the basis for the public offering in the territory of Poland of up to 9,300,000 ordinary shares ("the Offer Shares") in Kruk S.A. of Wrocław ("the Company"), with a par value of PLN 1 per share, including: from 1 to 1,100,000 Series D shares ("the New Shares") as well as not fewer than 3,300,000 and not more than 8,200,000 Series AA shares ("the Sale Shares") offered by Polish Enterprise Fund IV LP, with registered office at 1209 Orange Street, Wilmington, County of New Castle, State of Delaware, USA ("the Selling Shareholder") ("the Offering").

This Prospectus has also been prepared in connection with the Company seeking admission of 2,692,220 Series A shares, 11,366,600 Series AA shares, 1,250,000 Series B shares, 491,520 Series C shares, from 1 to 1,100,000 Series D shares, and up to 1,100,000 allotment certificates for new Series D shares ("the Allotment Certificates") to trading on a regulated market.

The Offer Shares are offered in the territory of the Republic of Poland by way of a public offering. In addition, as part of the Offering certain limited promotional activities may be carried out to distribute information on the Offering exclusively to selected qualified institutional buyers outside the United States of America (excluding Poland) in accordance with Regulation S issued under the U.S. Securities Act. Such limited promotional activities shall be conducted, in each case in compliance with the applicable laws of each relevant jurisdiction, on the basis of a marketing document which is a translation of this Prospectus into the English language and which shall not be subject to approval by the PFSA or any other regulator under any jurisdiction. This Prospectus shall not be subject to approval by any regulator other than the PFSA, nor shall it be registered or notified with any regulator in a country other than Poland.

The Offer Shares shall be offered in the Retail Offering and the Institutional Offering. It is the intention of the Company and the Selling Shareholder that approximately 80% of the Offer Shares should be allotted in the Institutional Offering and that in the Retail Offering only one type of shares, i.e. only the New Shares or only the Sale Shares should be allotted. For detailed information on the subdivision of the Offer Shares into the Retail Offering and the Institutional Offering see section "Terms and conditions of the Offering".

The New Shares shall be allotted in the first place, which means that the Sale Shares shall be allotted by the Selling Shareholder only if all New Shares have been subscribed for under the Offering.

For information on the subscription period for the Offer Shares see section "Terms and conditions of the Offering".

The issue price of the New Shares shall be equal to the Selling Price of the Sale Shares ("the Share Price"). To determine the Sale Price, the Company and the Selling Shareholder plan to carry out, in cooperation with the Offeror and the Joint Bookrunners, a bookbuilding process among selected Institutional Investors. For detailed information on the Share Price determination process see section "Terms and conditions of the Offering".

Information on the results of the Offering shall be published in a current report within two weeks from the closing of subscription and sale of the Offer Shares. To the extent required under applicable laws, information that the issue of the Offer Shares has not been successful shall be published in a supplement pursuant to Art. 51 of the Act on Public Offering and in a current report.

As at the Prospectus Date neither the Offeror nor the Joint Bookrunners plan to take any action to stabilise the stock exchange price of the Shares. As at the Prospectus Date, neither the Offeror nor the Joint Bookrunners act as underwriters for the issue of the Offer Shares.

It is the intention of the Company and the Selling Shareholder that the Company Shares, including the Offer Shares, should be admitted and introduced to trading on the regulated market operated by the Warsaw Stock Exchange after the Offer Shares are converted into book-entry form by Krajowy Depozyt Papierów Wartościowych S.A. (the Polish Depository for Securities).

THE PUBLIC OFFERING SHALL BE CARRIED OUT ONLY IN THE TERRITORY OF THE REPUBLIC OF POLAND. OUTSIDE THE REPUBLIC OF POLAND, THIS PROSPECTUS MAY NOT BE TREATED AS A PROPOSAL TO ACQUIRE OR OFFER TO SELL ANY SECURITIES OF THE ISSUER. NEITHER THIS PROSPECTUS NOR THE SECURITIES OFFERED UNDER BY THIS PROSPECTUS HAVE BEEN REGISTERED, APPROVED OR NOTIFIED IN ANY COUNTRY OTHER THAN THE REPUBLIC OF POLAND, IN PARTICULAR UNDER ANY REGULATIONS IMPLEMENTING THE PROSPECTUS DIRECTIVE IN A GIVEN MEMBER STATE OR UNDER THE U.S. SECURITIES ACT.

THE SECURITIES OFFERED UNDER THIS PROSPECTUS MAY NOT BE OFFERED OR SOLD OUTSIDE THE REPUBLIC OF POLAND UNLESS SUCH AN OFFER OR SALE MAY BE CARRIED OUT IN A GIVEN COUNTRY LAWFULLY WITHOUT THE NEED TO FULFIL ANY ADDITIONAL LEGAL REQUIREMENTS. EACH INVESTOR DOMICILED OR HAVING THEIR REGISTERED OFFICE OUTSIDE THE TERRITORY OF POLAND, WHO INTENDS TO PARTICIPATE IN THE PUBLIC OFFERING, SHOULD FAMILIARISE THEMSELVES WITH THE PROVISIONS OF POLISH LAW AS WELL AS THE LAWS OF ANY OTHER COUNTRY WHICH MIGHT APPLY TO THE INVESTOR IN THAT RESPECT. FOR INFORMATION ON CERTAIN RESTRICTIONS ON THE TRANSFERRABILITY OF THE OFFER SHARES SEE SECTION "LIMITATIONS ON ACQUISITION OF THE OFFER SHARES".

NEITHER THE OFFER SHARES NOR ANY OTHER SECURITIES COVERED BY THIS PROSPECTUS HAVE BEEN OR SHALL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED. THIS OFFERING IS CARRIED OUT EXCLUSIVELY OUTSIDE THE TERRITORY OF THE UNITED STATES OF AMERICA UNDER REGULATION S AND IS ADDRESSED TO NON-US PERSONS (AS DEFINED IN REGULATION S).

Investing in the securities offered under this Prospectus involves risks typical of capital market instruments and risks related to the business of the Kruk Group and the environment in which the Group operates. A detailed discussion of the risk factors which investors should consider prior to making an investment decision is provided in section "Risk factors".

Offeror, Joint Bookrunners



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The Polish Financial Supervision Authority approved this Prospectus on [•] 2011.

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SUMMARY

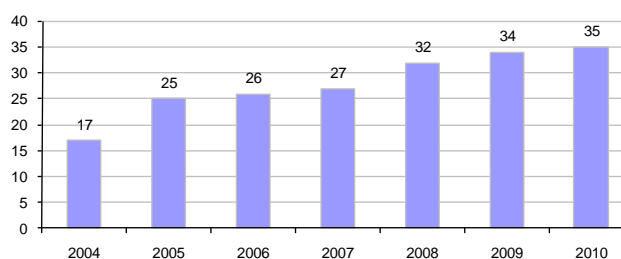
This summary should be read only as an introduction to this Prospectus – it contains information included elsewhere in this Prospectus. It is expressly pointed out that this summary is not exhaustive and does not contain all information which is of importance to prospective investors making a decision to invest in the Offer Shares, therefore any decision to invest in the Offer Shares should always be based on consideration of the entire Prospectus. Prospective investors should read thoroughly this Prospectus, including in particular section "Risk factors", any supplements and update announcements to this Prospectus required under applicable laws, as well as the Consolidated Financial Statements and other financial information and related notes, before making any decision with respect to investing in the Offer Shares. The Company shall not be held liable for any losses incurred in connection with this summary (including the summary of financial and operating information) or its translation, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State, the prospective investor may be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. Persons who have prepared this summary (or its translation) shall be liable for losses only to the extent that this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Summary of the Group's operations

The KRUK Group is a leader of the Polish and Romanian credit management markets, with many years' experience and expertise in comprehensive high-volume credit management. The Group's comprehensive offering includes a broad range of debt collection services and is constantly enhanced with innovative debt collection methods and tools. The Group's leading position on the Polish market is reflected in the ranking of debt collection companies published periodically by the *Rzeczpospolita* daily, in which the Group has consistently held the No. 1 position for many years. The data on the Group's leading position on the Romanian market was estimated by KRUK S.A..

The Group's business model relies on two operational segments: credit management services and debt purchase. The Group processes debts from all market segments (banks, loan brokers, insurers, leasing companies, landline and mobile operators, cable TV operators, digital TV operators, FMCG and B2B sectors), while it focuses on the fastest-developing financial services markets and the consumer debt segment in particular. Banks represent the primary client category for the Group. As at the end of 2010, the Group was cooperating with 35 financial groups in Poland (banks and loan brokers).

Figure. Number of Polish financial groups cooperating with the Group



Source: the Company.

Since 2003, the Group has worked with 8 out of the 10 largest financial institutions in Poland. The values presented below reflect the frequency of the Group's cooperation with the biggest banks in Poland from 2007–2010.

	Number of banks out of the top 10 biggest banks in Poland	Frequency-of-cooperation ratio (%)			
		2007	2008	2009	2010
2003	3	100	97	100	100
2004	2	95	92	96	100
2005+	3	75	83	94	82
Total	8	92	91	97	93

Source: the Company. The frequency-of-cooperation ratio was calculated as the ratio of the number of months in which a given bank transferred debt portfolios for collection to the number of calendar months.

The Group has been building its credit management expertise since 1998. Rapid growth and the consistent development of its comprehensive offering have made the Group the domestic market leader. In 2007, the Group launched its operations in Romania and has grown to be the market leader there over the last three years. The Group is a long-standing partner of 5 out of 10 of Romania's largest banks. The combined headcount of all companies in KRUK Group, as at the Prospectus Date, is c. 1,200. The Group includes a credit information agency (ERIF) – one of Poland's three active credit information agencies as at the Prospectus Date.

As at end 2010, the Group had approximately 4,230 clients in Poland and Romania, including about 250 clients from the B2C sector.

As at end 2010, the Group handling 1.8 million debt cases, whose nominal value totalled PLN 11.2bn (cf. 1.1 million cases with nominal value of PLN 4.7bn as at end 2007). These comprised debts whose collection was outsourced, or which were purchased by the Group in 2010 and earlier. Between 2008 and 2010, the Group accepted for collection cases with a total nominal value of nearly PLN 13.8bn (PLN 3.1bn in 2008, PLN 4.8bn in 2009 and PLN 5.9bn in 2010).

KRUK Group boasts very strong financial performance. In 2010, it reported revenues of PLN 164.3m, operating profit of PLN 42.6m and net profit of PLN 36.1m. As compared with 2008, the Group recorded a 58% increase in revenues (CAGR of 26%), a 72% increase in operating profit (CAGR of 31%) and a 116% increase in net profit (which translates into CAGR of 47%).

The Group has managed to maintain this high pace of growth over the years thanks to its expertise and many years' experience, coupled with consistent development, launch of innovative services and the debt collection sector's inherent properties, such as high level of resilience to economic cycles.

Structure of markets in which the Group operates

The key segmentation criterion for the debt collection market is the type of debt. Based on this criterion, the market can be broken down into two segments, namely:

- 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;
- commercial debt market (B2B sector), comprising outstanding debts of businesses owed to other businesses (including banks), primarily resulting from unpaid invoices and outstanding financial liabilities towards banks;

The following market segments can be distinguished on the basis of business models adopted by the companies operating on the debt collection market:

- credit management services;
- debt purchase.

The primary market where KRUK Group operates is the market of consumer debt to banks in Poland and Romania.

Competitive advantages

Comprehensive and innovative service offering

The business model implemented by KRUK Group relies on the Group's strong presence in two key market segments: credit management services and debt purchase. The Group is specialised in collecting bank receivables, which account for the largest share of the consumer debt collection market. In addition, the Group has accumulated vast market experience over its 12 years' presence in the sector and has attained the position of market leader.

The Group has a very extensive range of services on offer, from loss prevention to services at all stages of amicable collection, or litigation, including hybrid services, which combine selected debt collection services and tools, enabling the Company to cater to specific clients and adjust to specific debt profiles. Debt collection tools are selected on a case-by-case basis, to be aligned with the selected debt collection method and the debtor's profile. A useful addition to the Group's offering are legal services by Kancelaria Prawna RAVEN and credit information services provided by ERIF. The Company believes that innovation is a key driver of the Group's future growth. For many years, KRUK Group has been expanding and improving its offering by adding new innovative solutions.

Advanced debt collection tools

KRUK applies new information technologies for efficient and effective high-volume debt collection at all stages of the process:

- *Delfin* debt collection system, which is scalable to suit client needs and the collection process, and which facilitates process management at all stages and generates various kinds of reports.
- Capacity to process high-volume deals thanks to *Delfin*'s ability to interface with the IT systems of the institutions which outsource debt collection.
- State-of-the-art contact centre integrated with the *Delfin* system, which is one of Poland's most advanced call centre solutions, accommodating 278 workstations and facilitating smooth call support. The high level of automation and a number of functions developed specifically for debt collection operations enables the Company to make 2.4 million calls annually and send 5.1 million text and voice messages to debtors (data for 2010). The Group also operates a contact centre with 101 workstations in Romania.
- Team of qualified field negotiators nationwide.
- A back-up centre in Szczawno-Zdrój, ca. 70 kilometres from the Company's head office, providing immediate support and able to take over work processed from Wrocław in an emergency, thus ensuring continuity of debt collection processes.
- High-capacity Print House printing facility – an advanced data processing system enabling high-volume generation of personalised payment reminders (up to 70,000 letters daily).
- e-KRUK website integrated with *Delfin*, where debtors can e.g. check their debt status, make payments, or enter into settlement agreements online.

Group's law firm

One of the KRUK Group companies is Kancelaria Prawna RAVEN, a law firm providing comprehensive services supporting litigation and enforcement procedures as part of collection processes. The firm employs 133 people and exclusively supports the Group's operations. Kancelaria Prawna RAVEN deals with both consumer and corporate cases. It has many years' experience of dealing with high-balance corporate debt cases, also involving security-backed obligations.

Since 2008, the Group has been more active in terms of litigation and other debt collection actions before the courts, carried out by Kancelaria Prawna RAVEN, which has generated a nearly seven-fold increase in the number of cases processed by Kancelaria Prawna RAVEN in 2010 as compared with 2007 and the value of recovered payments went up 8.5 times.

The 2010 introduction of the EPU simplified procedure (*postępowanie upominawcze*) further improved the effectiveness of Kancelaria Prawna RAVEN's operations, contributing to a drop in the unit cost of court proceedings, streamlining the administrative procedure and cutting the duration of the procedure by one-third. In 2010, Kancelaria Prawna RAVEN filed 55.8 thousand cases with courts based on the simplified procedure.

Kancelaria Prawna RAVEN's revenue on a standalone basis amounted to PLN 8.7m in 2008 and to PLN 8.2m in 2009. In 2010, the revenue grew to PLN 11.2m. Pre-tax profit in the period totalled PLN 3.9m in 2008, PLN 1.6m in 2009, rising to PLN 2.1m in 2010.

Credit information agency

Since 2007, KRUK Group has also operated a credit information agency, active in the area of loss prevention and supporting debt collection activities. The agency collects both negative and positive consumer and corporate credit histories. ERIF's Debtor Register is a business information exchange system, governed by the Act on Availability of Business Information. It is one of Poland's three active credit information agencies. Under the Act, secondary creditors, including KRUK Group, can submit details about debtors to credit information agencies. As a result, ERIF's database grew from 106 thousand records in 2008 and 142 thousand records in 2009 to 515 thousand records in 2010 and will continue to expand due to the Group's more intense purchases of debt portfolios. As at end March 2011, ERIF's Debtor Register contained 577 thousand debt cases with a total value of nearly PLN 2.5bn, while the number of debtors stood at 548 thousand and the average value per case was PLN 4,200. The credit information agency's services are used in the process of disciplining debtors as part of debt collection activities. In 2010, records in ERIF's Debtor Register database enabled the Group to sign debt settlement agreements totalling PLN 26m for cases where no previous recoveries had been made. In addition, ERIF's Debtor Register is increasingly widely used by third parties, which also submit their records. The business model adopted by ERIF is subscription fee-based for clients from the consumer finance and B2B segments. Total revenue generated by the service offered by ERIF totalled, on a standalone basis, c. PLN 2.3m in 2010.

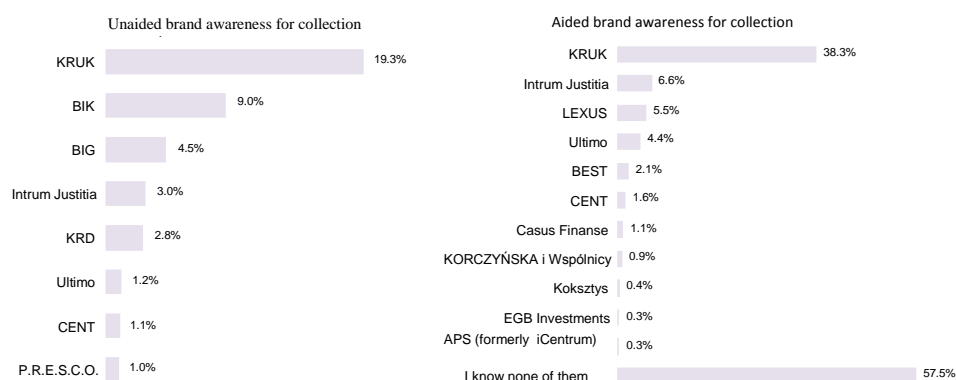
Licensed detectives

Another competitive advantage of the Group over other players in the sector is its listing as a detective services provider in the regulated activity register maintained by the Ministry of Internal Affairs and Administration. Licensed detectives employed by KRUK Group improve the effectiveness of debt collection processes.

Large-scale implementation of the amicable settlement strategy

Since mid-2008, the Group has consistently pursued a strategy to enter into debt settlement agreements with debtors. Under the strategy, the debtor is perceived as a consumer who is unable to pay his or her debts for reasons beyond his or her control and who acknowledges that obligations, once incurred, need to be settled. As a result, the Group gears its debt collection activities to obtaining the optimum solution, considering the debtor's current financial capacity (e.g. via installment-based repayment). The effect of the strategy is the improved effectiveness of the collection efforts and more regular payments made by debtors. The Company estimates that the likelihood of repayment after signing a settlement agreement grows to about 70%–80% compared with 40%–50% in the case of the traditional strategy. Since the launch of the amicable settlement strategy for debt collection, KRUK Group has signed 178,000 settlement agreements with debtors, including 25,000 agreements concerning cases purchased in 2010. Implementation of the strategy was supported by a media campaign targeted at debtors, which enhanced the Group's positive image and made it the debt collection company with the highest recognition in Poland. In 2010, over 57% of the repayments received by the Group were made under debt settlement agreements.

Presented below are the results of a survey of debt collection companies and their perception, conducted by TNS Pentor S.A. research centre in December 2010.



Source: Debt collection companies, awareness and perception survey, PENTOR Research International, December 2010. Unaided awareness results include companies named without the interviewer's prompt. Aided awareness listing includes companies indicated after the interviewer had read out their names.

Debt portfolio valuation experience

The Group's market presence dates back to 1998. Since then the Group has purchased more than 140 and valued over 800 debt portfolios. Historical recovery data about debt portfolios purchased by the Group and debt recovery statistics for credit management activities (database for valuation of potential debt portfolios to be purchased) equip the Company with expert know-how on debt portfolio valuation, purchase and servicing. Relevant experience in debt portfolio valuation is a critical success factor in the debt purchase segment.

Combination of credit management and debt purchase activities

The business model which combines credit management and debt purchase activities generates synergies, as the experience gained as part of credit management facilitates valuation of debt portfolios the Group intends to purchase. The Group uses statistical data obtained in the credit management processes to value debt portfolios sold in auctions.

Scale of operations: operational capacity to absorb business and access to capital

The large scale of KRUK Group's operations gives it a vital competitive advantage. On the one hand, the Group has the operational capacity to absorb quickly large debt portfolios for collection, thus demonstrating potential for high-volume support of large debt portfolios across Poland. On the other hand, the size of its business enables the Group to secure sufficient external funding at a competitive cost, to invest in debt purchases. The scale of its operations enables the Group to incur substantial capital expenditures on the development of its IT systems and statistical analysis department, which significantly improves the effectiveness of debt collection operations.

Highly qualified staff

Highly qualified staff represents one of the key success factors for KRUK Group. The Group employs experts with broad debt collection process experience. Many of the Company's managers have previous experience of working for banks, financial brokerage firms, telecoms, and large distribution companies. As at the end of 2010, some 60% of the staff were university graduates. The Company also has a team of 42 software developers.

The Company's professional risk management team performs a central role in analysing and valuing purchased debt and in analysing the effectiveness of debt collection operations.

Since highly-qualified staff is such a vital asset of the Group, the Company makes an effort to ensure development of its team and to offer optimum terms of employment. It operates an extensive internal training system, designed inter alia to improve debt collection staff's skills in negotiation techniques, legal issues, psychology and sociology. Staff members are also covered by an incentive scheme described in section "The Group's business" – "Employees".

Experienced managers

Members of the KRUK Group's Management Board and other key personnel of KRUK Group include dozens of experts in areas such as sales, high-volume process management, finance, debt valuation, human resources management, legal support, IT and public relations. The stability of the Group's management team (low turnover rate) and the broad know-how developed over years of working for the Group represent an important competitive advantage. As at the Prospectus Date, 36 people from the management team were Company shareholders. Piotr Krupa, President of KRUK's Management Board since 2003, is a co-founder and significant shareholder of the Company.

The Group currently has an incentive scheme in place, described in the section *The Group's business* - "Employees".

Strategy

The key strategic development goals of the Company for 2011-2014 are as follows:

- Maintain the leading position in Poland in both credit management and debt purchase market segments;
- Participate in the market growth, expected mainly in the segment of purchasing and collection of debt portfolios;
- Expand into foreign markets;
- Develop new products.

Presented below is an outline of the Group's strategic objectives along with a description of the steps to be taken to implement the main objectives of the strategic plan for 2011-2014.

Maintaining the leadership of the debt collection market in Poland

The Group intends to hold on to its position as leader of the Polish debt collection market by focusing on its most attractive segment, i.e. collection of retail debt owed to banks, 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 by undertaking the following measures:

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

- Improvement of cost efficiency, including supporting the work of collection personnel via the development of IT systems;
- Further development of statistical analysis skills;
- Use of ERIF's Debtor Register database to improve the effectiveness of collection efforts;
- Continuous and systematic enhancement of operating methods and implementation of best practices as an element of collection process management.

Increasing competitive advantages in debt collection services through:

- Strengthening 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 collection of corporate debt

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

Participation in the market growth, expected mainly with respect to purchasing and collection of debt portfolios

The Company expects that the credit management market in Poland will grow significantly and plans to at least maintain its current share in the debt purchase segment through ongoing improvement of collection processes, and:

- Further development of debt portfolio valuation skills;
- Increasing access to debt financing by expanding cooperation with banks and investors purchasing bonds and obtaining the status of a public company;
- Reinvestment of profits in debt portfolios purchased for the Group's own account.

The Group's development strategy provides for achieving a market share in the segment of retail debt purchases at a level approximate to that achieved in 2007 and 2008.

Selective foreign expansion

The Group plans to participate actively in the development of collection services in Central and Eastern Europe, including through expansion into the Hungarian and Czech 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 are as follows:

- Maintain the leading position on the Romanian market;
- Enter new markets through a start-up business or acquisitions;
- Replicate the tried-and-tested business model in selected new markets.

The Group plans to enter the Czech and Hungarian markets within the next two years. One of the potential ways of entering the markets is via acquisitions. The Group aims to become a leading player on both markets, both in credit management services and debt purchase.

Development of new products

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

Continuation of the Pożyczka Novum (Novum Loan) project

The Company intends to use its database of debtors' credit history for the purposes of the *Pożyczka Novum* cash loan project. The loan is addressed to people excluded from the banking market. As at the Prospectus Date, the Group had 800 thousand retail debtor cases, including 247 thousand cases purchased in 2010.

Continued development of the resources of ERIF

ERIF, operating as a credit information agency within the Group, provides significant support for the Group's collection activities. The Group's ambition is to create Poland's largest database of debtors, both consumers and businesses, as a platform for business information trading. In 2011, the Group plans to expand the sales of ERIF's services to clients from the segment of small and medium-sized enterprises.

The Group's structure

As at the Prospectus Date, the Group comprised the Company and seven companies directly controlled by the Company (Subsidiaries), as well as two companies controlled indirectly (Non-Standard Closed-End Securitization Investment Funds). The Group companies provide comprehensive credit management and debt trading services.

Company's major shareholders

Major shareholders as at the Prospectus Date were as follows:

- the Selling Shareholder, holding 12,396,550 Existing Shares, (including 11,366,600 Series AA shares and 1,029,950 Series B shares of the Company), accounting for 78.5% of the Company's share capital and carrying the right to 78.5% of the total vote at the General Shareholders Meeting; and
- Piotr Krupa, the President of the Management Board, holding 2,655,790 Existing Shares, (including 2,435,740 Series A shares and 220,050 Series B shares of the Company), accounting for 16.8% of the Company's share capital and carrying the right to 16.8% of the total vote at the General Shareholders Meeting.

Summary of risk factors

Investing in the securities offered under this Prospectus involves certain risks. If any of the risks materialises, it may have a material adverse effect on the operations, financial standing or performance of the Group, or on the value of the Shares. An overview of the risks related to the Group's business, economic and regulatory risks and the risks related to the Offering is provided in section "Risk factors".

Risks related to the Group's business

- Risk of failure to achieve the Group's strategic objectives;
- Risk of error in estimating the fair value of acquired debt portfolios;
- Operational risk related to the Group's business;
- Debt risk;
- Risk of losing experienced management staff;
- Risk of IT systems' failure;
- Risk connected with related party transactions;
- Credit risk;
- Risk of negative PR in relation to the Group;
- Risk that the Selling Shareholder may make decisions which would be in conflict with the best interests of the Company or of the other shareholders;
- Risks related to issue objectives.

Economic and regulatory risks

- Risk related to macroeconomic conditions prevalent on the Group's markets;
- Risk of reduced propensity to outsource debt collection or sell debt;
- Risk related to competition;
- Risk of the current macroeconomic conditions affecting availability of debt financing;
- Interest rate risk;
- Currency risk;
- Risk related to a possible reduction of statutory interest rates;
- Risk of the Group's activities, in particular towards natural-person debtors, being found to infringe on collective consumer interests;
- Risk of failure to obtain the consent from the UOKIK President, or another competent competition protection authority, to acquire entities whose acquisition is contemplated by the Group and risk of financial penalties being imposed on the Group, or of the Group's operations being otherwise limited following any breach of competition and consumer protection laws;
- Risk related to extensive personal data processing by the Group;
- Risk of non-payment of dividend or interim dividend by the Group;
- Risk of the Group's failure to meet certain regulatory requirements pertaining to regulated activities;
- Risk related to unclear interpretations of laws applicable to the Group's business, including Polish, Luxembourgian, or Romanian laws, or amendments to such laws;
- Risk related to unclear interpretation of tax laws or amendments to tax laws;
- Risk of negative effect of litigation or out-of-court proceedings on the Group's operations, financial standing or performance.

Risks related to the Offering

- Risk of the Public Offering being suspended, cancelled, or unsuccessful;

- Risk that the trading price of the Shares may drop as a result of actual or expected issue of shares by the Company or sale of the Shares by shareholders bound by agreements restricting issuance and transferability of shares (lock-up agreements) after the Offering;
- Risk that investors may subscribe for a number of New Shares lower than the number determined by the Supervisory Board under the authorisation provided for in the Issue Resolution;
- Risk that the Shares and the Allotment Certificates will not be admitted to trading on the stock exchange;
- Risk related to the admission and introduction of the Shares and the Allotment Certificates to trading on a regulated market;
- Risk of non-admission or delayed admission of the Allotment Certificates to trading;
- Risk of delayed introduction of the Shares to trading;
- Risk related to the registration of the New Shares and listing of the Allotment Certificates;
- Risk that the admission to trading or first-time listing may be withheld, trading may be suspended, and the securities may be delisted;
- Risk of suspension of trading in and/or delisting of the Shares and/or the Allotment Certificates;
- Risk of a breach of laws in relation to the Public Offering;
- Risk of a breach of laws in relation to the promotional campaign;
- Risk of fluctuations in share prices;
- Risk related to changes in the schedule of the Offering or an unexpected delay in the execution of the Offering in relation to the schedule;
- Risk of high reduction in subscription orders in the Retail Offering;
- Risk related to a refusal by the PFSA to approve a supplement to this Prospectus.

Summary of the terms and conditions, and schedule of the Offering

This summary of the terms and conditions, and schedule of the Offering presents selected information on the Offering and Offer Shares. The information included in this summary is not exhaustive and should always be read in the context of more detailed information included in other sections of this Prospectus, including in particular section “Terms and conditions of the Offering”.

Company	KRUK S.A. of Wrocław, Poland
Offer Shares	Up to 9,300,000 Company shares offered under the Offering, with a par value of PLN 1, including: from 1 to 1,100,000 New Shares, and no fewer than 3,300,000 and no more than 8,200,000 Sale Shares.
Offering	<p>The public offering of the Offer Shares conducted under this Prospectus in the territory of the Republic of Poland. The Offer Shares are offered in the territory of the Republic of Poland by way of a public offering. In addition, as part of the Offering certain activities may be carried out to distribute information on the Offering to selected institutional buyers outside the United States of America (excluding Poland) in accordance with Regulation S issued under the U.S. Securities Act. Such limited promotional activities shall be conducted, in each case in compliance with the applicable laws of each relevant jurisdiction, on the basis of a marketing document which is a translation of this Prospectus into the English language and which shall not be subject to approval by the PFSA or any other regulator under any jurisdiction.</p> <p>This Prospectus shall not be subject to approval by any regulator other than the PFSA, nor shall it be registered or notified with any regulator in a country other than Poland.</p> <p>The offering is addressed to Retail Investors and Institutional Investors.</p>

Envisaged schedule of the Offering

<u>April 7th 2011</u>	Opening of the Public Offering (publication of this Prospectus)
<u>April 13th 2011</u>	Publication of the Maximum Price
<u>April 14th–18th 2011</u>	Subscription for the Offer Shares under the Retail Offering
<u>April 7th–18th, on 18th until 3:00 pm (CET)</u>	Bookbuilding among Institutional Investors
<u>By 8:00 am on April 19th 2011</u>	Publication of information on the Share Price, the final number of the Offer Shares, and the final number and type of the Offer Shares under the Institutional and Retail Offering
<u>April 19th-21st 2011</u>	Acceptance of subscription orders for the Offer Shares under the Institutional Offering
<u>April 22nd 2011</u>	In the event that any Offer Shares under the Institutional Offering have not been subscribed for or in the event that any Offer Shares are transferred from the Retail Offering to the Institutional Offering in accordance with this Prospectus – possible sending by the Company or the Selling Shareholder of invitations to Institutional Investors to place subscription orders, and receiving subscriptions for the Offer Shares in response to such invitations.

By April 26th 2011

Allotment of the Offer Shares under the Retail Offering and the Institutional Offering

On or about May 5th 2011

First listing of the Existing Shares and the Allotment Certificates on the WSE regulated market.

This schedule is subject to change. Certain events envisaged in the schedule are beyond the Company's control. The Company and Selling Shareholder, acting in consultation with the Offeror and the Joint Bookrunners, reserves the right to change the above schedule of the Offering. Information on any change in individual dates of the Offering shall be published in the form of an update announcement, in accordance with Art. 52 of the Act on Public Offering, in the same manner as this Prospectus.

Maximum Price

The Maximum Price shall be determined jointly by the Company and the Selling Shareholder on the basis of a recommendation from the Offeror and the Joint Bookrunners, and shall be published in a Supplement hereto in the same manner as this Prospectus, prior to the commencement of accepting subscription orders in the Retail Offering.

Share Price

The price of the Offer Shares shall be determined jointly by the Company and the Selling Shareholder, on the basis of a recommendation from the Offeror and the Joint Bookrunners, and shall not be higher than the Maximum Price. The price shall be determined prior to the commencement of subscription under the Institutional Offering. The price of the Offer Shares shall be the same for the Institutional and Retail Offerings.

Information on the Issue Price for Retail Investors and Institutional Investors shall be communicated by the Company to the public in accordance with Art. 54.3 of the Act on Public Offering.

Voting rights

Each Offer Share shall confer the right to one vote at the General Shareholders Meeting.

Right to dividend

Each Offer Share shall confer the right to dividend, starting from the dividend for 2010. The Company Shares carry no preference in terms of the right to dividend.

Offeror

Dom Inwestycyjny BRE Banku S.A.

Joint Bookrunners

The Offeror, Dom Maklerski BZWBK S.A. of Poznań, and Wood & Company Financial Services, A.S. S.A., Spółka Akcyjna, Polish Branch, of Warsaw

Lock-up arrangements*The Company*

On or before the publication date of this Prospectus (including that day), the Company intends to make an undertaking to the Offeror and the Joint Bookrunners, concerning restriction on issuance and transferability of the Company shares, as customarily undertaken by the issuers in transactions similar to the Offering (lock-up agreement). In the lock-up agreement, the Company intends to undertake to the Offeror and the Joint Bookrunners that without the Offeror's prior written consent (which must not be unreasonably withheld by the Offeror), over the period of 180 days from the allotment of the Company shares under the Offering, the Company will not issue, offer, sell, agree to sell, encumber or otherwise dispose of (and will not announce an issue, offer, sale or disposal of) any of the Company shares, financial instruments convertible into or exchangeable for the

Company shares, warrants or other rights to acquire the Company shares, any other financial instruments or products whose value is determined, whether directly or indirectly, by reference to the price of the underlying financial instruments, including swaps, forwards and options, except where (a) the Company issues shares in connection with the exercise of rights under an option or warrant, or conversion of a financial instrument into the Company shares, where such option, warrant or conversion right existed as at the date of the lock-up agreement; (b) the Company issues shares, or rights under warrants or options (or similar instruments) carrying the right to acquire the Company shares are exercised, in connection with the execution of an incentive scheme in place at the Company; (c) the Company shares are sold, directly or indirectly, in connection with a tender offer announced for the Company shares, or an obligation is assumed to respond to a tender offer for the Company shares; (d) the Company shares are issued or disposed of in performance of a ruling of a court, decision of a public authority, or in order to comply with mandatory provisions of law; or (e) the Company shares are issued or sold, directly or indirectly, to a trade or financial investor.

The above restrictions concerning the disposal of the Company shares shall not apply to any pledges or blocks on the shares, including, without limitation, those established to secure obligations under loan agreements concluded by the Company, its subsidiaries or related companies, which exist on the date of the lock-up agreement. Any shares released from such pledge or block shall be subject to the restrictions referred to above.

The undertaking restricting the issuance and transferability of the shares is subject to allotment of any Company shares under the Public Offering.

Selling Shareholder

On or before the publication date of this Prospectus (including that day), the Selling Shareholder intends to make an undertaking to the Offeror and the Joint Bookrunners, concerning restriction on issuance and transferability of the Company shares, as customarily undertaken by the selling shareholders in transactions similar to the Offering (lock-up agreement). In the lock-up agreement, the Selling Shareholder intends to undertake to the Offeror and the Joint Bookrunners that without the Offeror's prior written consent (which must not be unreasonably withheld by the Offeror, including in particular when the issue/selling price of the Company shares is in a given case higher by at least 5% than the issue price of the Company shares in the Public Offering), over the period of 270 days from the allotment of the Company shares under the Offering, the Selling Shareholder (i) will not issue, offer, sell, agree to sell, encumber or otherwise dispose of (and will not announce an issue, offer, sale or disposal of) any of the Company shares, financial instruments convertible into or exchangeable for the Company shares, warrants or other rights to acquire the Company shares, any other financial instruments or products whose value is determined, whether directly or indirectly, by reference to the price of the underlying financial instruments, including swaps, forwards and options, and (ii) will not submit any proposal for convening the General Shareholders Meeting or vote in favour of any of General Shareholders Meeting's resolutions concerning the actions referred to above, except where (a) the Company shares are sold, directly or

indirectly, in connection with a tender offer announced for the Company shares, or an obligation is assumed to respond to a tender offer for the Company shares; (b) the Company shares are sold, directly or indirectly, to a trade or financial investor; (c) the Company shares are disposed of in performance of a ruling of a court, decision of a public authority, or in order to comply with mandatory provisions of law; or (d) the Company shares are disposed of to any of the Selling Shareholder's subsidiary or related entities, provided that such entity has concluded with the Offeror and the Joint Bookrunners an agreement analogous to the lock-up agreement.

The above restrictions concerning the disposal of the Company shares shall not apply to any pledges or blocks on the shares, including, without limitation, those established to secure obligations under loan agreements concluded by the Selling Shareholder, which exist on the date of the lock-up agreement. Any shares released from such pledge or block shall be subject to the restrictions referred to above.

The undertaking restricting the issuance and transferability of the shares is subject to allotment of any Sale Shares under the Public Offering.

Mr Piotr Krupa

The Company also expects that on or before the publication date of this Prospectus (including that day), Mr Piotr Krupa will make an undertaking to the Offeror and the Joint Bookrunners, concerning restriction on issuance and transferability of the Company shares (lock-up agreement). In the lock-up agreement, Mr. Krupa will undertake to the Offeror and the Joint Bookrunners that without the Offeror's prior written consent (which must not be unreasonably withheld by the Offeror), over the period of 360 days from the allotment of the Company shares under the Offering, Mr Krupa (i) will not issue, offer, sell, agree to sell, encumber or otherwise dispose of (and will not announce an issue, offer, sale or disposal of) any of the Company shares, financial instruments convertible into or exchangeable for the Company shares, warrants or other rights to acquire the Company shares, any other financial instruments or products whose value is determined, whether directly or indirectly, by reference to the price of the underlying financial instruments, including swaps, forwards and options, and (ii) will not submit any proposal for convening the General Shareholders Meeting or vote in favour of any of General Shareholders Meeting's resolutions concerning the actions referred to above, except where (a) the relevant transaction involving the Company shares is carried out in connection with the execution of an incentive scheme in place at the Company; (b) the Company shares are sold, directly or indirectly, in connection with a tender offer announced for the Company shares, or an obligation is assumed to respond to a tender offer for the Company shares; (c) the Company shares are sold, directly or indirectly, to a trade or financial investor; (d) the Company shares are disposed of in performance of a ruling of a court, decision of a public authority, or in order to comply with mandatory provisions of law; or (e) the Company shares are disposed of to any of Mr Krupa's subsidiary or related entities, provided that such entity has concluded with the Offeror and the Joint Bookrunners an agreement analogous to the lock-up agreement.

The above restrictions concerning the disposal of the Company

shares shall not apply to any pledges or blocks on the shares, including, without limitation, those established to secure obligations under loan agreements concluded by Mr Krupa, which exist on the date of the lock-up agreement. Any shares released from such pledge or block shall be subject to the restrictions referred to above.

The undertaking restricting the issuance and transferability of the shares is subject to allotment of any Company Shares under the Public Offering.

For information on the restriction on transferability of the Shares, see sections “*General information about the Company*” – “*Share capital*” – “*Restrictions on transferability of the shares*” and “*Terms and conditions of the Offering*” – “*Lock-up arrangements*”.

Allotment Certificates

Upon the allotment of the Offer Shares under the Offering, the Company intends to apply to the Polish NDS for the registration of the Allotment Certificates in the depository for securities maintained by the Polish NDS. The Allotment Certificates shall be registered in securities accounts of the investors to whom the Offer Shares have been allotted. Forthwith upon the registration of a capital increase by way of the issue of the Offer Shares, the Company shall apply to the Polish NDS for registration of the Offer Shares in the depository for securities maintained by the Polish NDS. Upon the registration of the Offer Shares in the depository, the Allotment Certificates shall expire and the Offer Shares shall automatically be registered (with the exchange ratio of one Offer Shares for one Allotment Certificate) in the securities accounts of those investors who hold the Allotment Certificates on that date. The expiry date of the Allotment Certificates shall be the last date of their listing on the WSE.

**Listing of the Shares and Allotment
Certificates**

The Company shall apply for the admission and then introduction of the Existing Shares and New Shares to trading on the WSE's regulated market. It is also the Company's intention to have the Allotment Certificates admitted and subsequently introduced to trading on the WSE's regulated market. The Company shall make every effort to have the Existing Shares and the Allotment Certificates admitted and introduced to trading on the WSE regulated market, if the Company so decides, as quickly as practicable after the allotment of the Offer Shares in the Public Offering.

Summary of financial and operating information

This summary of financial and operating information should be read in conjunction with the information contained in section "Operational and financial review", in the Consolidated Financial Statements together with the notes to the Consolidated Financial Statements, as well as other financial information presented in this Prospectus.

KRUK Group's financial and operating information provided in this section is based on the Group's consolidated financial statements for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, prepared in accordance with the International Financial Reporting Standards (the IFRS) as endorsed by the European Union.

The Group's consolidated financial statements for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, contained in this Prospectus, were prepared and presented in a form corresponding to the form in which the Group's consolidated financial statements for 2010 will be presented, in compliance with the accounting standards and policies, and provisions of law applicable to the Group's financial statements for the current year.

The information presented in this section should be read in conjunction with the information presented in section "Operational and financial review", in the Group's historical consolidated financial statements presented in section "Selected historical financial information", as well as other financial information presented in this Prospectus.

The Group's consolidated financial statements for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, were audited by KPMG Audyt Sp. z o.o. with registered office at ul. Chłodna 51, 00-867 Warsaw, Poland.

The Group's selected historical financial information for the period covered by historical financial information

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000, unless stated otherwise)		
Revenue	164,281	128,575	103,882
EBITDA	46,573	34,813	27,388
Operating profit (EBIT)	42,636	31,723	24,773
Pre-tax profit	35,605	27,337	16,275
Net profit for the period	36,119	23,489	16,688
Cash flows from operating activities, including:	-46,689	53,981	-14,867
Portfolios purchased – expenses	-192,670	-53,931	-103,782
Portfolios purchased – cash recoveries	197,939	140,372	117,239
Cash flows from investing activities	-6,226	-3,652	-2,678
Investment inflows	2,012	108	1,379
Investment outflows	-8,238	-3,760	-4,057
Cash flows from financing activities	49,896	-51,598	31,829
Financial inflows	127,574	6,695	85,142
Financial outflows	-77,678	-58,293	-53,313
Total net cash flows	-3,019	-1,269	14,284
Earnings per share (PLN)			
Basic	2.34	1.48	1.10
Diluted	2.34	1.48	1.10

Source: Consolidated Financial Statements.

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000, unless stated otherwise)		
Total assets	317,553	207,930	211,680
Non-current assets	18,839	15,343	21,087
Current assets, including:	298,714	192,587	190,593
Inventories	458	729	767
Current investments	264,487	155,435	152,176
Trade receivables	10,568	9,529	7,831
Cash and cash equivalents	20,776	23,795	25,064
Total liabilities	185,539	107,894	135,142
Non-current liabilities	77,996	21,566	56,317
Non-current liabilities under loans and borrowings, and other financial liabilities	77,996	13,566	56,317
Current liabilities	107,543	86,328	78,825
Current liabilities under loans and borrowings, and other financial liabilities	44,144	49,211	50,755
Equity	132,014	100,036	76,538
Share capital	15,309	15,771	15,771
Number of shares	15,308,820	1,577,090	1,577,090
Dividend per share declared or paid (PLN)	0.00	0.00	0.00

Source: Consolidated Financial Statements.

Change in purchased debt portfolios

Change in purchased debt portfolios for the purposes of the statement of cash flows

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Purchased debt portfolios at beginning of period	150,435	152,176	93,135
Purchase of debt portfolios	192,670	53,931	103,782
Cash recoveries	-197,939	-140,372	-117,239
Revenue from debt purchase (interest and revaluation)	118,062	84,700	72,498
Purchased debt portfolios at end of period	263,228	150,435	152,176
(Increase) / decrease in financial assets measured at fair value through profit or loss	-112,793	1,741	-59,041

Source: Consolidated Financial Statements.

Selected information on sales in the period covered by historical financial information

Continuing operations	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Revenue from debt purchase, including:	118,062	84,700	72,498
Interest received on purchased debt portfolios	99,706	78,436	63,386
Revaluation of debt portfolios	18,356	6,264	9,112
Revenue from credit management	44,063	41,765	28,683
Revenue from other services	2,156	2,110	2,426
Revenue from sales of goods for resale and materials	0	0	275

Continuing operations	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Revenue from continuing operations	164,281	128,575	103,882

Source: Consolidated Financial Statement

RISK FACTORS

Investors should carefully analyse and consider the risks described below and the other information contained in this Prospectus before they decide to invest in the Offer Shares. The Group's operations, financial standing and performance have been and may be subject to adverse changes brought about by any of the risks described below. Even if only some of those risks materialise, they may have a material adverse effect on the operations, financial standing and financial performance of the Group, which in turn may lead to a decrease in the market price of the Allotment Certificates, if they are listed on the main market of the WSE, or of the Shares, and investors may lose all or part of their investment. The order in which the risk factors are presented is not indicative of their materiality, probability of materialising or potential effect on the Group's operations. Other risks and uncertainties of which the Group is currently unaware or which it considers insignificant may also have a material adverse effect on the Group's operations, financial standing and performance or may lead to a decrease in the value of the Shares.

The occurrence of any of the risks described in this section may have a material adverse effect on the Group's operations, financial standing and performance.

Risks related to the Group's business

Risk of failure to achieve the Group's strategic objectives

Section "The Group's business" – "Strategy" describes the Group's development strategy. 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 in Central and Eastern Europe. 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.

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.

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.

Debt risk

The KRUK Group uses and intends to use in the future bank loans, bonds 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.

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.

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.

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.

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.

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 business partners.

In particular, the Group may be exposed to negative publicity if a suicide threat is carried out by a 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. As at the Prospectus Date, the Group estimates that each month it deals on average with a dozen or so suicide threats. As at the Prospectus Date, the Group is not aware of any suicide threats 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 rise or such threats may be fulfilled. In consequence, explanatory and other proceedings may be initiated, in particular by public administration bodies.

Risk that the Selling Shareholder may make decisions which would be in conflict with the best interests of the Company or of the other shareholders

As at the Prospectus Date, a majority of the Company shares are held by one shareholder (i.e. the Selling Shareholder). As a result, the Selling Shareholder has a decisive influence on the adoption of important resolutions at the Company. As at the Prospectus Date, the Selling Shareholder directly held shares representing 78.5% of the Company's share capital and 78.5% of the total vote at its General Shareholders Meeting (and together with the voting rights exercised under powers of proxy, including voting rights attached to Series C shares – 83.2% of the total vote). Once the Offering is completed, the Selling Shareholder will directly hold 4,196,550 shares, representing 24.8% of the Company's share capital and 24.8% of the total vote at its General Shareholders Meeting (and together with the voting rights exercised under powers of proxy, including voting rights attached to Series C shares – 29.2% of the total vote), assuming that all the Offer Shares are offered and sold (acquired) in the Offering.

As the Selling Shareholder may actually hold a significant share of the total vote at the General Shareholders Meeting, considering, *inter alia*, the target post-Offering shareholder structure, the Selling Shareholder may have a substantial influence on the adoption of resolutions which require a simple majority of votes, e.g. resolutions on distribution of profit or dividend payment. Moreover, the Selling Shareholder may hold a voting majority at a given General Shareholders Meeting, enabling it to adopt or block resolutions on important corporate matters which require a qualified majority of votes, such as resolutions on amendment to the Articles of Association, issue of new Company shares, reduction of the Company's share capital, issue of convertible bonds, or waiver of pre-emptive rights of the existing shareholders.

In addition, pursuant to the Articles of Association, if the Selling Shareholder holds Shares representing 40% or more of the total vote, it has the right to appoint a majority of members of the Supervisory Board, which in turn appoints the President of the Management Board and, based on the President's proposal, the other Management Board members (see "*Management and corporate governance*"). If the Selling Shareholder holds Shares representing more than 20% and less than 40% of the total vote, it will have the right to appoint two or three members of the Supervisory Board.

There can be no assurance that the interests of the Selling Shareholder, as the main shareholder in the Company, will be consistent with the interests of the Company or its other shareholders.

Risks related to issue objectives

The objective behind the issue of Series D Shares is to raise funds to purchase debt portfolios for the Group's own account, in pursuit of the Group's development strategy described in section "*The Group's business*" – "*Strategy*".

Investors should note that as at the Prospectus Date the issue objectives have not been definitively formulated due to the nature of investments in debt portfolios, i.e. participation in auctions and negotiations on various markets, at various times, and with various potential sellers, without a guarantee of purchase.

There can be no assurance that the above factors will not affect the implementation of some or all elements of the strategy to which the Offering proceeds are to be allocated. The proceeds from the Offering may not be applied to achieve the above objectives at all or may be applied to this purpose only to a limited extent, which in turn may have an adverse effect on the Group's operations, financial standing and performance.

Economic and regulatory risks

Risk related to macroeconomic conditions prevalent on the Group's markets

The situation of the debt collection industry depends on macroeconomic conditions in the countries where the KRUK Group operates. As at the Prospectus Date, these are Poland and Romania. The Group's financial performance is affected by macroeconomic factors on those markets, in particular by the average pay level in the economy, debt level, GDP growth rate, investment growth rate, inflation rate, budget deficit and unemployment. 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:

- growth in household incomes in real terms translates into greater consumers' willingness to spend and borrow, a natural consequence of which is the subsequent increase in banks' lending activity and the resultant growing number of debtors;

- increase in the lending activity and the number of debtors translates into a rising overall debt level in the economy and, consequently, into more cases being processed on the credit 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 credit 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;
- drop in the bank lending activity translates into a decreasing 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 affect the recoverability of debt portfolios held by the Group.

Risk of reduced propensity to outsource debt collection or sell debt

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 the 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 non-performing debts.

The Group's clients, both on the Polish and Romanian markets, adopt a variety of debt collection strategies. The Group is exposed to the risk that their interest in outsourcing debt collection or selling receivables will be reduced, with the corresponding 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, in turn adversely affecting the Group's revenue.

Risk related to competition

The credit management industry, where the KRUK Group operates, is highly competitive. There are many debt collection agencies in Poland, and clients typically have relationships with a few competing service providers. On the Romanian market, the number of debt collectors is smaller, and the shares of key market players are in the region of 13-16%. Entities which provide debt collection services to financial institutions compete primarily in terms of the range of their operations, recovery rates, prices and 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 segment of debt collectors purchasing debt portfolios for their own account is less intense than in the credit management segment, owing to the market's higher barriers of entry. These include: access to capital, debt portfolio recovery rates history as the basis for valuation of debt portfolios, as well as the size of the operations enabling large-scale collection of significant debt portfolios. Debts are purchased in auctions, where the primary award criterion is the price.

There are already a few major players in the Polish segment of debt collection agencies purchasing debt portfolios for their own account. 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. The market of debt collectors purchasing debt for their own account in Romania is less competitive, owing to smaller financial potential of the local capital and relatively insignificant interest in the market among foreign capital holders.

Risk of the current macroeconomic conditions affecting availability of debt financing

The KRUK Group invests in debt portfolios relying on bonds and bank loans as a source of financing, in addition to its own funds. The Group uses debt financing obtained on the Polish capital and banking markets. If the availability of bank financing, or demand for bonds on the Polish market, declines, or if the cost of debt financing rises materially as a result of deteriorating macroeconomic conditions in Poland, it may be necessary to downsize the purchases of debt portfolios or inject new equity into the Group.

In addition, certain banks pursue a policy of no financing to other entities from the financial sector, which includes the debt collection sector, thus reducing the number of potential finance providers to the KRUK Group.

Potential introduction of a taxation scheme on bank assets, the so-called banking tax, currently considered by the Polish government, may translate into an increase in the cost of loans, and thus impact availability of debt financing for businesses, including the KRUK Group. As at the Prospectus Date, no details are known of the planned structure of the banking tax or its effective date.

Limited access to external financing may prevent the KRUK Group from purchasing new debt portfolios despite their availability on the market, and may cause the Group to develop more slowly.

Interest rate risk

The KRUK Group is a party to loan and lease agreements, as well as an issuer of variable-interest bonds. Therefore, the Group is exposed to the risk that a potential increase in interest rates in Poland will translate into higher financing expenses to the Group in the case that new loans are taken out or the existing loans are refinanced.

Currency risk

The Group has been present on the Romanian debt collection market since 2007. The Romanian market's share in the Group's total revenue accounted for 13% in 2009 and for 25% in 2010. In Romania, the Group purchases RON-denominated debt portfolios for its own account. Potential adverse fluctuations of the RON exchange rate may have an effect on the fair value of the debt portfolios held by the Group, thus requiring revaluation of such investments. As at the Prospectus Date, the Group's interest-bearing debt is denominated primarily in PLN. However, the Group does not rule out future use of debt financing denominated in foreign currencies.

Risk related to a possible reduction of statutory interest rates

One of the Group's revenue sources is default interest charged at statutory interest rates. Statutory interest rates in Poland have been constant since 2008, at 13% per annum as at the Prospectus Date, whereas statutory interest in Romania has been at 6.25% since mid-2010, although the revenue calculated based on the Romanian market's statutory interest rate does not have a significant share in the Group's financial performance. Any material decrease in the statutory interest rate (notably on the Polish market) may have an adverse effect on the Group's revenue.

Risk of the Group's activities, in particular towards natural-person debtors, being found to infringe on collective consumer interests

Owing to 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 consumer protection authority (in particular the Romanian authority competent for consumer protection), finds that the Group's activities, in particular towards natural-person debtors, infringe on collective consumer interests. On concluding that such practices or activities are pursued by the Group, the UOKIK President, or another consumer protection authority (in particular the Romanian authority competent for consumer protection), may order that they be discontinued, and impose a financial penalty. If collective consumer interests have been infringed upon, claims may be brought against the Group in a class action. In the period from 2007 to the Prospectus Date, two explanatory proceedings were pending against the Company concerning alleged infringement on collective consumer interests, one of which was concluded with a financial penalty imposed by the UOKIK President, while the other one was discontinued. However, no assurance can be given that claims concerning infringement on collective consumer interests will not have an adverse effect on the Group's reputation and credibility, translating into a shrinking client base.

Risk of failure to obtain the consent from the UOKIK President, or another competent competition protection authority, to acquire entities whose acquisition is contemplated by the Group, and risk of financial penalties being imposed on the Group, or of the Group's operations being otherwise limited following its breach of competition and consumer protection laws

The Group's operations must comply with laws and regulations on competition and consumer protection in effect in the countries where the Group is present. Pursuant to the Act on Competition and Consumer Protection, or other applicable laws and regulations, if the Group contemplates acquisitions, some of such transactions may require clearance by the UOKIK President, or another competition protection authority competent for the registered office of the acquisition target, or for the country where the Group or the acquisition target operate. The Group is exposed to the risk that the UOKIK President, or another competent competition protection authority, finds that one or more transactions contemplated by the Group pose a threat to collective consumer interests or competition, and issues a decision prohibiting such concentration, or imposes requirements which may undermine the economic rationale of the transaction under the then existing circumstances, and cause the

Group to abandon the contemplated investment. This will result in the need to identify alternative acquisition targets, assess potential benefits of commencing the negotiations, and then prepare the acquisition. In effect, it may hamper the Company's growth through acquisitions, resulting in a slower growth in revenue, and adversely affect the Group's financial performance.

In addition, the UOKIK President, or another competition protection authority, may issue a decision stating that a certain undertaking is a party to an agreement whose objective or effect is to restrict competition. The UOKIK President, or another competition protection authority, may also bring abuse charges against undertakings holding a dominant market position. On concluding that such abuse exists, the UOKIK President, or another competition protection authority, may demand that it be discontinued, and impose a financial penalty.

Risk related to extensive personal data processing by the Group

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 must comply with the laws and regulations on personal data protection in effect in the countries where the Group is present. 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 personal data will not be disclosed to unauthorised persons.

In the case of infringement on personal data processing laws, in particular unlawful disclosure of personal data, the Group may be exposed to penal or administrative sanctions imposed on the Group or members of the governing bodies of the Group companies. Unlawful disclosure of personal data may also give rise to claims against the Group, concerning infringement of personal rights. Furthermore, certain agreements executed by the Group stipulate liquidated damages in the event that the Group fails to comply with personal data processing requirements. Personal data-related infringements may also have a negative effect on the Group's reputation and credibility, translating into a shrinking client base.

Risk of non-payment of dividend or interim dividend by the Group

The Group's ability to pay dividend in the future and the amount of such payment depend on a number of factors, including the amount of profit and capital reserves available for distribution, capital expenditures and investment plans, earnings, profitability and debt ratio.

Profit is distributed by the Company based on its standalone financial statements. A portion of the Company's net profit may come from dividends paid by the Company's subsidiaries. As a result, the Company's ability to pay dividend may also partially depend on the performance of such subsidiaries and the amount of dividend obtained from them by the Company. If the Company does not receive dividend from its subsidiaries, this may lead to a reduction in the amount of dividend paid, or even non-payment of dividend in a given year.

In addition, under the Commercial Companies Code, the dividend is paid only if the General Shareholders Meeting adopts a resolution on the distribution of profit to the shareholders. On the other hand, the payment of interim dividend may take place on the basis of the relevant decision by the Management Board, taken upon the Supervisory Board's consent. The Management Board is under no obligation to recommend such a resolution for a given financial year to the General Shareholders Meeting, or to take the decision on interim dividend payment. Even if the Management Board does recommend profit distribution for a given year, or takes the decision to pay out interim dividend, the Management Board is not in a position to warrant that the General Shareholders Meeting, or the Supervisory Board, adopt the corresponding resolutions endorsing the payment of the dividend or interim dividend.

It must also be noted that the adoption of a dividend payment resolution by the General Shareholders Meeting requires an absolute majority of votes, which, upon completion of the Offering, may still actually be with the Selling Shareholder, whose interest in the payment of dividend may not match the interests of the other shareholders (see "*Dividends and dividend policy*").

Risk of the Group's failure to meet certain regulatory requirements pertaining to regulated activities

Certain segments of the Group's business, in particular operation of securitisation funds and management of the securitisation fund's securitised debt, as well as operations involving the provision of detective services, are subject to special regulations under the Polish, Romanian and EU laws (see in particular "*The Group's business*" - "*Regulatory matters*"). 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. Furthermore, the Group is supervised by the PFSA to the extent it provides credit management services to banks.

There can be no assurance that the Company or its Subsidiaries will not fail to meet any statutory and regulatory requirements to obtain, hold or renew authorisations, licences or other administrative decisions necessary to

carry out the above operations, which may result in a refusal to grant such authorisations or consents, or suspension or revocation of the same, and may limit the size of the Group's operations. Furthermore, failure to comply with certain statutory or regulatory requirements, or their breach by the Company or its Subsidiaries, may entail sanctions such as suspension or revocation of a given authorisation or consent, administrative penalties, including financial penalties, as well as issue by the PFSA of a decision requiring a bank to amend or terminate an agreement on credit management services concluded with the Group.

In addition, amendments to regulations and imposition of additional requirements on the Group may translate into additional costs to be incurred by the Group in order to bring its operations into compliance with the relevant regulatory requirements.

Risk related to unclear interpretations of laws applicable to the Group's business, including Polish, Luxembourgian, or Romanian laws, or amendments to such laws

The Company was incorporated and operates under the laws of Poland. The Group also has operations in Luxembourg and Romania, and is finalising the purchase of debt portfolios in the Czech Republic and Slovakia. Furthermore, the Group may enter markets in other countries in the future. The foundation of the continental European legal systems under which the Group operates, Polish law including, is the statute law. Laws and regulations applicable to the Group's business, including those governing the debt collection activity, issue of and trading in securities, shareholders' rights, foreign investments, and matters concerning operations of companies and corporate governance, trade and business activities, including consumer bankruptcy, as well as tax reliefs and privileges available to investment funds, have been and may be subject to amendments. Likewise, there are differing interpretations of the above regulations and the regulations may be applied in an inconsistent manner. Furthermore, in Poland not all court judgments are published in official collections of judgments and orders and, as a rule, the judgments are not binding in other cases, having a limited value as a legal authority or precedent. Therefore, no assurance can be given by the Company that its or another Group member's interpretation of Polish, Luxembourgian or Romanian laws, or laws of other countries applicable to the Group's business, will not be challenged in the future. Moreover, there can be no assurance that no legislative amendments adverse to the Group will be introduced in the jurisdictions under which the Group operates, directly relating to the debt collection activity or adversely affecting this activity. Amendments to the laws regulating the Group's business or the Group's incorrect interpretation of legal regulations may result in imposing civil-law, administrative or criminal sanctions on the Group, may require the Company to change its practices, may result in administrative or court decisions adverse to the Group, may expose the Group to liability or unpredictable cost, including in particular cost of bringing the Group's business in compliance with legal requirements, or may necessitate organisational restructuring of the Group. Any such event may have a material adverse effect on the Group's operations, financial standing or performance.

Risk related to unclear interpretation of tax laws or amendments to tax laws

Tax systems in the countries where the Group is present, notably in Poland and Romania, are subject to frequent changes. Certain tax laws are imprecise and there is no consistent and clear interpretation or practice of their application by tax authorities. Owing to differing tax law interpretations, the tax risk in Poland and Romania is greater than in the legal systems in place at 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.

Risk of negative effect of litigation or out-of-court proceedings on the Group's operations, financial standing or performance

As a result of their operations, the Company and its Subsidiaries may become a defendant in litigation or proceedings under civil law (including class action suits), administration law, arbitration law or other, with clients, business partners, employees, shareholders and other persons as plaintiffs or petitioners. Parties which initiate litigation or proceedings against the Company or its Subsidiaries may demand payment of substantial amounts, or another satisfaction of their claims, which may adversely affect the ability of the Company or its Subsidiaries to conduct their operations, and the potential cost of such litigation or proceedings may remain uncertain over a prolonged period. The cost of defending such claims in any future litigation or proceedings may be substantial. Furthermore, the Group may be exposed to negative publicity in relation to litigation or proceedings pending against the Company or its Subsidiaries, which may have an adverse effect on the reputation of the Group or the Subsidiaries, regardless of whether the litigation or proceedings are well-founded and irrespective of their final outcome.

Risks related to the Offering

Risk of the Public Offering being suspended, cancelled, or unsuccessful

Upon recommendation from the Offeror and the Joint Bookrunners, the Company and the Selling Shareholder may suspend the Public Offering if any events or circumstances occur which might adversely affect its success or pose increased investment risk to investors in the Offer Shares.

The Company will announce suspension, if any, of the Public Offering pursuant to Art. 51 of the Act on Public Offering, i.e. in the form of a supplement to this Prospectus, published in the same manner as this Prospectus.

The Public Offering may be suspended without specifying a new timeframe for the Public Offering. Such timeframe may be determined and announced later, by way of an update announcement.

If a decision to suspend the Public Offering is taken after the commencement of Bookbuilding and prior to the beginning of the subscription period, any declarations to acquire Offer Shares submitted by investors will be deemed invalid.

If a decision to suspend the Public Offering is taken during the subscription period, any submitted investors' declarations to acquire the Offer Shares, as well as any subscription orders for the Offer Shares and payments made by investors will be deemed valid; however, an investor may avoid the legal consequences of the subscription by filing a relevant representation with a Client Service Office of an investment firm accepting subscription orders, within two business days of the date of publication of the relevant supplement to this Prospectus. In such a case, any payments made by the investor will be refunded, without any interest or damages, not later than within seven business days of filing the representation.

By the opening date of the subscription period in the Retail Offering, the Company and the Selling Shareholder, upon recommendation from the Offeror and the Joint Bookrunners, may cancel the Public Offering without stating the reason for such cancellation.

If the Public Offering is cancelled after the commencement of subscription in the Retail Offering, any subscription orders submitted will be deemed invalid, and any payments made by investors will be refunded, without interest or compensation, no later than within seven business days of the announcement of the cancellation.

After the commencement of subscription in the Retail Offering, the Company and the Selling Shareholder, upon recommendation from the Offeror and the Joint Bookrunners, may abandon the Public Offering exclusively for good reason.

Such good reason will include, without limitation:

- a sudden change in the economic or political situation in Poland, in the region, or in the world, which may have a material adverse effect on financial markets, the Polish economy or the Company's business;
- a sudden change in the situation of the Group, which may have a material adverse effect on its business;
- a sudden change in the Group's environment, which directly affects the Group's operations;
- insufficient interest in the Offering among high-quality investors, including, without limitation, recognized financial institutions operating on the capital market;
- no possibility of achieving appropriate dispersion of the Offer Shares as a result of the Public Offering;
- a situation in which the expected Share Price is found unsatisfactory by the Company or the Selling Shareholder;
- any other unexpected circumstances in which the Public Offering and allotment of the Offer Shares would be impossible or harmful to the interest of the Company or the Selling Shareholder.

A possible decision by the Company or the Selling Shareholder to cancel the Public Offering will be announced in the form of a supplement pursuant to Art. 51 of the Act on Public Offering, and where the Company Shares are conditionally admitted to trading on the WSE — also by way of a current report as required under the applicable laws.

The issue of New Shares may be declared unsuccessful if:

- no New Shares are properly subscribed for within the time limit set forth in this Prospectus or — if the Supervisory Board exercises the authorisation vested in it under Art. 432.4 of the Commercial

Companies Code — a lower number of the Shares are subscribed for within the time limit set forth in this Prospectus than the number resulting from the relevant resolution of the Supervisory Board on the number of shares to be issued;

- the Management Board does not file a resolution to increase the share capital through the issue of the New Shares with the registry court within 12 months of the date of approval of this Prospectus by the PFSA and within one month of the date of allotment of the Offer Shares;
- the registry court issues a decision refusing to register the share capital increase through the issue of the New Shares, and such decision becomes final and binding.

Moreover, pursuant to the Issue Resolution under Art. 432.4 of the Commercial Companies Code, the Supervisory Board is authorized to determine the final amount by which the Company's share capital is to be increased; such amount may not be lower than PLN 1 or higher than PLN 1,100,000. In practice, there are divergent interpretations of Art. 432.4 of the Commercial Companies Code. In particular, according to one of them, the issue of New Shares will not become successful if the Supervisory Board exercises the authorisation vested in it under Art. 432.4 of the Commercial Companies Code and investors do not subscribe for a number of New Shares corresponding to the final amount by which the Company's share capital is to be increased. Considering the above, there can be no assurance that the successful issue of the New Shares will not be challenged if the Supervisory Board exercises the abovementioned authorisation and investors do not subscribe for a number of the New Shares corresponding to the final amount of the increase in the Company's share capital, as determined by the Supervisory Board.

If the Public Offering proves unsuccessful after it is commenced, or if it is cancelled after the opening of the subscription period, any payments made by investors will be refunded within the time limit and in accordance with the rules set forth in section *"Terms of refund of payments to investors in the case of overpayments or if the Offering is unsuccessful"*.

The Offering of the Sale Shares will be successful if all the New Shares offered and at least 3,300,000 Sale Shares are subscribed for and allotted.

Risk that the trading price of the Shares may drop as a result of actual or expected issue of shares by the Company or sale of the Shares by shareholders bound by agreements restricting issuance and transferability of shares (lock-up agreements) after the Offering

It is envisaged that not later than on the publication date of this Prospectus (including that date), lock-up agreements typical for transactions similar to the Offering, restricting the right to issue and sell the Company shares, will be concluded by the Company and the Selling Shareholder, as well as – in a similar form – by Mr Piotr Krupa (see section *"Terms and conditions of the Offering"* – *"Lock-up arrangements"*).

If such agreements are concluded, then, upon the expiry of restrictions thereunder, the shareholders bound by the restrictions on the transferability of the Company shares will be able to dispose of the Company shares. Moreover, the Company will be free to issue new shares, including by way of an issue with the pre-emptive rights of existing shareholders waived, which is possible upon the General Shareholders Meeting's consent expressed in the form of a resolution passed with a majority of 80% of votes cast, and might result in the dilution of holdings of the existing shareholders. It is not certain whether the shareholders bound by the abovementioned restrictions will intend to sell their shares or whether the Company will intend to issue new shares in the future. However, the market price of the Company shares might drop materially if, upon the expiry of the restrictions referred to above, the shareholders bound by the lock-up agreements decide to sell shares, or if market participants come to believe that such intention exists, or if the Company issues new shares. The sale or issue of a significant number of Company shares in the future, whether actual or expected, may have an adverse effect on the market price of the Shares, as well as on the Company's ability to raise capital by way of a public or private offering of Shares or other securities.

Risk that investors may subscribe for a number of New Shares lower than the number determined by the Supervisory Board under the authorisation provided for in the Issue Resolution

The Issue Resolution provides for the authorisation of the Supervisory Board, under Art. 432.4 of the Commercial Companies Code, to determine the final amount by which the share capital is to be increased. The Supervisory Board may exercise the authorisation and determine the final amount of the share capital increase prior to the commencement of subscription for the Offer Shares or the commencement of subscription in the Retail Offering (see *"Terms and conditions of the Offering"*).

Considering the lack of precedence, no assurance can be given that if investors subscribe for a number of the New Shares lower than the number corresponding to the final amount of the share capital increase determined by

the Supervisory Board, the registry court may find the issue of the New Shares unsuccessful and refuse to register the share capital increase.

Risk that the Shares and the Allotment Certificates will not be admitted to trading on the stock exchange

The Company Shares will be admitted to stock-exchange trading under a resolution of the Management Board of the WSE, passed upon an application by the Company.

Resolutions to admit securities to stock-exchange trading are adopted by the Management Board of the WSE, which is required to adopt a resolution on the admission of financial instruments to stock-exchange trading within 14 days of the date on which a complete application is submitted.

Investors should take into account a possible temporary lack of liquidity of the Company Shares if the Management Board of the WSE refuses to admit the Company Shares to stock-exchange trading.

The Company intends to have Allotment Certificates admitted and then introduced to trading on the regulated market of the WSE. If a relevant decision is taken by the Company in this respect, the Company will make every effort to have the Existing Shares and Allotment Certificates admitted and introduced to trading on the WSE within the shortest possible time after the date of allotment of the Offer Shares in the Public Offering.

The risk described herein applies accordingly, with a provision that a possible refusal to admit Allotment Certificates to stock-exchange trading will be a handicap to investors during the validity of Allotment Certificates.

Risk related to the admission and introduction of the Shares and the Allotment Certificates to trading on a regulated market

The Company will file appropriate applications for the admission and introduction of the Shares to trading on the main market of the WSE. The Company also intends to file relevant applications with respect to the Allotment Certificates. Only financial instruments which meet the requirements for admission to trading on a regulated market, as set forth in the WSE Rules, Chapter II “Terms, conditions and procedures for admission to exchange trading”, may be admitted to trading on the main market and the parallel market.

Moreover, in order for the Shares to be admitted to trading on the main market, they must meet the requirements set forth in the Regulation of the Minister of Finance on detailed conditions to be met by an official stock exchange market and issuers of securities admitted to trading on that market, dated May 12th 2010.

No assurance can be given by the Company that all the terms and conditions defined in the above Regulation will be met, and that the Shares and Allotment Certificates will be admitted and introduced to trading on the main market of the WSE. If the above terms and conditions are not met, the Company will apply for the admission and introduction of the Shares and — if a relevant decision is taken — Allotment Certificates to trading on the parallel market.

Furthermore, if the issue of Series D shares is declared unsuccessful, the Company will not seek admission and introduction of the Existing Shares to trading on a regulated market.

Risk of non-admission or delayed admission of the Allotment Certificates to trading

The Company intends to have the Allotment Certificates admitted and then introduced to stock-exchange trading. After the allotment of the New Shares, the Company will seek to conclude an agreement on registration of the Allotment Certificates with the Polish NDS. The Allotment Certificates will be admitted to stock-exchange trading no sooner than on the date of their registration with the Polish NDS. There is a risk that if the procedures related to the admission of the Allotment Certificates to stock-exchange trading take longer than expected, the trading will not commence on the date scheduled by the Management Board. Should this be the case, investors will face the risk of temporary freezing of the funds invested in the New Shares. Moreover, no assurance can be given that the Company will not abandon its efforts to have the Allotment Certificates admitted and introduced to trading on the WSE if such admission and introduction to trading are found unnecessary from the point of view of investors.

Risk of delayed introduction of the Shares to trading

The Shares, including the New Shares, may be introduced to trading on the WSE after they are registered with the Polish NDS. The New Shares, in order to be introduced to trading on the WSE, additionally require prior registration of the Company’s share capital increase with the registry court. Considering the above and regardless of the fact that the Company declares to make every effort to have the Shares, including the New Shares, as well as the share capital increase by way of the issue of the New Shares, registered as soon as possible with, respectively, the Polish NDS and the registry court, investors should take into account the risk of a possible

delay in the introduction of the Shares, in particular the New Shares, to trading on the WSE with respect to the dates assumed by the Company for the commencement of trading in each type of the financial instruments.

At the same time, investors are advised to note that on September 12th 2006 the Management Board of the WSE declared that decisions on the admission and introduction of financial instruments to stock-exchange trading would be made based on an analysis of, without limitation, the volume and structure of a given public offering, the ownership structure, and lock-up arrangements, if any. Considering the above, investors should take into account the fact that the Shares may be admitted to stock-exchange trading no sooner than after the increase in the Company's share capital by way of the issue of the New Shares is registered with the registry court and the assimilation of the New Shares with the Existing Shares is completed. Consequently, investors should bear in mind the risk that the liquidity of the Shares may be temporarily limited.

Risk related to the registration of the New Shares and listing of the Allotment Certificates

Provided that a relevant decision is taken by the Company, trading in the Allotment Certificates will be held in the period from the date of allotment of the New Shares to the date of their registration with the depository for securities. Due to the nature of the Allotment Certificates, there is a risk that if the registry court refuses, in a final and binding decision, to register the share capital increase, holders of the Allotment Certificates will receive a refund in the amount equivalent to the product of the issue price and the number of the Allotment Certificates held. Therefore, investors who acquire the Allotment Certificates on the stock-exchange market for a price higher than the issue price for the New Shares will incur a loss on the investment.

Risk that the admission to trading or first-time listing may be withheld, trading may be suspended, and the securities may be delisted

Pursuant to Art. 20 of the Act on Trading in Financial Instruments, if justified by the security of trading on a regulated market or a threat to investors' interests, at the demand of the PFSA, the company operating the regulated market withholds the admission to trading or the listing of the securities or other financial instruments indicated by the PFSA for up to ten days. Moreover, if the trading in specified securities or other financial instruments is performed in circumstances suggesting a possible threat to the proper operation of the regulated market, security of trading on that market, or investors' interests, the company operating the regulated market, at the demand of the PFSA, suspends trading in those securities or instruments for a period of maximum one month. At the demand of the PFSA, the company operating the regulated market delists the securities or other financial instruments specified by the PFSA, if trading in those securities or instruments poses a material threat to the proper operation of the regulated market or the security of trading on that market, or compromises investors' interests.

The above demands must be supported by relevant reasons presented in a detailed manner. The company operating the regulated market promptly announces, through the Polish Press Agency, the withholding, suspension or delisting of specified securities or financial instruments other than securities.

Pursuant to Art. 96 of the Act on Public Offering, if the issuer fails to perform or improperly performs the obligations and requirements under Art. 96.1 of the Act or acts in breach of the obligations referred to therein, the PFSA may:

- issue a decision excluding given securities from trading on a regulated market for a definite or indefinite period, or
- impose, taking into account in particular the financial standing of the entity on which the penalty is to be imposed, a pecuniary penalty of up to PLN 1,000,000, or
- apply both these sanctions jointly.

In such circumstances, investors may find it difficult to sell the Company Shares and may have to incur higher additional costs and settle for a significantly lower price than the market price at the last trading session before the Shares were delisted.

Risk of suspension of trading in and/or delisting of the Shares and/or the Allotment Certificates

Pursuant to Par. 30.1 and 30.2 of the WSE Rules, the Management Board of the WSE may suspend trading in financial instruments for up to three months:

- at the issuer's request,
- if the Management Board of the WSE deems such suspension required in view of the interests and security of trade participants, or
- if the issuer is in breach of the regulations governing the WSE.

Furthermore, the Management Board of the WSE suspends trading in shares for a period of maximum one month at the request of the PFSA made in accordance with the provisions of the Act on Trading in Financial Instruments.

Pursuant to Par. 31 of the WSE Rules, the Management Board of the WSE delists financial instruments:

- if their transferability has become restricted,
- at the request of the PFSA made in accordance with the Act on Trading in Financial Instruments,
- if they are no longer in book-entry form, or
- if they are delisted from a regulated market by the competent supervision authority.

The Management Board of the WSE may also delist financial instruments:

- if they cease to meet the conditions for admission to stock-exchange trading other than the unrestricted transferability condition,
- if the issuer is persistently in breach of any of the WSE rules and regulations,
- at the issuer's request,
- upon declaration of the issuer's bankruptcy or if the court dismisses a petition for bankruptcy on the grounds that the assets owned by the issuer are insufficient to cover the costs of the proceedings,
- if it deems it justified by the need to safeguard the interests of trade participants and ensure their security,
- in the event of the issuer's merger, demerger or reorganization,
- if no stock-exchange transactions in a given financial instrument have been executed in the last three months,
- if the issuer engages in illegal activities,
- if liquidation proceedings are opened with respect to the issuer.

Risk of a breach of laws in relation to the Public Offering

Pursuant to Art. 16 and Art. 17 of the Act on Public Offering, if there is a breach or a reasonable suspicion of a breach of laws in relation to a public offering, or subscription or sale under a public offering, in the territory of the Republic of Poland, by the issuer or other entities participating in the public offering, subscription or sale on behalf of or on instructions from the issuer, or if there is a reasonable suspicion that such breach may occur, the PFSA may:

- order that the public offering, subscription or sale be withheld or discontinued for a period no longer than ten business days, or
- proscribe the commencement or continuation of the public offering, subscription or sale, or
- at the expense of the issuer, publish a notice on unlawful actions taken in relation to the public offering, subscription or sale.

The PFSA may apply the measures set forth in item 2 and 3 above on repeated occasions with respect to a single public offering, subscription or sale.

If there is a breach or a reasonable suspicion of a breach of laws in relation to the seeking of admission or introduction of securities to trading on a regulated market in the territory of the Republic of Poland, by the issuer or other entities acting on behalf of or on instructions from the issuer, or if there is a reasonable suspicion that such breach may occur, the PFSA may:

- order that the seeking of admission or introduction of the securities to trading on a regulated market be withheld for a period no longer than ten business days;
- proscribe the seeking of admission or introduction of the securities to trading on a regulated market;
- at the expense of the issuer, publish a notice on unlawful activities with respect to the seeking of admission of securities to trading on a regulated market.

The PFSA may apply the measures set forth in item 2 and 3 above on repeated occasions with respect to a single seeking of admission or introduction of securities to trading on a regulated market.

The PFSA may apply the above measures also if the documents or information submitted to the PFSA or made available to the public indicate that:

- a given public offering, or subscription or sale of securities under a public offering, or admission of securities to trading on the regulated market would materially compromise the interests of investors,
- any circumstances occur which may lead to termination of the issuer's legal existence under the applicable laws,
- the issuer has conducted or is conducting its operations in gross breach of laws, which may considerably affect the assessment of the issuer's securities or, under the applicable laws, may lead to termination of the legal existence or bankruptcy of the issuer, or
- the legal status of the securities does not comply with applicable laws, and in the context of those laws there is a risk that the securities may be deemed nonexistent or being legally defective to the extent materially affecting their assessment.

The Company is not able to foresee whether or not any of the circumstances on the basis of which the PFSA may proscribe or withhold the Public Offering of the securities offered on the basis of this Prospectus, or the seeking of admission or introduction to trading of the securities whose admission to trading on the regulated market the Company is seeking based on this Prospectus, will occur in the future.

Risk of a breach of laws in relation to the promotional campaign

The Act on Public Offering also includes provisions concerning the promotional campaign to be conducted by the Company with respect to the Offering.

If the PFSA identifies a breach of the obligations under Art. 53.2–53.4 of the Act on Public Offering, it may:

- order that the promotional campaign be withheld or discontinued for a period no longer than ten business days to remove the irregularities identified by the PFSA, or
- proscribe the promotional campaign, if:
 - (i) the issuer fails to remove any irregularities identified by the PFSA within the time limit set forth in bullet 1, or
 - (ii) the contents of the promotional or advertising materials are in breach of the provisions of the Act on Public Offering, or
 - (iii) at the expense of the issuer, publish a notice on unlawful conduct of the promotional campaign, indicating the breaches committed.

If the PFSA identifies any breach of the above obligations, it may also impose a pecuniary penalty on the issuer in an amount of up to PLN 250,000.00.

Risk of fluctuations in share prices

In the case of many issuers, the stock prices and trading volumes are characterised by significant fluctuations over short time periods. Especially investors interested in purchasing or selling large stakes in the Company should take into account the risk of temporarily limited liquidity of the shares and high price volatility.

Risk related to changes in the schedule of the Offering or an unexpected delay in the execution of the Offering in relation to the schedule

The schedule of the Public Offering, presented in “*Terms and conditions of the Offering*” – “*Public Offering schedule*”, provides for the commencement of trading in the Offer Shares, including the Allotment Certificates, on the WSE on or about May 5th 2011. However, no assurance can be given by the Company that the schedule will not be subject to change. In particular, the Company and the Selling Shareholder, upon recommendation from the Offeror and the Joint Bookrunners, may extend the period of subscription for the Offer Shares, based on the monitoring of market. An extension of the subscription period will result in the postponement of the date of allotment of the Offer Shares, and further in the postponement of the date of listing of the Shares on the WSE. An extension of the bookbuilding process will have similar consequences.

If any of the above changes are made to the schedule of the Offering, the date from which the investors who have been allotted the Offer Shares are able dispose of the Shares will be postponed too.

Notices of any changes to the schedule of the Offering will be issued, pursuant to Art. 52.2 of the Act on Public Offering, in the form of an update announcement, unless such change is so material that it requires a supplement to this Prospectus.

Risk of high reduction in subscription orders in the Retail Offering

If, as a result of the subscription orders submitted by investors for the Offer Shares in the Retail Offering, the total number of the Offer Shares subscribed for is in excess of the total number of the Offer Shares which may be allotted in the Retail Offering, investors' subscription orders will be reduced pro rata. In consequence, investors will acquire fewer Offer Shares than they have subscribed for. Any funds to be returned as a result of the reduction will be returned without interest or compensation, within seven business days of the date of allotment of the Offer Shares.

Risk related to a refusal by the PFSA to approve a supplement to this Prospectus

If the PFSA refuses to approve a supplement to this Prospectus before the Offering is commenced, the PFSA will order that the Offering be withheld. Therefore, a refusal by the PFSA to approve a supplement prior to the date on which the Offering is commenced will have no consequences for investors.

If the PFSA refuses to approve a supplement to this Prospectus after the Offering is commenced, the PFSA may, among other things, order that the Offering be discontinued, or proscribe the seeking of admission or introduction of the Shares to trading on the WSE.

IMPORTANT INFORMATION

Unless defined otherwise elsewhere in this Prospectus, capitalised terms contained herein have the meaning defined in section “*Abbreviations and definitions*”. Certain industry terms and other expressions used in this Prospectus are explained in section “*Abbreviations and definitions*”.

This Prospectus was prepared in particular by the Company and – to the extent indicated – by the Selling Shareholder and the Offeror, in connection with the Offering, carried out as a public offering only in the territory of Poland and the seeking of admission and introduction of the Offer Shares and Allotment Certificates, if the latter are included in the application for admission, to trading on the main market of the WSE, in order to provide investors with information on the Group, the Offering and the Offer Shares and enable them to make a decision regarding investment in the Offer Shares. As at the Prospectus Date, there are no plans to publish this Prospectus outside the territory of Poland, in particular in other Member States, in accordance with the provisions of the Prospectus Directive.

The Offer Shares are offered in the territory of the Republic of Poland by way of a public offering. In addition, as part of the Offering certain limited promotional activities may be carried out to distribute information on the Offering exclusively to selected qualified institutional buyers outside the United States of America (excluding Poland) in accordance with Regulation S issued under the U.S. Securities Act. Such limited promotional activities shall be conducted, in each case in compliance with the applicable laws of each relevant jurisdiction, on the basis of a marketing document which is a translation of this Prospectus into the English language and which shall not be subject to approval by the PFSA or any other regulator under any jurisdiction. This Prospectus shall not be subject to approval by any regulator other than the PFSA, nor shall it be registered or notified with any regulator in a country other than Poland.

Unless the context requires otherwise, the terms „Group”, „the KRUK Group” and similar expressions used in this Prospectus refer to KRUK S.A. and all the Subsidiaries and Non-Standard Closed-End Securitization Investment Funds. The terms „Company” and „KRUK” refer solely to KRUK S.A. as the issuer of the Offer Shares, excluding the Subsidiaries and Non-Standard Closed-End Securitization Investment Funds.

Unless indicated otherwise, all statements expressing beliefs, expectations, estimates and opinions of the Company or the management refer to the beliefs, expectations, estimates and opinions of the Management Board.

Disclaimer

Investors are advised that investment in the Offer Shares involves certain risks, including in particular financial risk, and for this reason prior to making any decision regarding purchase of the Offer Shares they should carefully read this Prospectus, and in particular sections “*Risk factors*” and “*Terms and conditions of the Offering*”. A decision to purchase the Offer Shares is a decision made independently by each investor. When making an investment decision regarding participation in the Offering, investors must rely solely on their own analysis of the Group, made on the basis of the information contained herein, and should in particular consider the risks involved in the investment in the Offer Shares.

Subject to applicable laws, no person other than the Company, the Selling Shareholder or the Offeror has been authorised to provide information or make statements in connection with the Offering or the Admission other than the information and statements contained herein, and if such information or statements have been provided or made, they should not be deemed as authorised by the Company, the Selling Shareholder or the Offeror.

The information contained in this Prospectus does not represent legal, financial, investment or tax advice. Each prospective investor should consult their own legal, financial, investment or tax advisers for legal, financial, investment or tax advice prior to investing in the Offer Shares.

In connection with the Offering the Offeror and the Joint Bookrunners act for the sole benefit of the Company and the Selling Shareholder.

Amendments to this Prospectus

Supplements to this Prospectus

Publication of this Prospectus after the Prospectus Date does not mean that from the Prospectus Date to the date of its publication the situation of the Group or the Company has not changed or that the information contained in this Prospectus is updated as at any date following the Prospectus Date or as at any date specified in this Prospectus as the day as at which given information was prepared, whichever is earlier.

Pursuant to the Act on Public Offering, this Prospectus, upon approval by the PFSA, may be further amended and supplemented in cases envisaged by law, in the form of supplements to this Prospectus or in the form of update announcements.

The PFSA may refuse to approve a supplement to this Prospectus if it is inconsistent in terms of form or content with the requirements defined in applicable laws. If a supplement to this Prospectus is not approved, the opening of this Offering may be postponed, the Offering may be suspended, or the Admission process may be halted.

If a supplement to this Prospectus is made available by the Company after subscription for the Offer Shares has commenced, a person who placed a subscription order before the supplement was released may avoid the legal consequences of the subscription by filing a relevant representation within two business days from the date of releasing the supplement in accordance with Art. 51a of the Act on Public Offering.

If after the Prospectus Date and prior to the publication of this Prospectus it is necessary to prepare supplements, all supplements to this Prospectus approved by that day by the PFSA shall be published together with this Prospectus as separate documents. Investors should bear in mind that in such a case certain information contained in this Prospectus may be out of date as at the publication date hereof, and investors should read carefully both this Prospectus and all supplements to this Prospectus released on and after the Prospectus publication date.

Update announcements

If there arise any circumstances concerning the organisation or management of subscription or sale of the Offer Shares, as well as the admission of the Allotment Certificates and the Offer Shares to trading on the WSE, which do not require preparation of a supplement to this Prospectus but cause a change to the contents of this Prospectus, the Company may release information on such circumstances in the form of an update announcement referring to this Prospectus pursuant to Art. 52 of the Act on Public Offering. An update announcement shall be released in the same manner in which this Prospectus is published, and it should be at the same time delivered to the PFSA.

Presentation of financial information and other data

The audited consolidated financial statements of the Group for the reporting periods ended December 31st 2008, December 31st 2009, and December 31st 2010 (“**Consolidated Financial Statements**”) contained in this Prospectus were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as endorsed by the European Union.

KPMG Audyt Sp. z o.o. of Warsaw (ul. Chłodna 51, 00-867 Warsaw, Poland) audited the Consolidated Financial Statements and issued an unqualified opinion thereon.

Presentation of financial information in accordance with the IFRS requires the Management Board to adopt certain estimates and assumptions which may affect the data presented in the financial statements and notes thereto.

The currency of the Consolidated Financial Statements is the functional currency of the Group and the presentation currency of the Group, which is the Polish zloty (PLN). Moreover, unless stated otherwise, the financial and statistical data contained in this Prospectus is expressed in thousands of zloty.

All financial data pertaining to the Group and presented in this Prospectus is extracted from or calculated based on the Consolidated Financial Statements, unless it is stated that the data was derived from other sources, such as accounting records and reports prepared by the Company for internal purposes.

Some of the financial data contained in this Prospectus has been rounded off and presented in millions rather than thousands of zloty, as is the case with the Consolidated Financial Statements. In addition, in certain instances the sum of numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Prospectus have also been rounded off and accordingly the totals in these tables may not add up exactly to 100 %. Percentage changes during the compared periods were computed on the basis of original (not rounded) amounts.

Unless stated otherwise, all references in this Prospectus to “PLN”, “zloty” and “zł” are to the lawful currency of Poland, references to “EUR”, “Euro” or “€” are to the lawful currency introduced at the beginning of the third stage of the European Economic and Monetary Union pursuant to the Treaty on European Union, references to “US dollars”, “US\$” and “USD” are to the lawful currency of the United States of America, and references to “RON” are to the lawful currency of Romania.

Macroeconomic, industry and statistical data

In this Prospectus the Group presents selected data concerning the industry and the market, derived from publicly available information sources, including official industry publications, as well as from other external sources which the Group deems reliable. Such information, data and statistics may be approximate or estimated, or may contain rounded figures. The macroeconomic and statistical data concerning Poland and the market where the Group operates has been sourced mainly from official publications of the Polish Central Statistics Office and the NBP. It should be noted that in each case the macroeconomic and statistical data and the source data on which it is based may have not been prepared in the same manner as the manner in which such macroeconomic and statistical data is prepared in other countries. No assurance can be given that a third party applying different data collection, analysis and processing methods would arrive at the same results.

Information on the market, as well as certain industry information and information on trends in the industry, as well as information on the market position of the Company and the Group, contained in this Prospectus, has been prepared and estimated based on assumptions which the Management Board believes to be reasonable, as well as based on data sourced from reports drawn up by third parties and made available to the Company under relevant agreements (information on the market, as well as certain industry information and information on trends in the industry prepared by Pentor Research International S.A. and the Gdańsk Institute for Market Economics) or data from other public sources, industry or general publications, reports published by Eurostat, the Polish Central Statistics Office as well as Polish newspapers. Wherever such information is used in this Prospectus it is accompanied by a reference to its source. When preparing, searching for and processing macroeconomic, market, industry or other data from external sources, such as government publications, third party publications, industry or general publications, the Company has relied on the accuracy of such data without carrying out any independent verification thereof. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information obtained from third parties, no facts have been omitted whose omission would render the third-party information inaccurate or misleading.

Industry publications generally state that the information contained therein is obtained from sources deemed reliable but that the accuracy and completeness of such information is not guaranteed. When preparing this Prospectus neither the Company nor the Offeror carried out any independent verification of third party information. Neither have they analysed the suitability of methods used by such third parties to prepare such data or make estimates or projections. Neither the Company nor the Offeror are able to ensure that such information is accurate or, in the case of projections, that the projections were made on the basis of appropriate data and assumptions or that the projections will prove correct.

The Company disclaims any obligation and does not intend to disseminate any updates of the information on the industry or the market presented in this Prospectus unless required to do so by applicable laws.

Forward-looking statements

This Prospectus contains “forward-looking statements”, which are all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or including the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Group that could cause its actual results, prospects or development to differ materially from any future results, achievements or development expressed in or implied by the forward-looking statements. The forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which it currently operates and will operate in the future. Among the important factors that could cause the Group’s actual results, achievements or development to differ from those expressed in the forward-looking statements are those described in sections “*Operational and financial review*”, “*Risk factors*” and elsewhere in this Prospectus. The forward-looking statements speak only as at the Prospectus Date. The Company has no obligation to disseminate any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any new information or events or other circumstances unless required to do so under applicable laws or the listing rules of the WSE.

Investors should be aware that various important factors and risks may cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in forward-looking statements. These factors include:

- *Risks related to the Group’s operations*, such as the risk of errors in estimating the fair value of acquired debt portfolios, operational risk related to the Group’s business, debt risk, credit risk, risk of negative PR in relation to the Group;

- *Economic and regulatory risks*, including changes in the economic, political and legal situation in Poland, increase in costs or unclear interpretation of Polish laws.

This list of important factors is not exhaustive. When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the economic, social and legal environment in which the Company operates. The Company does not make any representation or warranty that the factors anticipated by the forward-looking statements will occur, and the forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or typical scenario.

This Prospectus does not contain any profit forecasts or estimates, including profit forecasts within the meaning of Regulation 809/2004.

USE OF PROCEEDS

Expected amount of proceeds from the issue of Series D Shares

As the issue price of Series D Shares is currently unknown, it is impossible to precisely define the gross amount of proceeds from the Offering.

Below is presented an estimated amount of the Offering costs paid by the Company. The fees due to the Offeror and the Joint Bookrunners shall be paid by the Company and the Selling Shareholder pro rata to the number of New Shares and Sale Shares, respectively, allotted to investors. The fees payable to the Offeror and the Joint Bookrunners is specified in section “*Terms and conditions of the Offering – “Fees of the Offeror and Joint Bookrunners”*”.

Item	Amount (PLN ‘000)
Preparation of the Prospectus, advisory services and Offering	2,206
Marketing	328
Underwriters’ fees	0
Printing and distribution of the Prospectus, fees payable to the WSE, Polish NDS, and other	417
Total	2,951

Source: the Company.

The Company expects that the issue of Series D Shares will bring in gross proceeds of approximately PLN 46.7m and net proceeds (after deducting the costs presented above) of approximately PLN 43.3m.

Information on the actual gross and net proceeds from the issue of the Offer Shares and the actual costs of the Offering shall be published after the closing of subscription for the Offer Shares in a current report, in accordance with Art. 56.1 of the Act on Public Offering.

Issue objectives

Series D Shares are being issued in order to raise funds to purchase debt portfolios for the Group’s own account in connection with the development strategy pursued by the Group, as described in section “*The Group’s business*” – “*Strategy*”.

Given the nature of investments in debt portfolios, i.e. participation in auctions and negotiations on various markets, at various times, and with various potential sellers, without a guarantee of purchase, as at the Prospectus Date the Company is unable to present details of the planned purchases. The Company intends to use the issue proceeds in 2011.

Debt portfolios will be purchased by the Company or its subsidiary dedicated to investments in debt portfolios, i.e. Secapital Luksemburg, or one of the securitisation funds: Prokura NS FIZ or Prokulus NS FIZ. If debt portfolios are purchased by the subsidiary, the issue proceeds will be transferred to the subsidiary through a share capital increase.

If proceeds from the issue of Series D Shares prove insufficient to implement the objective specified above or if the actual proceeds are lower than expected, the Group will additionally rely on debt financing in the form of bank loans, leases, or issues of debt securities. The amount of borrowings would depend on the Group’s creditability.

The Company does not plan to abandon the issue objectives described in this section. However, no assurance can be given that their implementation will not take longer than planned and that due to occurrence of events that could not be foreseen as at the Prospectus Date the implementation of the issue objectives will not prove impracticable or pointless. As at the Prospectus Date, the Company did not define any alternative issue objectives. If the issue objectives change, the Company shall publish relevant information in a current report.

Other objectives of the Public Offering include the sale of the Offer Shares by the Selling Shareholder (Polish Enterprise Fund IV, L.P. represented by Enterprise Investors) as part of its investment strategy, enhancement of the Issuer’s image as a result of becoming a public company listed on the stock exchange, and establishment of a stable and dispersed shareholder base, which will make it possible to admit the shares to trading on the WSE.

The strategy of Polish Enterprise Fund IV, L.P. envisages investing (directly or through SPVs) in private companies. Polish Enterprise Fund IV, L.P. provides support and business and economic advisory services,

which results in growth of the investment target's value, and then sells its equity interests, in particular by way of a public offering.

Use of proceeds from the issue of Series D Shares until the accomplishment of the issue objectives

Until all the issue objectives are accomplished, proceeds from the issue of Series D Shares shall be allocated to KRUK Group's working capital. Any surplus shall be invested in low-risk financial instruments (e.g. bank deposits, treasury bonds). As at the Prospectus Date, the Company does not plan to spend the issue proceeds on debt repayment.

DILUTION

To the best knowledge of the Company, as at the Prospectus Date the Company's shareholder structure was as follows:

Shareholder	No. of shares	No. of votes at GM	% of share capital held
Polish Enterprise Fund IV L.P.	12,396,550	12,396,550	78.5%
Piotr Krupa	2,655,790	2,655,790	16.8%
Employees and other shareholders	748,000	748,000	4.7%
Total number of Shares	15,800,340	15,800,340	100.0%

Source: the Company.

As part of the Offering the Company plans to issue up to 1,100,000 New Shares. Moreover, the Selling Shareholder plans to sell no fewer than 3,300,000 and no more than 8,200,000 Sale Shares in the Offering.

Considering the above, the amounts and percentage values of dilution presented below were calculated for a situation where the Selling Shareholder sells all the Sale Shares and all the New Shares are subscribed for.

Shareholder	No. of shares	No. of votes at GM	% of share capital held
Polish Enterprise Fund IV L.P.	9,096,550	9,096,550	24.8%
Piotr Krupa	2,655,790	2,655,790	15.7%
Employees and other shareholders	748,000	748,000	4.4%
New Shares	1,100,000	1,100,000	6.5%
Sale Shares	8,200,000	8,200,000	48.5%
Total number of Shares	16,900,340	16,900,340	100.00%

Source: the Company.

The Company expects that after the Offering the existing Shareholders and new shareholders will hold approximately 45.0% and 55.0%, respectively, of the total number of Shares. Following the reduction of the Selling Shareholder's current equity interest in the Company, the Selling Shareholder will hold no less than 24.8% of the total vote at the General Shareholders Meeting.

Below are presented the amounts and percentage values of dilution calculated for a situation where the Selling Shareholder sells the minimum number of the Sale Shares and all the New Shares are offered in the Offering and subscribed for.

Shareholder	No. of shares	No. of votes at GM	% of share capital held
Polish Enterprise Fund IV L.P.	4,196,550	4,196,550	53.8%
Piotr Krupa	2,655,790	2,655,790	15.7%
Employees and other shareholders	748,000	748,000	4.4%
New Shares	1,100,000	1,100,000	6.5%
Sale Shares	3,300,000	3,300,000	19.5%
Total number of Shares	16,900,340	16,900,340	100.00%

Source: the Company.

If the Selling Shareholder sells the minimum number of the Sale Shares and all the New Shares are subscribed for, the existing Shareholders and new shareholders will hold approximately 74.0% and 26.0%, respectively, of the total number of Shares. Following the reduction of the Selling Shareholder's current equity interest in the Company, immediately after the Offering it will hold no less than 53.8% of the total vote at the General Shareholders Meeting, and together with the voting rights exercised under powers of proxy to exercise voting rights granted to the Selling Shareholder by the employees and the other shareholders in the Company – approximately 58.2% of the total vote.

DIVIDENDS AND DIVIDEND POLICY

Historical data on dividend payments

In the period covered by the historical financial information, the Company did not pay dividend from its net profit. Furthermore, the Company did not pay dividend from the profit earned in 2010.

Dividend policy

In the medium term the Company's strategy provides for the reinvestment of all profits in debt purchases so as to ensure that the Company's value grows as quickly as practicable. Accordingly, given the plans to dynamically develop the activities related to purchase of debt portfolios for its own account, the Company does not plan to pay dividend from profits earned in 2011. However, the Company may pay out dividend in subsequent years to the extent dividend payment does not affect its ability to raise financing required for further expansion. As at the Prospectus Date, the Company is not able to estimate the amount of dividend that may be paid from profits earned in 2012 and subsequent years.

Rules of dividend and interim dividend payment

For detailed information on dividend and interim dividend payment see section *"Rights and obligations attaching to the Shares and the General Shareholders Meeting"* – *"Dividend"*.

Income from dividends earned in Poland is subject to taxation at a flat rate of 19%, unless it is earned by a company meeting certain conditions specified in the Corporate Income Tax Act – in such a case income from dividends is exempt from tax. For detailed information on taxation of dividend income see section *"Taxation"* – *"Overview of income tax regime"*.

CAPITALISATION AND INDEBTEDNESS

The information presented in this section should be read in conjunction with the information contained in section “Operational and financial review”, the Consolidated Financial Statements and accompanying notes, as well as other financial data presented in other sections of this Prospectus.

Statement on working capital

The Management Board represents that in its opinion the level of working capital held by the Group is sufficient to finance its current needs and conduct operations for at least 12 months after the Prospectus Date.

Capitalisation and indebtedness

Capitalisation and indebtedness of the Group	Feb 28 2011
	(PLN '000)
Total current debt	57,503
Secured*	10,794
Including: guaranteed	0
Not guaranteed/not secured	46,709
Total non-current debt (excluding current portion)	65,602
Secured*	15,806
Including: guaranteed	0
Not guaranteed/not secured	49,796
Equity	134,044
Share capital	15,800
Share premium account	5,308
Other capital reserves	2,967
Exchange differences on translation of foreign operations	488
Retained earnings	109,464
Non-controlling interests	17

Source: Consolidated Financial Statements.

* For a description of assets serving as security see section “The Group’s business” – “Material agreements”.

Net debt of the Group	Feb 28 2011
	(PLN '000)
A. Cash	16,057
B. Cash equivalents	0
C. Securities held for trading	0
D. Liquidity (A+B+C)	16,057
E. Current financial receivables (debt portfolios and loans granted)	279,437
F. Current bank debt	8,449
G. Current portion of non-current debt	2,345
H. Current liabilities under bonds in issue	46,709
I. Current financial indebtedness (F+G+H)	57,503
J. Current financial indebtedness, net (I-E-D)	-237,991
K. Non-current loans and borrowings	13,220
L. Bonds in issue	49,796
M. Other non-current financial indebtedness	2,586
N. Non-current financial indebtedness, net (K+L+M)	65,602
O. Net financial indebtedness (J+N)	-172,389

Source: Consolidated Financial Statements.

Indirect and contingent debt

Indirect and contingent debt of the Group		Feb 28 2011
		(PLN '000)
A.	Guarantees for liabilities under lease/rent	663
B.	Total	663

Source: the Company.

Restrictions on the use of financial resources

According to the Company, in addition to the restrictions following from applicable laws, also certain clauses contained in the loan agreements executed by the Company and pertaining to the use of loan proceeds are a form of restriction on the use of capital resources. Such restrictions on the use of capital resources by the Company and selected Subsidiaries provided for in the loan agreements include the obligation to:

- purchase debt portfolios only on the Polish market, as well as restrictions as to the value of acquired debt portfolios on the Romanian market;
- purchase debt portfolios only from specified entities (e.g. banks or utility providers); and
- purchase only specified types of debt portfolios (new portfolios or portfolios already purchased) or specified types of assets (e.g. certificates of securitisation funds, shares in specified Subsidiaries).

For detailed information on financing agreements binding on the Group as at the Prospectus Date see section “The Group’s business” – “Material Agreements” – “Agreements executed outside the ordinary course of business” – “Material credit facility agreements”.

EXCHANGE RATES

The financial data in the Consolidated Financial Statements, as well as other data contained in this Prospectus, are presented in the zloty (the presentation currency of the Group), after translation into the zloty if required.

The following tables set out, for the periods indicated, the average, high, low and period-end exchange rates quoted by the NBP for foreign exchange transactions between PLN and the specified currencies. The exchange rates applied to prepare the Consolidated Financial Statements as well as to prepare other data included in this Prospectus may have differed from the exchange rates set out in the tables below. The Company can give no assurance that the value of the zloty actually reflected or could reflect the value of a given currency shown below or that the zloty was translated or exchanged into a given currency at the rate specified below.

PLN/EUR exchange rate

	PLN/EUR exchange rate			
	Average exchange rate	High exchange rate	Low exchange rate	Period-end exchange rate
2007	3.783	3.939	3.570	3.582
2008	3.517	4.185	3.203	4.172
2009	4.327	4.900	3.917	4.108
2010	3.995	4.177	3.836	3.960
January 2011	3.897	3.962	3.840	3.935
February 2011	3.929	3.992	3.868	3.976

Source: NBP

On March 31st 2011, the PLN/EUR exchange (ask) rate announced by the NBP was PLN 4.0119 for EUR 1.

PLN/USD exchange rate

	PLN/USD exchange rate			
	Average exchange rate	High exchange rate	Low exchange rate	Period-end exchange rate
2007	2.767	3.040	2.426	2.435
2008	2.409	3.130	2.022	2.962
2009	3.116	3.898	2.709	2.850
2010	3.016	3.492	2.745	2.964
January 2011	2.915	3.027	2.828	2.885
February 2011	2.879	2.922	2.823	2.877

Source: NBP

On March 31st 2011, the PLN/USD exchange (ask) rate announced by the NBP was PLN 2.8229 for USD 1.

PLN/RON exchange rate

	PLN/RON exchange rate			
	Average exchange rate	High exchange rate	Low exchange rate	Period-end exchange rate
2007	1.135	1.211	0.998	0.998
2008	0.954	1.070	0.870	1.041
2009	1.022	1.140	0.949	0.970
2010	0.949	0.998	0.910	0.924
January 2011	0.914	0.926	0.903	0.924
February 2011	0.925	0.944	0.910	0.944

Source: NBP

On March 31st 2011, the PLN/RON exchange (ask) rate announced by the NBP was PLN 0.9767 for RON 1.

SELECTED HISTORICAL FINANCIAL INFORMATION

The KRUK Group's financial and operating information provided in this section is based on the Group's consolidated financial statements for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, prepared in accordance with the International Financial Reporting Standards (the IFRS) as endorsed by the European Union.

The Group's consolidated financial statements for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, contained in this Prospectus, were prepared and presented in a form corresponding to the form in which the Group's consolidated financial statements for 2011 will be presented, in compliance with the accounting standards and policies, and provisions of law applicable to the Group's financial statements for the current year.

The information presented in this section should be read in conjunction with the information presented in section “Operational and financial review”, in the Group's historical consolidated financial statements presented in section “Selected historical financial information”, as well as other financial information presented in this Prospectus.

The Group's consolidated financial statements for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, were audited by KPMG Audyt Sp. z o.o. with registered office at ul. Chłodna 51, 00-867 Warsaw, Poland.

The Group's selected historical financial information for the period covered by historical financial information

	Period ended Dec 31		
	2010 (audited)	2009 (audited)	2008 (audited)
	(PLN'000, unless stated otherwise)		
Revenue	164,281	128,575	103,882
EBITDA	46,573	34,813	27,388
Operating profit (EBIT)	42,636	31,723	24,773
Pre-tax profit	35,605	27,337	16,275
Net profit for the period	36,119	23,489	16,688
Cash flows from operating activities, including:	-46,689	53,981	-14,867
Portfolios purchased – expenses	-192,670	-53,931	-103,782
Portfolios purchased – cash recoveries	197,939	140,372	117,239
Cash flows from investing activities	-6,226	-3,652	-2,678
Investment inflows	2,012	108	1,379
Investment outflows	-8,238	-3,760	-4,057
Cash flows from financing activities	49,896	-51,598	31,829
Financial inflows	127,574	6,695	85,142
Financial outflows	-77,678	-58,293	-53,313
Total net cash flows	-3,019	-1,269	14,284
Earnings per share (PLN)			
Basic	2.34	1.48	1.10
Diluted	2.34	1.48	1.10

Source: Consolidated Financial Statements.

	Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000, unless stated otherwise)		
Total assets	317,553	207,930	211,680
Non-current assets	18,839	15,343	21,087
Current assets, including:	298,714	192,587	190,593
Inventories	458	729	767
Current investments	264,487	155,435	152,176
Trade receivables	10,568	9,529	7,831
Cash and cash equivalents	20,776	23,795	25,064
Total liabilities	185,539	107,894	135,142
Non-current liabilities	77,996	21,566	56,317
Non-current liabilities under loans and borrowings, and other financial liabilities	77,996	13,566	56,317
Current liabilities	107,543	86,328	78,825
Current liabilities under loans and borrowings, and other financial liabilities	44,144	49,211	50,755
Equity	132,014	100,036	76,538
Share capital	15,309	15,771	15,771
Number of shares	15,308,820	1,577,090	1,577,090
Dividend per share declared or paid (PLN)	0.00	0.00	0.00

Source: Consolidated Financial Statements.

Change in purchased debt portfolios

Change in purchased debt portfolios for the purposes of the statement of cash flows

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Purchased debt portfolios at beginning of period	150,435	152,176	93,135
Purchase of debt portfolios	192,670	53,931	103,782
Cash recoveries	-197,939	-140,372	-117,239
Revenue from debt purchase (interest and revaluation)	118,062	84,700	72,498
Purchased debt portfolios at end of period	263,228	150,435	152,176
(Increase) / decrease in financial assets measured at fair value through profit or loss	-112,793	1,741	-59,041

Source: Consolidated Financial Statements.

Selected information on sales in the period covered by historical financial information

Continuing operations	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Revenue from debt purchase, including:	118,062	84,700	72,498
Interest received on purchased debt portfolios	99,706	78,436	63,386
Revaluation of debt portfolios	18,356	6,264	9,112
Revenue from credit management	44,063	41,765	28,683
Revenue from other services	2,156	2,110	2,426
Revenue from sales of goods for resale and materials	0	0	275

Continuing operations	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Revenue from continuing operations	164,281	128,575	103,882

Source: Consolidated Financial Statements.

OPERATIONAL AND FINANCIAL REVIEW

Overview

When analysing KRUK Group's operating and financial standing, it should be noted that the Group is a financial institution and presents its financial performance using a system which is compliant with the IFRS and comprises distinctive elements that appropriately describe the Group's business model.

For detailed information on the accounting policies adopted by the Group, see the Consolidated Financial Statements in section “*Selected historical financial information*”.

The main sources of the Group's revenue are debt purchase and credit management.

Revenue

Revenue from debt purchase

The Group purchases debt portfolios comprising high-volume overdue consumer and commercial debt (such as, for instance, debt under consumer loans, unpaid invoices and unpaid utility bills, etc.) under claim assignment agreements. The prices paid by the Group for such debt portfolios are significantly lower than the nominal value of the debt. The Group classifies the purchased debt portfolios as current investments under “financial assets measured at fair value through profit or loss”.

The Group prepares valuations of the purchased debt portfolios at least four times a year, not less frequently than at the end of each quarter. The value of the debt portfolios held is determined on the basis of a reliably estimated fair value calculated using an estimation model relying on discounted cash flows. The adopted discount rate reflects the investment risk involved in each debt portfolio and comprises a risk-free rate and credit margin.

Estimated cash flows from debt portfolios are divided into the principal amount and interest determined using the adopted discount rate. The principal amount received is recognised as a decrease in the fair value of the debt portfolios under assets, while the interest received is recognised as revenue earned in a given period. The following are also recognised as revenues of the current period:

- differences between the actual and planned repayments, and
- changes in fair value resulting from changes, if any, in estimated future cash flows for each debt portfolio and changes in the adopted discount rate.

As the purchased debt portfolios are collected using resources which generate operating expenses for the Group, the above revenue is recognised as operating revenue.

Revenue from credit management

Revenue from credit management comprises commission fees due for the collection of debts. Such revenue is recognised on an accrual basis, in the period in which the service is provided, based on the amounts to be collected.

Statement of cash flows

As the Group recognises purchases of debt portfolios under operating activities, the Group's investing activities related to the purchase of debt portfolios for its own account and the related increase in the carrying fair value of the purchased debt portfolios reduce the net cash from operating activities. Consequently, it is characteristic of the Group's statement of cash flows that negative cash flows from operating activities increase in line with the growth in the Group's investment in debt portfolios in a given period.

Given that the Group uses external funds to finance the purchases of debt portfolios, a rise in the Group's investment in purchases of debt portfolios increases positive cash flows from financing activities, which results from the Group's higher indebtedness.

Income tax

As part of the Group's debt purchase activities, the debts are, in principle, purchased by Polish securitisation funds which are members of the Group, or by Secapital Luksemburg.

Secapital Luksemburg of Luxembourg, a special purpose securitisation vehicle formed under the Luxembourg Securitisation Act of 2004, has been a member of the KRUK Group since 2005.

The core business of Secapital Luksemburg is execution of securitisation transactions which involve purchasing risks associated with assets of various classes, including primarily debt portfolios and debt-related securities. It is

possible to separate sub-funds (the so-called compartments) within Secapital Luksemburg, which prepare their own balance sheets and carry separate investment risk.

In accordance with the laws of Luxembourg, Secapital Luksemburg is fully subject to income tax. The company benefits from a special tax regime under which all payments to investors (including the payment of dividends or interest to the shareholders) are tax deductible, which significantly reduces the effective income tax rate. Concurrently, in accordance with the provisions of the applicable double tax treaty, the dividend paid to Secapital Luksemburg's owner, that is the Company, is not subject to income tax in Poland.

The Polish securitisation funds, Prokura NS FIZ and Prokulus NS FIZ, also members of the Group, have been established under Polish laws governing the operation of investment funds. The funds participate in auctions for the purchase of debt portfolios held by banks and other institutions. Under the terms of some auctions, debt portfolios offered for sale may be purchased only by a securitisation fund.

Securitisation funds are not income tax payers. Secapital Luksemburg, as the holder of certificates issued by a securitisation fund, is subject to income tax on any income realised upon redemption of the certificates due to an increase in their value.

In 2008–2010, the average effective income tax rate applicable to the Group was 3.7%.

External factors with a bearing on the Group's operating and financial performance

The external factors described below have had and may have an effect on the Group's operations, its operating and financial performance, as well as financial standing and development prospects. For a detailed description of the degree to which those factors affected the Group's financial results see section "*Operational and financial review*" – "*Financial performance*".

Macroeconomic conditions on the Group's markets

The situation of the debt collection sector depends on macroeconomic conditions in the countries where KRUK Group operates. As at the Prospectus Date, these are Poland and Romania. The Group's financial performance is affected by macroeconomic factors on those markets, in particular by the GDP growth rate, investment growth rate, inflation rate, budget deficit and unemployment rate. 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:

- growth in household incomes in real terms translates into greater consumer willingness to spend and borrow, a natural consequence of which is the subsequent increase in banks' lending activity and the resultant growing number of debtors;
- increase in the lending activity and the number of debtors translates into a rising overall debt level in the economy and, consequently, into more cases being processed on the credit 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 credit 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 banks' lending activity translates into a decreasing 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.

It is the Company's observation that the debt collection market has been expanding both in a period of fast economic growth and in a period of slowdown, which confirms that the debt collection industry is relatively resilient to changes in business cycles.

For the Company's predictions of the development of the macroeconomic conditions in Poland and Romania see section "*Market environment*".

Dynamics of banks' lending activity

A factor of key relevance to the Group's development prospects is the situation on financial markets, including in particular the dynamics of lending activity by banks, which determine the supply of debts on the market. Historically, increased lending activity translated into a higher value of non-performing loans and thus into a higher value of cases outsourced to debt collection agencies. Lower lending activity of banks is followed by a drop in the number and value of cases transferred to debt collection agencies.

For the Company's expectations regarding the development of lending activity of banks see section "*Market environment*".

Interest in outsourcing debt collection

From the Group's perspective, an important market parameter which has a bearing on the demand for credit management services provided by the Group and on the supply of new debt portfolios on the market is clients' interest in outsourcing debt collection to debt collection agencies. The interest is defined as the share of debts outsourced for collection or sold to specialised third-party service providers in the overall volume of non-performing and lost debt. Considering the Group's development strategy, which provides for the development of debt purchase activities, interest in selling debt to external agencies is particularly important. A factor which increases the volume of debts outsourced by banks for collection by specialised third-party service providers are the legal regulations in force. On the one hand, the legislation in force limits the collection options available to banks, e.g. in the case of debt restructuring (where debt collection companies may operate with greater flexibility), and on the other hand there are certain laws, e.g. laws governing securitisation, which are advantageous for banks. By deciding to sell debt banks quickly achieve a positive financial effect. The benefits include, in addition to the price received, tax benefits and elimination of further cost of managing the receivables. By outsourcing debt collection, a bank can focus on its core business, using an operating leverage and replacing fixed costs with variable costs. Moreover, it is able to handle promptly increases in the number of cases that require monitoring and collection without expanding its internal structures. Outsourcing of debt collection also has a positive effect on the efficiency of debt recovery thanks to constant access to the latest specialised services offered by credit management service providers.

For the Company's predictions regarding the growth and development directions of the markets where the KRUK Group is present see section "*Market environment*".

Availability of debt financing

A vital factor for debt collectors purchasing debt portfolios for their own account is access to external financing for further purchases, in addition to own funds. Currently, the Group uses bank loans and bonds to finance purchases of debt portfolios. The situation on the financial markets, banks' policy regarding financing of businesses, as well as the size of demand for bonds have, and will continue to have, an effect on the availability of debt financing for the KRUK Group. In the period from January 1st 2010 to January 31st 2011, the Group issued bonds with a total par value of PLN 113.4m, while the demand was much higher.

Competition in the debt collection industry

The mechanisms and intensity of competition in the debt collection industry vary depending on the market segment (credit management or debt purchase).

The credit management industry, where KRUK Group operates, is highly competitive. There are many debt collection agencies on the market, and clients typically have relationships with a few competing service providers from the sector. Entities which provide credit management services to financial institutions compete primarily in terms of the range of their operations, recovery rates, prices and personal data protection standards.

Competition in the segment of debt purchase is less intense than in the credit management segment, owing to the market's higher barriers of entry. These include: access to capital, debt portfolio recovery rates history as the basis for valuation of debt portfolios, as well as the size of the operations enabling large-scale collection of significant debt portfolios. Receivables are purchased in auctions, where the primary award criterion is the price. There are already a few major players in the debt purchase segment.

According to the data of IBnGR (the Gdańsk Institute for Market Economics), KRUK Group is the market leader in terms of the value of debt collection cases it handles, with an almost 27% market share in 2009. The runner up is Euler Hermes, an international player, with a market share of 13%, i.e. twice lower than the Group's. The Group's leadership on the debt collection market in Poland is additionally confirmed by a periodic ranking of debt collection agencies published by the *Rzeczpospolita* daily, prepared on the basis of surveys carried out among the market participants. The Group has come at the top of the annual rankings for many years.

For a wider discussion of the Group's competitive position see section “*Market environment*”.

Regulatory environment

The Group's operations have been, and will continue to be, influenced by a number of laws and regulations and by changes in the legislation relevant to the Group's business (see “*Regulatory environment*” and “*The Group's business*” – “*Regulatory matters*”). Such laws and regulations include in particular: (i) the Banking Law (especially regulations on outsourcing of debt collection by banks); (ii) the Act on Investment Funds (e.g. tax benefits for banks in the case of sale of debts to a securitisation fund), (iii) the Act on Bailiffs and Debt Enforcement (which permits the selection of a bailiff in the course of judicial debt collection proceedings on the basis of the bailiff's effectiveness and ability to simultaneously handle a large number of enforcement processes); (iv) the Act on Availability of Business Information, which sets out a new legal framework for the operation of credit information agencies in Poland, and (v) the Polish Code of Civil Procedure (including electronic simplified proceedings – *postępowanie upominawcze*).

Moreover, the Group's performance will be affected by interpretations of tax issues by tax authorities and justice administration bodies (see “*The Group's business*” – “*Court, administration and arbitration proceedings*”).

Extraordinary factors with a bearing on the Group's historical operating and financial performance

In the period covered by the historical financial information there were no extraordinary or one-off events which would have a material bearing on the Group's financial performance.

Material events after December 31st 2010

In the period from 1st January 2011 to the Prospectus Date, there were no significant changes in the financial or commercial standing of the Group, save for the following:

- In January 2011, the Group purchased debt portfolios with a total par value of PLN 405.4m as at the purchase date (one portfolio with a total value of PLN 322.1m on the Romanian market, and one portfolio with a total value of PLN 83.3m on the Polish market).
- The Company submitted a firm proposal to purchase a debt portfolio in the Czech Republic with a total nominal value of CZK 1,119.1m, and two debt portfolios in Slovakia with a total nominal value of EUR 12.8m. As the proposal was accepted, the Company expects to conclude a claims assignment agreement in the near future. For detailed information see section “*The Group's business*” – “*Material agreements*” – “*Agreements executed in the ordinary course of business*” – “*Claims assignment agreements*”.
- In March 2011, the Company issued 30,000 Series G² bonds with a par value of PLN 1 thousand per bond. The total value of the issue was PLN 30m. The bonds are due 24 months from the allotment date. The issue proceeds shall be applied towards the purchase of debt portfolios. For detailed information on the bond issue programme see section “*The Group's business*” – “*Material agreements*” – “*Agreements executed outside the ordinary course of business*” – “*Issues of debt securities*”.
- In March and April 2011, the Management Board adopted resolutions concerning an issue of up to 30,000 Series H¹ bonds with a par value of PLN 1,000 per bond (the aggregate value will amount up to PLN 30m) and an issue of up to 15,000 Series H² bonds with a par value of PLN 1,000 per bond (the aggregate value will amount up to PLN 15m). The bond issues will be carried out by way of a public offering. The Series H¹ and Series H² bonds are due after 30 and 36 months, respectively, from the allotment day. As at the Prospectus Date, the public offering of Series H¹ and Series H² bonds was not completed. The issue proceeds will be applied towards the purchase of debt portfolios. For detailed information on the bond issue programme, see section „*The Group's business*” – “*Material agreements*” – “*Agreements executed outside the ordinary course of business*” – “*Issues of debt securities*”.
- In April 2011, Prokura NS FIZ won an auction for a debt portfolio with a nominal value of PLN 541.5m. Therefore, execution of an agreement for the purchase of this debt portfolio is expected. For detailed information see section „*The Group's business*” – “*Material agreements*” – “*Agreements executed in the ordinary course of business*” – “*Claims assignment agreements*”.

Financial performance

Revenue from continuing operations

Continuing operations	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Revenue from debt purchase, including:	118,062	84,700	72,498
Interest received on purchased debt portfolios	99,706	78,436	63,386
Revaluation of debt portfolios	18,356	6,264	9,112
Revenue from credit management	44,063	41,765	28,683
Revenue from other services	2,156	2,110	2,426
Revenue from sales of goods for resale and materials	0	0	275
Revenue from continuing operations	164,281	128,575	103,882

Source: Consolidated Financial Statements.

The main sources of sales revenue for the KRUK Group are credit management services and debt purchase activities. Revenue from credit management services includes primarily commissions, which range from 2% to 49% depending on the status and delinquency of a given case. The revenue from debt purchase includes interest received and effects of debt portfolio revaluations made as a result of a difference between actual cash recoveries and the assumed amount of the recoveries, and the related change in estimates of expected cash inflows from a given portfolio.

Presented below is a historical breakdown of cash inflows from purchased debt portfolios as a share in the amount of funds spent to purchase the portfolios.

Table. Weighted average recovery curve in 2003-2010

Weighted average recovery curve in 2003-2010	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	Total
Cash recoveries in each of the years as % of funds spent	38%	70%	37%	31%	30%	25%	44%	56%	331%

Source: the Company.

The significantly higher recoveries in the seventh and eighth year followed from the 2008 implementation of a strategy based on amicable settlements with debtors with respect to debt portfolios purchased in 2003 and 2004. As a result of the settlement agreements, the Group made recoveries in cases where no, or hardly any, recoveries had been made in the past.

Table. Weighted average recovery curve in 2005-2010

Weighted average recovery curve in 2005-2010	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	total
Cash recoveries in each of the years as % of funds spent	37%	69%	36%	31%	31%	19%	+	+	222% +

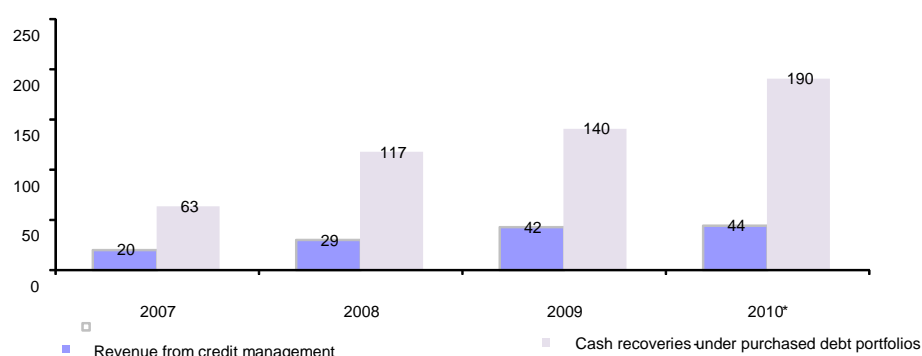
Source: the Company.

In 2008, KRUK Group's total revenue reached PLN 103,882 thousand and was 63.3% higher than in 2007 (according to the Company's management information). The main driver of this strong sales increase was the Group's organic growth, fuelled by the expansion of the credit management market in Poland. The Group continued the strategy providing for a focus on the profitable debt purchase segment. In consequence, in 2008 the revenue from debt purchase reached PLN 72,498 thousand while the revenue from credit management amounted to PLN 28,683 thousand. The revenue from other services and the revenue from sales of goods for resale and materials, totalling PLN 2,701 thousand, followed chiefly from the provision of credit information and services consisting in legal assessment of debt cases and debtors. The 2008 revenue from Romanian operations accounted for 1.5% of the total revenue of the Group.

Despite the financial crisis and the resultant conservative investment policy adopted by the Group with respect to debt purchases, lower supply of debts for sale, as well as limited availability of debt financing, the Group's 2009 sales rose by 23.8%, to PLN 128,575 thousand. The smaller purchases resulted in a slight decline of the carrying value of the debt portfolios held by the Group (from PLN 152,176 thousand as at the end of 2008 to PLN 150,435 thousand as at the end of 2009). The 2009 revenue from debt purchase reached PLN 84,700 thousand and was 16.8% higher than in 2008. In the area of credit management services, the Group reported a growth rate of 45.6% following a marked increase in that market segment. The revenue from other products was PLN 2,110 thousand and fell by 13.0% from the 2008 level. A major driver of the Group's revenue growth in 2009 was the rapid expansion of operations on the Romanian market. In that segment, the Group's revenue soared by 954.3%: from PLN 1,577 thousand in 2008 to PLN 16,627 thousand in 2009.

In 2010, the Group observed a clear rise in the supply of debt portfolios offered for sale compared with the situation in 2009, and substantially increased its investment activity in this area. Moreover, given the higher availability of capital to the industry players, in 2010 the prices of debt portfolios purchased in auctions in Poland stabilised and in the case of smaller debt portfolios, available to a larger number of competitors, even went up. In 2010, the value of the Group's investments in debt portfolios amounted to PLN 192,670 thousand, up by 257.3% year on year. Following a series of purchases, the carrying value of purchased debt portfolios rose to PLN 263,228 thousand as at December 31st 2010, from PLN 150,435 thousand at the end of 2009. In 2010, revenue from debt purchase was PLN 118,062 thousand, 39.4% higher than in 2009. A higher revaluation of portfolios purchased in 2010 relative to the preceding year followed from the fact that in 2010 the Group had relatively higher cash recoveries from some of its debt portfolios and in the course of collection activities it obtained additional information allowing it expect higher recoveries from its portfolios. Revenue from credit management rose by 5.5% relative to 2009, which was attributable to a further growth of the market. In addition, in 2010 the Group continued its dynamic operational expansion in Romania, which drove up the sales revenue on the market from PLN 16,627 thousand in 2009 to PLN 41,570 thousand in 2010, or by 150.0%.

Chart. Revenue from the Group's collection activities and cash recoveries in 2007-2010 (PLN million)



Source: Consolidated Financial Statements, the Company's management information (for 2007).

The Group classifies the debt portfolios it purchases as financial assets at fair value through profit or loss. The principles followed in the valuation of purchased debt are described in the notes to the Consolidated Financial Statements included in this Prospectus. The table below sets out the carrying value of the above assets in the period covered by the historical financial information.

Purchased debt portfolios

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Bank loans	226,033	137,068	133,660
Telecommunication bills	36,022	12,554	17,335
Cash loans (other than granted by banks)	462	592	803
Other	711	221	378
Total value of purchased debt portfolios	263,228	150,435	152,176

Source: Consolidated Financial Statements.

In 2008-2010, the Group developed the debt purchase operations, tapping the segment's significant growth potential. As at the end of 2008, the fair value of the debt portfolios held by the Group amounted to PLN 152,176 thousand, and fell to PLN 150,435 thousand, or by 1.1%, in 2009. The fall was caused by reduced purchases of debt in connection with the conservative investment policy pursued in 2009, lower supply of debt portfolios offered for sale, and limited availability of debt financing in that year. In consequence, the carrying value of debt portfolios held by the Group was amortised slightly faster than it grew as a result of new purchases. In 2010, the value of the debt portfolios held went up to PLN 263,228 thousand, or by 75.0%, which was attributable to the Group's increased investment activity.

According to the Company's management information, in 2007-2010 the Group purchased debt portfolios on the Polish market for PLN 73m, PLN 89m, PLN 34m and PLN 85m in the respective years. On the Romanian market, the Group made the first purchases of debt portfolios, with a fair value of PLN 15m, in 2008. In 2009 and 2010, the purchase price of debt portfolios on the Romanian market was PLN 19m and 109m, respectively.

The main type of debt portfolios held by the Group is bank loans, especially consumer loans. In 2008-2010, the share of bank loans in the total value of purchased debt went down from 87.8% to 85.9%. The debt portfolios held by the KRUK Group also include debts under unpaid telecommunication bills, which in 2008, 2009 and 2010 accounted for 11.4%, 8.3% and 13.7%, respectively, of the total value of portfolios held. The other debt categories, including debt under non-bank cash loans, represent a negligible share in the structure of the Group's debt portfolios by type.

Other operating income

Other operating income

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Unidentified payments written off	374	0	0
Reversal of impairment losses on receivables	105	32	0
Return of compensation for automobile caused damage	202	203	283
Sale of property, plant and equipment	101	108	117
Other	88	509	722
Total other operating income	870	852	1,122

Source: Consolidated Financial Statements.

In 2008–2010, other operating income did not have a significant effect on the Group's financial performance, because its value did not exceed 2% of the Group's revenue in any of the periods covered by the historical financial information. In 2008, other operating income stood at PLN 1,122 thousand and in 2009 it went down by 24% (to PLN 852 thousand). In 2010, other operating income was by 2% higher year on year and amounted to PLN 870 thousand.

Operating expenses

Operating expenses

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Cost of goods for resale and materials sold	0	0	277
Salaries and wages and other employee benefits	56,723	45,830	38,148
Depreciation and amortisation	3,937	3,090	2,615
Contracted services	31,226	28,844	24,362
Other operating expenses, including:	30,629	19,940	14,829
<i>Court fees</i>	12,402	11,149	5,602
<i>Raw materials and energy used</i>	4,394	3,431	3,632
<i>Impairment losses on receivables</i>	457	463	1,130
<i>Taxes and charges</i>	4,200	1,977	936
<i>Advertising</i>	5,658	457	751
<i>Business trips</i>	598	351	494

Operating expenses

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN'000)		
Other	2,920	2,112	2,284
Total operating expenses	122,515	97,704	80,231

Source: Consolidated Financial Statements.

In 2008-2010, the Group recorded an increase in operating expenses from PLN 80,231 thousand in 2008 to PLN 122,515 thousand in 2010. The increase is attributable to the consistent expansion of the Group's business, reflected, *inter alia*, in revenue growth over the entire period covered by the historical financial information. In the period under analysis, the Group improved its operating efficiency, which was reflected in the drop of the ratio of operating expenses to revenue. In 2008, the Group's operating expenses represented 77.2% of the revenue. In 2009, the ratio stood at 76.0%, to fall to 74.6% in 2010.

In the period covered by the historical financial information, the main item of the KRUK Group's operating expenses represented salaries and wages, and employee benefits. This is attributable to the nature of the Group's business, with human resources playing a key role from the operational perspective. Consistent increase in salaries and wages in 2008-2010 is directly attributable to the growing number of employees directly involved in debt collection. According to the data as at the end of 2008, the Group employed 918 people, and as at December 31st 2010 1,185 people. Salaries and wages, and employee benefits, which primarily include social security contributions, represented 47.5% of total operating expenses in 2008. The share was decreasing consistently in the period covered by the historical financial information and in 2010 stood at 46.3%, mainly on account of higher dynamics of the other items of operating expenses in the period under analysis, including in particular the increase in court fees resulting from increased number of the Group-instituted court proceedings.

The second material item of operating expenses is contracted services, primarily telecommunications services used to make telephone calls to debtors and postal services connected with sending mass mail in the course of the Group's collection activities. Contracted services are mostly variable costs, therefore it is relevant to analyse the ratio of contracted services to the Group's revenue in the period covered by the historical financial information. In 2008, contracted services accounted for 23.5% of the Group's revenue. In subsequent periods, the ratio was consistently decreasing, to reach 19.0% in 2010, which was an effect of the KRUK Group's consistent effort to improve operational efficiency, including by the reduction of unit costs (in particular cost of telecommunications services) and development of advanced IT tools supporting the Group's debt collection activity.

In the period under analysis, depreciation of property, plant and equipment and amortisation of intangible assets stayed at a stable, relatively low level not exceeding 3.3% of total operating expenses. The low depreciation and amortisation figure is connected with the insignificant value of the Group's property, plant and equipment, which is in turn attributable to the Group's business profile.

Under the Group's other operating expenses, the cost of court fees amounted to PLN 5,602 thousand in 2008, to increase to PLN 11,149 thousand in 2009, and in 2010 it stood at PLN 12,402 thousand, which is attributable to the intensified activity in the area of instituted court proceedings and other operations relating to court collection proceedings in the period. Raw materials and energy used, including primarily fuel used in the course of doorstep collection operations, stood at 3.5% of the Group's revenue in 2008, to decrease to 2.7% in 2009 and 2010. Another material item of other operating expenses is cost of advertising; in 2008-2009, the cost stayed at a relatively low level, and in 2010 totalled PLN 5,658 thousand, which is attributable to the first ever, in the history of the Polish debt collection industry, media campaign addressed to debtors and designed to support the KRUK Group's strategy based on amicable settlements with debtors.

The Group's expenses in the debt purchase segment are presented below, broken down into basic and additional costs.

Cost efficiency in the debt purchase segment (as % of cash recoveries)

	Period ended Dec 31			
	2010	2009	2008	2007
	(management information)			
Collection cost (PLNm)	61	46	35	18
Basic cost	20%	24%	26%	28%

Cost efficiency in the debt purchase segment (as % of cash recoveries)

	Period ended Dec 31			
	2010	2009	2008	2007
	(management information)			
Additional cost, including:	10%	8%	4%	1%
<i>Court expenses relating to purchased debt portfolios aged over 2 years</i>	7%	8%	4%	1%
<i>Cost of entering debt portfolios aged over 1 year in ERIF's Debtor Register</i>	1%	0%	0%	0%
<i>Cost of advertising and promotion</i>	2%	0%	0%	0%

Source: the Company's management information.

The table shows the increase in cost efficiency in the segment under analysis in 2007–2010. The basic cost of collection of purchased debt stood at 28% of total cost of collection in 2007, while in 2010 it reached 20% of total cost and expenses. The increase in additional cost in the period under analysis is mainly attributable to the collection of time-barred claims.

Operating profit

In 2008, the Group's operating profit amounted to PLN 24,773 thousand and in 2009 it increased to PLN 31,723 thousand, that is by 28.1%. The main driver of this dynamic improvement was the extremely quick growth of the Group, reflected in the high rise of revenue and in the revenue growing at a faster rate than operating expenses. In 2010, the Group's operating profit continued to improve dynamically, by 34.4% (to PLN 42,636 thousand).

This trend is reflected in the values of indirect margins realised by the Group in each of its operating segments in the period covered by the historical financial information.

Indirect margin

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Indirect margin – reporting segments			
Debt purchase	57,237	38,677	37,917
Credit management	18,219	17,733	9,245
Other products	-711	573	442
Total indirect margin	74,744	56,983	47,604
Indirect margin – geographical segments			
Poland	45,908	48,859	50,910
Romania	28,837	8,124	-3,306
Total indirect margin:	74,744	56,983	47,604

Source: Consolidated Financial Statements.

Over the entire period covered by the historical financial information, the Group recorded consistent improvement of the realised indirect margin, driven primarily by the dynamic growth of business in the period, reflected in the high growth dynamics for revenue and a lower growth dynamics for direct and indirect cost in the individual operating segments.

According to the Company's management information, in 2007 the Group realised indirect margin of PLN 23m in the debt purchase segment and PLN 6m in the credit management segment.

The increase in the Group's general and administrative expenses recorded in the period covered by the historical financial information is attributable to the steady growth of the KRUK Group's business. In 2008, the Group's general and administrative expenses stood at PLN 19,132 thousand, in 2009 they grew to PLN 21,414 thousand and in 2010 amounted to PLN 28,055 thousand.

Finance income and expenses

Net finance expenses	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Finance income			
Interest income on loans and receivables	296	0	176
Interest income on bank deposits	1,235	155	199
Decrease in impairment losses on financial instruments held to maturity	0	750	0
Net foreign exchange gains	170	694	0
Other finance income	499	0	0
Total finance income:	2,200	1,599	375
Finance expenses			
Interest on financial liabilities measured at amortised cost	8,715	5,985	7,740
Net foreign exchange losses	0	0	383
Impairment losses on financial instruments	516	0	750
Total finance expenses:	9,231	5,985	8,873
Net finance expenses:	-7,031	-4,386	-8,498

Source: Consolidated Financial Statements.

The Group's finance income includes interest income on the funds invested by the Group (net of interest income on purchased debt, which is disclosed under revenue), foreign exchange differences and decrease in impairment losses on financial assets.

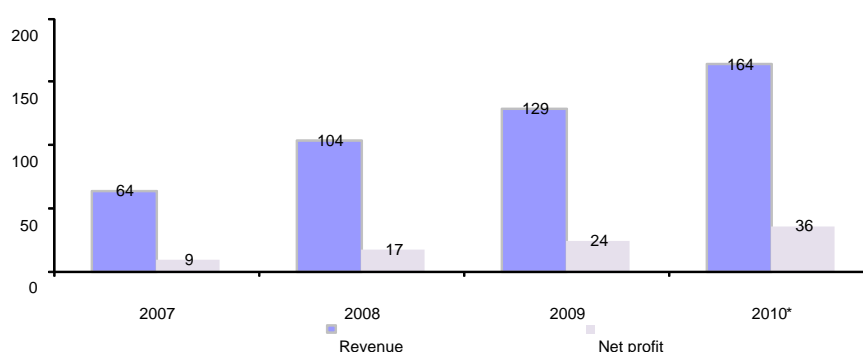
Finance expenses comprise interest payable on the debt financing contracted by the Group, net foreign exchange losses, and impairment losses on the Group's financial assets other than purchased debt and receivables. The largest item under the Group's finance income and expenses is interest on debt financing used by the Group. For detailed information on the Group's debt in the period covered by the historical financial information, see "Financial position" paragraph below.

Net finance expenses reduced the Group's result by PLN 8,498 thousand in 2008, PLN 4,386 thousand in 2009, and PLN 7,031 thousand in 2010. In the first three quarters of 2010, net finance expenses amounted to PLN 5,911 thousand, relative to PLN 3,880 thousand in the corresponding period of 2009. The main source of the incurred net finance expenses was service of debt under bank loans and bonds.

Net profit

In 2008, the Group's net profit stood at PLN 16,688 thousand, to grow to PLN 23,489 thousand (by 40.8%) in 2009. This dynamic growth of net profit was achieved on the back of a rapid growth of revenue, driven mainly by the very quick expansion of the Group's business in both segments of its operations: debt purchase and credit management. In 2010, the Group's net profit continued to increase dynamically, going up by 53.8% (to PLN 36,119 thousand). As in earlier periods, the increase is attributable to the dynamic growth of sales and the decreasing ratio of operating expenses to revenue.

Table. The Group's performance in 2007–2010



Source: Consolidated Financial Statements, the Company's management information (2007).

Financial position

The table below sets forth the Group's assets in 2008–2010.

	Dec 31 2010	Dec 31 2009	Dec 31 2008
	(audited)	(audited)	(audited)
	(PLN '000)		
ASSETS			
Non-current assets			
Property, plant and equipment	9,577	8,226	8,088
Other intangible assets	4,937	3,342	2,234
Goodwill	1,024	1,024	1,024
Trade and other receivables	0	29	0
Investments in associates and jointly controlled undertakings	0	0	4,250
Deferred tax assets	3,301	2,722	5,491
Total non-current assets:	18,839	15,343	21,087
Current assets			
Inventories	458	729	767
Current investments	264,487	155,435	152,176
Trade receivables	10,568	9,529	7,831
Current tax receivable	2	532	2,887
Other receivables	697	1,887	1,590
Prepayments and accrued income	1,726	680	278
Cash and cash equivalents	20,776	23,795	25,064
Total current assets:	298,714	192,587	190,593
Total assets:	317,553	207,930	211,680

Source: Consolidated Financial Statements

In the period covered by the historical financial information, the Group's assets grew from PLN 211,680 thousand as at the end of 2008 to PLN 317,553 thousand as at the end of 2010, that is by 50.0%. The source of this marked increase in the period under analysis was the higher value of purchased debt portfolios recognised under current investments as financial assets at fair value through profit or loss. The latter increase is attributable to the dynamic growth of the Group's operating segment of debt purchase, as reflected in growing investments in debt portfolios. As at the end of 2008, the value of purchased portfolios stood at PLN 152,176 thousand, and as at December 31st 2010 it amounted to PLN 263,228 thousand, which translates into a 73% increase over the entire period under analysis.

In 2008–2010, current assets represented the key category of the Group's assets. The share of current assets in total assets grew consistently, from 90.0% as at the end of 2008 to 94.1% as at the end of 2010. Over the same period, the value of non-current assets did not change significantly; consequently, their share in total assets went down from 10.0% as at the end of 2008 to 5.9% as at December 31st 2010. The main item of the Group's non-current assets is property, plant and equipment, comprising computer hardware, office equipment and cars.

	Dec 31 2010	Dec 31 2009	Dec 31 2008
	(audited)	(audited)	(audited)
	(PLN '000)		
EQUITY AND LIABILITIES			
Equity			
Share capital	15,309	15,771	15,771
Share premium account	5,308	9,795	9,795
Other capital reserves	2,967	2,218	2,218
Exchange differences on translation of foreign operations	385	248	3
Retained earnings	108,003	71,925	48,514
Equity attributable to owners of the parent	131,972	99,957	76,301
Non-controlling interests	42	79	237
Total equity	132,014	100,036	76,538
Non-current liabilities			
Non-current liabilities under loans and borrowings, and other financial liabilities	77,996	13,566	56,317
Trade and other payables	0	8,000	0
Total non-current liabilities	77,996	21,566	56,317
Current liabilities			
Current liabilities under loans and borrowings, and other financial liabilities	44,144	49,211	50,755
Trade and other payables	49,180	26,592	19,341
Current tax payable	0	23	45
Employee benefits payable	14,045	10,470	8,569
Current provisions	174	32	115
Total current liabilities	107,543	86,328	78,825
Total liabilities	185,539	107,894	135,142
TOTAL EQUITY AND LIABILITIES	317,553	207,930	211,680

Source: Consolidated Financial Statements.

In the period covered by the historical financial information, the Group's total equity increased from PLN 76,538 thousand as at December 31st 2008 to PLN 132,014 thousand as at December 31st 2010, that is by 72.5% over the entire period. The dynamic growth of equity is primarily attributable to the increase in retained earnings, in line with the Group's policy providing for reinvesting profits in debt purchases in order to achieve the highest possible growth rate for the Group's value. In the period under analysis, retained earnings rose from PLN 48,514 thousand as at the end of 2008 to PLN 108,003 thousand as at December 31st 2010, or by 122.6%.

In the period under analysis, non-current liabilities went up from PLN 56,317 thousand as at the end of 2008 to PLN 77,996 thousand as at December 31st 2010 (that is by 38.5%), which is attributable to the increase in long-term debt under bank loans and bonds. Over the same period, current liabilities grew by 36.4%. Main items of the Group's current liabilities are financial liabilities under loans, borrowings, debt securities in issue and finance leases, as well as trade payables and employee benefits payable. The share of financial liabilities in total current liabilities stood at 64.4% as at the end of 2008, 57.0% as at the end of 2009 and 41.0% as at December 31st 2010. Trade liabilities represented 24.5% of total current liabilities as at the end of 2008. The share went up to 30.8% as at the end of 2009 and 45.7% as at the end of 2010. The material increase in external financing in the period covered by the historical financial information is in line with the intensification of the Group's debt purchase activity.

To conclude, the Group uses the following funding sources to finance its operations:

- equity, in particular retained earnings from past periods;
- bank loans and borrowings – financing of debt portfolio purchases;
- issues of debt securities – financing of debt portfolio purchases;
- trade payables (trade credit) – financing of debt portfolio purchases;
- lease back and finance leases – financing of purchases of property, plant and equipment.

The Groups' credit requirements are directly connected with the necessity to ensure appropriate liquidity, enabling the Group to purchase debt portfolios and conduct day-to-day operations. The Group purchases debt portfolios in auctions.

For detailed information on loans and borrowings contracted by the Group, as well as debt securities issued by the Group see section “The Group’s business” – “Material agreements”.

Cash flows

The table below shows the key drivers of the Group's cash inflows and outflows in the period covered by the historical financial information.

Cash flow structure at the Group	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Cash flows from operating activities			
Net profit for period	36,119	23,489	16,688
<i>Adjustments</i>			
Depreciation of property, plant and equipment	2,657	2,296	2,057
Amortisation of intangible assets	1,280	794	558
Change in financial assets at fair value through profit or loss	-112,793	1,741	-59,041
Net finance expenses	7,585	5,673	8,612
(Gain)/loss on sale of property, plant and equipment	-3	-108	4
Equity-settled share-based payment transactions	257	0	91
Income tax	-515	3,848	-413
Change in inventories	271	38	-538
Change in receivables	710	-2,024	-1,536
Change in prepayments and accrued income	-1,046	-402	97
Change in trade and other payables	14,588	15,565	14,977
Change in employee benefits payable	3,551	1,901	3,546
Change in provisions	142	-83	30
Income tax paid	507	1,253	1
Net operating cash inflow/(outflow)	-46,689	53,981	-14,867
Cash flows from investing activities			
Interest received	1,235	0	89
Loans advanced	-2,396	0	0
Sale of intangible assets and property, plant and equipment	133	108	208
Disposal of financial assets	0	0	1,082
Purchase of intangible assets and property, plant and equipment	-5,842	-3,760	-4,057
Repayment of loans advanced	644	0	0
Net investing cash inflow/(outflow)	-6,226	-3,652	-2,678
Cash flows from financing activities			
Net proceeds from share issue	485	0	10,500
Proceeds from bond issue	111,482	0	0
Increase in loans and borrowings	15,607	6,695	74,596
Repayment of loans and borrowings	-33,823	-47,559	-45,906
Payments under finance lease agreements	-3,475	-4,196	46
Dividends paid	-37	-236	-3
Redemption of debt securities	-33,897	0	0
Retirement of treasury shares	-114	0	0
Interest paid	-6,331	-6,302	-7,404
Net financing cash inflow/(outflow)	-49,896	-51,598	31,829
Total net cash flows	-3,019	-1,269	14,284

Cash flow structure at the Group

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Cash and cash equivalents at beginning of period	23,795	25,064	10,780
Cash at end of period	20,776	23,795	25,064

Source: Consolidated Financial Statements.

In accordance with its policy governing financing and cash management, the Group finances the purchases of debt portfolios with the profits it generates, bank loans and bond issues, as well as with trade credit, while the Group's property, plant and equipment and intangible assets are financed under lease arrangements, and other operations with profits. For a detailed description of the size and costs of borrowings as well as security provided in respect thereof see section *"The Group's business"* – *"Material agreements"*. An overview of the financial risk management policy is included in the notes to the Consolidated Financial Statements contained in this Prospectus.

The Group holds cash in PLN, EUR, USD and RON.

The main sources of operating cash flows of the KRUK Group are related to changes in purchased debt portfolios, shown in the above table under "Change in financial assets at fair value through profit or loss". Below are presented details of cash flows related to expenses on debt portfolios and cash recoveries.

Change in purchased debt portfolios

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Value of purchased debt portfolios at beginning of period	150,435	152,176	93,135
Purchase of debt portfolios	192,670	53,931	103,782
Cash recoveries	-197,939	-140,372	-117,239
Revenue from debt purchase	118,062	84,700	72,498
Value of purchased debt portfolios at end of period	263,228	150,435	152,176
(Increase) / Decrease in financial assets at fair value through profit or loss	-112,793	1,741	-59,041

Source: Consolidated Financial Statements.

As the Group recognises the purchase of debt under operating activities, the Group's investments in debt portfolios and the related increase in the fair value of purchased debt portfolios reduce the cash flows from operating activities.

In 2008, the KRUK Group financed its operations with cash flows from financing activities. In 2008, cash flows from operating activities were negative, at PLN -14,867 thousand, which was principally due to the amount of net profit, purchases of debt portfolios, net finance expenses incurred and a change in trade and other payables. In 2008, the Group purchased new debt portfolios for PLN 103,782 thousand and made cash recoveries of PLN 117,239 thousand; of that amount, PLN 72,498 thousand was disclosed as revenue from debt purchase. This drove up the value of debt portfolios held by the Group to PLN 59,041 thousand in 2008, which decreased cash flows from operating activities.

The 2008 cash flows from investing activities were negative at PLN -2,678 thousand. Cash flows from investing activities in the year under analysis were related mainly to purchase of intangible assets and property, plant and equipment for PLN 4,057 thousand. The purchased property, plant and equipment comprised chiefly IT and telecommunications equipment and cars. The positive cash flows from investing activities, totalling PLN 1,379 thousand, were mainly generated by the sale of financial assets (PLN 1,082 thousand), sale of intangible assets and property, plant and equipment (PLN 208 thousand), as well as interest received on bank deposits (PLN 89 thousand).

The Group's financing activities in 2008 consisted principally in taking out loans and borrowings for the purchase of debt portfolios, totalling PLN 74,596 thousand. Moreover, in 2008 the Company issued shares and raised PLN 10,500 thousand in net proceeds. The key items of negative cash flows from financing activities

included repayment of loans and borrowings of PLN 45,906 thousand and interest paid on loans and borrowings, amounting to PLN 7,404 thousand. Cash flows from financing activities reached PLN 31,829 thousand in 2008.

Unlike in 2008, when the Group reported negative cash flows from operating activities, the 2009 cash flows from operating activities were positive and amounted to PLN 53,981 thousand. This positive balance followed primarily from the fact that the realised EBITDA financed purchases of debt portfolios to a lesser extent than in 2008 (in 2009, the Group purchased portfolios for PLN 53,931 thousand, compared with PLN 103,782 thousand in 2008), higher cash recoveries under the debt portfolios held by the Group (PLN 140,372 thousand in 2009 relative to PLN 117,239 thousand in 2008). The Group also used deferred payment deadlines for the purchased debt portfolios. As a result, the value of purchased portfolios rose by PLN 1,741 thousand. The lower level of the Group's investment in debt portfolios relative to the previous years was chiefly a consequence of deteriorating conditions on financial markets and the Group's uncertainty as to the further development of the market situation. Due to these factors the Group adopted a conservative approach to investing in new debt portfolios, new portfolios on the market were in limited supply, and debt financing was not readily available.

The negative cash flows from investing activities in 2009 followed primarily from the purchase of property, plant and equipment, including IT and telecommunications equipment, computer software and cars, for a total amount of PLN 3,760 thousand.

In 2009, the Group took out new loans and borrowings for an aggregate amount of PLN 6,695 thousand, paid off PLN 47,559 thousand under its existing loans and borrowings, and made lease payments of PLN 4,196 thousand. The significantly lower level of debt financing in 2009 compared with the previous years was due to the above-mentioned limitation of the Group's purchases of new debt portfolios in 2009. In addition, the Group made a PLN 236 thousand distribution from the profit earned by Kancelaria Prawna RAVEN to non-controlling interests, and paid PLN 6,302 thousand as interest on its loans and borrowings. As a result, cash flows from financing activities amounted to PLN -51,598 thousand in 2009.

In 2010, as the financial markets recovered from recession and the supply of new debt portfolios on the market substantially improved, the Group contracted loans in amounts sufficient to purchase available debt portfolios. Consequently, the Group purchased debt portfolios for a total amount of PLN 192,670 thousand, made cash recoveries of PLN 197,939 thousand, and earned PLN 118,062 thousand in revenue from debt purchase. The value of purchased debt portfolios rose by PLN 112,793 thousand in 2010, and cash flows from operating activities, including the Group's investing activity consisting in the purchase of debt portfolios, were negative at PLN -46,689 thousand.

In 2010, cash flows used in investing activities were mainly related to loans advanced as part of the Group's new project *Pożyczka Novum (Novum Loan)* in an aggregate amount of PLN 2,396 thousand, as well as purchase of intangible assets and property, plant and equipment for PLN 5,842 thousand. In 2010, positive cash flows from investing activities mainly related to interest received on loans advanced, in the amount of PLN 1,235 thousand.

Positive cash flows from financing activities in 2010 included bond issue proceeds of PLN 111,482 thousand and bank loan proceeds of PLN 15,607 thousand. The Company also received proceeds from the issue of Series C shares, in the amount of PLN 485 thousand. For detailed information on the issue of Series C shares, see section *"General information about the Company" – "Share capital" – "Changes in the share capital"*. Negative cash flows from financing activities in 2010 followed from repayment of bank loans of PLN 33,823 thousand, redemption of bonds for PLN 33,897 thousand, and lease payments of PLN 3,475 thousand, retirement of treasury shares (PLN 114 thousand), as well as interest paid on debt financing (PLN 6,331 thousand). Cash flows provided by financing activities in the period amounted to PLN 49,896 thousand.

For information on the bank loans contracted by the Group and issues of debt instruments see section *"The Group's business" – "Material agreements"*.

Details of the Group's investments in property, plant and equipment in the period covered by the historical financial information are provided in section *"Capital expenditure"* below.

Financial ratio analysis

Profitability ratios

Profitability ratios	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
EBITDA	0.28	0.27	0.26
EBIT	0.26	0.25	0.24
Gross margin	0.22	0.21	0.16
Net margin	0.22	0.18	0.16
ROA	0.11	0.11	0.08
ROE	0.27	0.23	0.22

Source: the Company.

Formulas used to calculate the ratios:

EBITDA – (operating profit for period + depreciation/amortisation) / total revenue

EBIT – operating profit for period / total revenue

Gross margin – pre-tax profit for period / total revenue

Net margin – net profit for period / total revenue

ROA – net profit for period / total assets

ROE – net profit for period / total equity

In 2008–2010, the Group's profitability ratios improved steadily at all levels of the income statement. The EBIT margin rose from 0.24 in 2008 to 0.26 in 2010. The improvement follows mainly from the fact that the revenue growth rate exceeded the growth rate of operating expenses. In the period under analysis, the KRUK Group recorded a decrease in unit costs, attributable to the expansion of its operating scale. Moreover, the Group constantly strives to improve the effectiveness of its collection efforts by, *inter alia*, developing and implementing innovative IT tools facilitating large scale debt collection, and the effects of these efforts are reflected in the higher EBIT margin.

As the Group's depreciation/amortisation did not change significantly in the period covered by the historical financial information, the EBITDA margin changed similarly to the EBIT margin and rose from 0.26 in 2008 to 0.28 in 2010.

The steady increase in the Group's net profit in the successive periods brought about a strong rise in the net margin: from 0.16 in 2008 to 0.22 in 2010.

The return on assets in the period under analysis rose on the back of the higher growth rate of the net profit compared with the growth rate of the Group's assets. Consequently, ROA increased from 0.08 in 2008 to 0.11 in 2010.

In the period under analysis, the growth rate of the net profit was also higher than the growth rate of equity, which translated into an increase in the value of ROE, from 0.22 in 2008 to 0.27 in 2010.

Below is presented the indirect margin realised on purchased debt portfolios and the return on investment in the portfolios (ROI – indirect margin on purchased portfolios to average fair value of portfolios in a given period), being a significant measure of the efficiency of the Group's operations.

Indirect margin on purchased debt portfolios	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
Cash recoveries (PLN million)	198	140	117
Revenue (PLN million)	118	85	72
Debt collection cost (PLNm)	61	46	35
<i>Debt collection cost as % of cash recoveries</i>	<i>31%</i>	<i>33%</i>	<i>29%</i>
Indirect margin on purchased debt portfolios (PLN million)	57	39	38
ROI – debt portfolios	28%	26%	31%

Source: Consolidated financial statements.

According to the Company's management information, in 2007 the Group recorded cash recoveries of PLN 63m and revenue from debt purchase of PLN 41m. Debt collection cost amounted to PLN 18m (29% of cash recoveries) and indirect margin on purchased debt portfolios stood at PLN 23m. As a result, ROI for debt portfolios was 37%.

Debt ratios

Debt ratios	Dec 31 2010	Dec 31 2009	Dec 31 2008
	(audited)	(audited)	(audited)
Total debt ratio	58%	52%	64%
Debt to equity ratio	141%	108%	177%
ROE	32%	32%	32%
Short-term debt ratio	34%	42%	37%
Long-term debt ratio	25%	10%	27%
Current ratio	2.78	2.23	2.42
Quick ratio	2.77	2.22	2.41

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

In 2008–2010, the debt ratios of the KRUK Group remained at safe levels.

In accordance with its capital management policy, the Company maintains a solid capital base to ensure business growth while maintaining the trust of investors, lenders and other entities from the Group's environment. The Management Board monitors the return on equity on an ongoing basis and strives to keep it at high levels. In the period covered by the historical financial information, ROE was 32% in each of the financial years under analysis.

The total debt ratio in 2008 was 64%. In 2009, the Group's total debt ratio fell to 52% as the Group reduced its borrowings in line with the conservative investment policy with respect to purchases of new debt portfolios, adopted in connection with uncertainty regarding future market developments, lower supply of new debt portfolios on the market, and a temporary limitation in debt financing availability. As a result, in 2009 the Group took out bank loans of PLN 6,695 thousand, compared with PLN 74,596 thousand in the preceding year. The Group reduced its long-term debt, which was reflected in slight changes in the short-term debt ratio (increase from 37% in 2008 to 42% in 2009) and in a marked decline of the long-term debt ratio: from 27% in 2008 to 10% in 2009. In 2010, as debt-financed purchases of debt portfolios were resumed, the long-term debt ratio rose to 25% and total debt ratio to 58%.

The debt to equity ratio was 177% in 2008, and in 2009 fell to 108% as a result of a decrease in liabilities and increase in equity as at the end of the year. In 2010, the ratio was 141%.

The similar levels of the quick and current ratios over the analysed periods are attributable to the fact that due to the nature of the Group's business its inventories are very low. The liquidity ratios of the Group in 2008–2010 varied from 2.22 to 2.78, which proves that the Group does not encounter any difficulties paying its liabilities on an ongoing basis.

Capital expenditure

Given the nature of its business, the Group makes only minor investments in intangible assets and property, plant and equipment. The table below shows the Group's capital expenditure in the period covered by the historical financial information, i.e. in 2008–2010.

Capital expenditure in the period covered by historical financial information

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Intangible assets			
Licences, permits, computer software	2,903	1,768	1,054
Other	0	135	71
Total expenditure on intangible assets	2,903	1,903	1,125
Property, plant and equipment			
Buildings and structures	75	541	1,476
Plant and equipment	2,296	781	2,050
Vehicles	1,638	1,113	1,829
Other property, plant and equipment	217	78	409
Total expenditure on property, plant and equipment	4,226	2,513	5,764
Financial assets			
Total expenditure on financial assets	0	0	0
Total capital expenditure	7,129	4,416	6,889
including capital expenditure on the Romanian market	651	498	467

Source: the Company.

In the period covered by the historical financial information, a vast majority of the capital expenditure was spent in Poland. The balance was spent on the Romanian market by KRUK International. The Group financed capital expenditure using internally generated funds and leases.

Expenditure on intangible assets was made to purchase mainly computer software in connection with the development of the *Delfin* integrated IT platform, supporting operating processes at the Group. Capital expenditure on computer software amounted to PLN 1,054 thousand in 2008, PLN 1,768 thousand in 2009 and PLN 2,903 thousand in 2010. Other expenditure on intangible assets was made to purchase chiefly data communications software, which is the main work tool of both the operating staff employed at the Group and the administrative personnel.

In 2008–2010, the Group's expenditure on property, plant and equipment included chiefly spending on cars purchased in connection with the development of direct collection activities and for the management staff. The expenditure on cars was PLN 1,829 thousand in 2008, PLN 1,113 thousand in 2009, and PLN 1,638 thousand in 2010. The KRUK Group also purchased IT and telecommunication equipment, being the main work tool of the Group's employees. This expenditure totalled PLN 2,050 thousand in 2008, PLN 781 thousand in 2009 and PLN 2,296 thousand in 2010. In addition, in 2008 the Group incurred major expenditure on the adaptation of and technical equipment for the Company's new registered office in Wrocław, amounting to PLN 1,476 thousand.

In the period covered by the historical financial information, the Group did not make any equity investments.

From December 31st 2010 to the Prospectus Date the Group did not incur any significant capital expenditure.

Current and planned capital expenditure

As at the Prospectus Date, the Group is not engaged in any material investments and did not make any firm commitments to incur capital expenditure in the future.

Trends

Key trends in production, sales and inventory as well as costs and selling prices from the end of the last financial year to the Prospectus Date

In the period from December 31st 2010 to the Prospectus Date, there were no material changes in the Group's revenue, financial performance or costs.

Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects at least until the end of the current financial year

As at the Prospectus Date, the Company is not aware of any other uncertainties, demands, commitments or events which would be reasonably likely to have a material effect on the Group's development prospects at least

until the end of the current financial year, save for the factors described in the following sections of this Prospectus:

- “Risk factors” – „Risks related to the Group’s business”;
- “Risk factors” – „Risks related to the Offering”;
- “Operational and financial review” – “External factors with a bearing on the Group's operating and financial performance”, including in particular:
 - Macroeconomic conditions on the Group’s markets,
 - Dynamics of banks’ lending activity,
 - Propensity to outsource debt collection,
 - Availability of debt financing,
 - Competition in the debt collection industry,
 - Amendments to legal regulations material to the Group’s business.

MARKET ENVIRONMENT

Information in this section comes from publicly available documents obtained from independent sources deemed reliable by the Company. Wherever such external information is used in this section it is accompanied by a reference to its source. When collecting, adapting, analysing and processing macroeconomic, market, industry or other data from external sources, no independent verification thereof for the purpose of this Offering was carried out by the Company, the Offeror or any of their associates.

The Company disclaims any obligation and does not intend to update market or industry data presented in this section, except to the extent required under the applicable laws and regulations.

Market structure

The key segmentation criterion for the debt collection market is the type of debt. Based on this criterion, the market can be broken down into two segments, namely:

- consumer debt market, comprising all debts of consumers (natural persons) to businesses (B2C sector), that is receivables of banks, insurers, service providers (such as telecommunications or cable TV operators), or housing cooperatives;
- commercial debt market (B2B sector), comprising outstanding debts of businesses owed to other businesses (including banks), primarily resulting from unpaid invoices and outstanding financial liabilities towards banks;

The following market segments can be distinguished on the basis of business models adopted by the companies operating on the debt collection market:

- credit management services;
- debt purchase.

The primary market where the KRUK Group operates is the market of consumer debt to banks in Poland and Romania.

Polish debt collection market

Key factors with a bearing on the size of the debt collection market are:

- volumes of bank lending,
- size of the debt portfolio,
- propensity to outsource debt collection;
- growing number and value of debt purchase transactions.

Macroeconomic conditions in Poland

Key macroeconomic indicators for the Polish economy in the period covered by the historical financial information are provided in the table below, along with 2011–2012 forecasts.

Item	2008	2009	2010	2011F*	2012F*
GDP (year-on-year growth expressed in per cent)	5.1	1.7	3.8	3.7	4.1
Domestic demand (year-on-year growth expressed in per cent)	5.6	-1.0	3.9	3.9	3.8
Investments (year-on-year growth expressed in per cent)	9.6	-1.1	-2.0	7.4	8.1
CPI inflation (year-on-year price growth expressed in per cent)	4.2	3.5	2.6	3.0	2.9
Real gross pay (year-on-year growth expressed in per cent)	5.4	2.1	1.4	3.3	3.5
Registered unemployment rate (as at end of period)	9.5	11.9	12.3	10.8	9.6
Average USD exchange rate	2.41	3.12	3.0	2.8	2.7
Average EUR exchange rate	3.52	4.33	4.0	3.8	3.7

Source: IBnGR (the Gdańsk Institute for Market Economics), Polish Central Statistics Office, NBP.

* Forecasts.

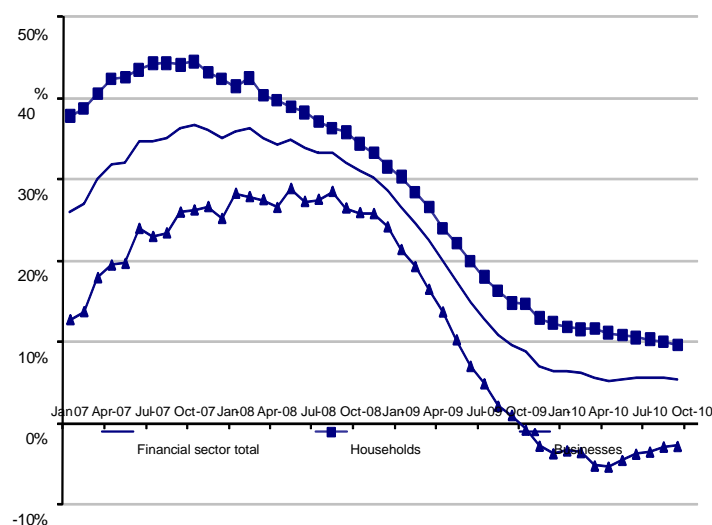
Poland has continued on the path of economic growth since 2004, and is among the fastest-developing EU countries. The 2007 economic growth rate stood at 6.8%, driven by increasing corporate investment, rising

domestic demand, and exports still going strong. However, from mid-2008 onwards, the global economy was gripped by a financial crisis, which reduced Poland's economic growth rate to 5.1% in 2008, and then further to a long-time bottom of 1.7% in 2009. Still, Poland remained the only European Union member state to report a positive GDP growth rate for 2009. In 2010, the growth rate stood at 3.8%. It is expected that the GDP growth will accelerate in the following years, albeit at a slower rate than before 2009. In the long run, Poland's sustainable and fast economic development will primarily depend on the performance of major global economies and the condition of financial markets.

Polish banking sector

The banking sector is of vital importance to the development of the Polish credit management market. Banks are currently the primary client group for debt collection companies, and therefore the market development prospects depend on the situation in the banking sector.

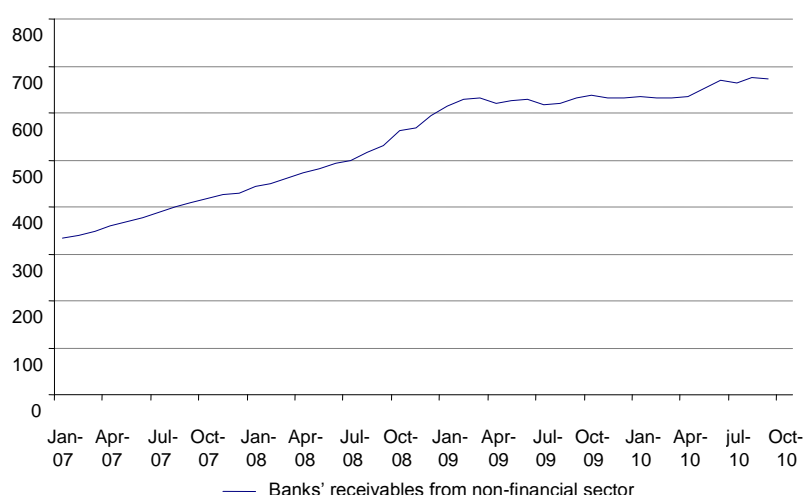
Figure. Banks' lending activity in terms of loans advanced to non-financial sector, year-on-year (corporate and household)



Source: NBP.

In 2007, the volumes of bank lending, to both corporate and household clients, were on a sharp increase. The lending activity growth rate in terms of loans advanced to the non-financial sector stood at an average of 33%. The growth rate with respect to households was markedly higher than in the case of businesses (42% and 22%, respectively, for 2007). In mid-2008, following the global financial crisis, the lending activity growth rate in Poland plummeted. However, despite dropping from an average of 29% at the end of 2008 to 7% at the end of 2009, it remained positive. Throughout the period under consideration, the volumes of bank lending to households were higher than corporate lending volumes. In addition, in the fourth quarter of 2009, the banking sector started to reduce the number of corporate loans advanced (negative lending activity growth rate), while lending to households continued to grow at a rate exceeding 10%.

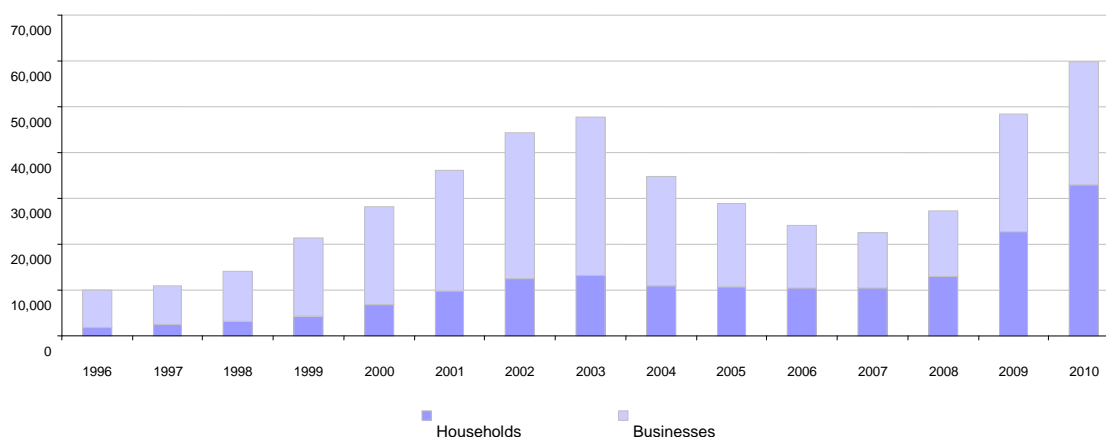
Figure. Banks' receivables from the non-financial sector (PLNbn)



Source: NBP.

The decline in the lending activity growth rate at the turn of 2009 had a direct effect on the level of non-financial sector's debt towards banks. After a period of consistent growth in debt of households and businesses from 2007 (PLN 333bn in January 2007 against PLN 595bn in December 2008), 2009 and 2010 saw a decline in the growth rate of the non-financial sector's debt. In September 2010, the non-financial sector's debt to banks totalled PLN 673bn. The trend had its roots primarily in the declining growth rate of banks' lending activity, caused by deteriorating financial standing of businesses and households alike, and their reduced willingness to incur new debts.

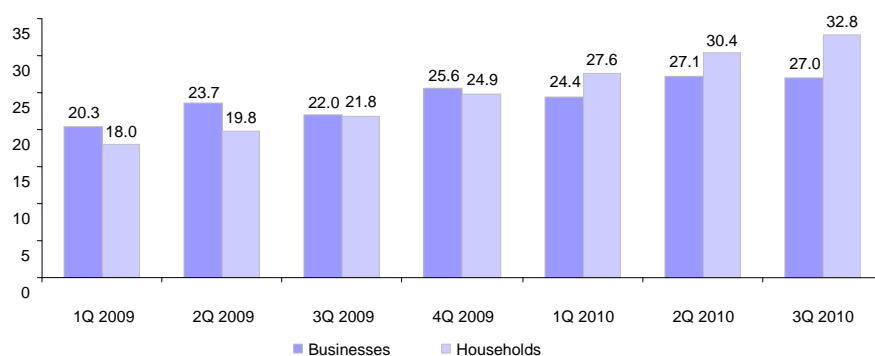
Figure. Outstanding banks' receivables from the non-financial sector (PLNm)



Source: NBP. From March 2010 onwards, the definition of non-performing debt as used by the NBP changed. Until the end of February, the NBP presented data on non-performing debt as defined by Polish accounting standards. In March 2010, the category was renamed into "impaired receivables of the banking sector", and the definition was changed to one compliant with the IFRS.

Despite a decrease in the volume of loans advanced, the value of outstanding bank receivables from the non-financial sector grew substantially in the period under discussion, from about PLN 24bn in mid-2008 to PLN 60bn in September 2010. Growth in the value of non-performing loans was an effect of the financial crisis, which contributed to a decline in bank debt repayment rates, thus increasing the share of non-performing loans in total banks' receivables. While the share of non-performing loans in total bank receivables from the non-financial sector was at 5.2% and 4.6% in December 2007 and 2008, respectively, it rose to 8.0% at the end of 2009, reaching 8.9% in September 2010.

Figure. Value of outstanding banks' receivables from the non-financial sector (PLNbn)



Source: NBP.

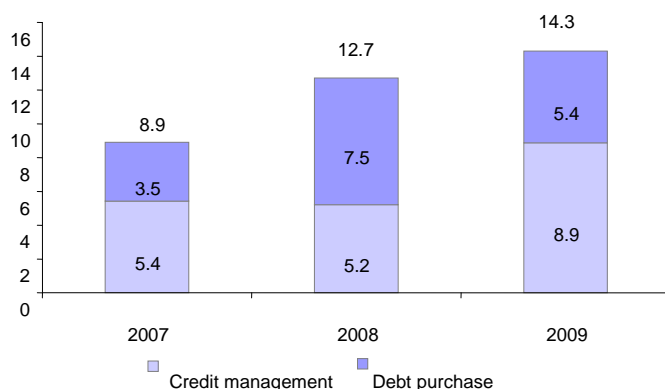
Along with the growth in the value of outstanding banks' receivables came changes to their structure. Receivables from households began to prevail in the structure of non-performing receivables from the non-financial sector (their share in total non-performing receivables moved up from 47% in the first quarter of 2009 to 53% in the third quarter of 2010) in 2009 and in the first three quarters of 2010, the contributing factors being a drop in corporate lending starting from the fourth quarter of 2009, with the concurrent continued positive growth rate in lending to households.

The above trends go on to show that fluctuations in the size of the debt collection market, which directly depends on the value of outstanding receivables in the economy, follows an anti-cyclical pattern, namely the market grows both when the economy grows (through an increase in the lending activity and the corresponding growth in the value of non-performing loans) and in a sluggish economy period (through a growing share of non-performing loans in total loans).

Polish debt collection market

The debt collection market size is determined by the total value of collection cases transferred to third-party companies, both under fee-based credit management arrangements and through sale of debt portfolios. The size of the debt collection market strongly depends on the value of non-performing receivables in the economy and on the propensity to outsource debt collection or sell debt to specialised third-party companies.

Figure. Size and structure of the Polish debt collection market for 2007–2009 (PLNbn)

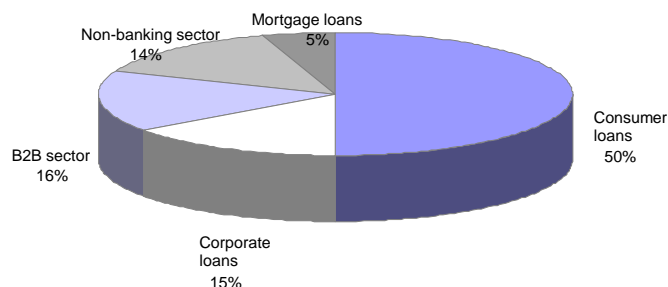


Source: IBnGR, *Rynek zarządzania wierzytelnościami w Polsce oraz perspektywy jego rozwoju do 2014 roku (Polish credit management market with a development outlook until 2014)*, Warsaw, October 2010.

The debt market in Poland began its explosive growth in 2007, when its estimated size was PLN 8.9bn. It expanded by 43% in 2008, and by 13% in 2009, to reach PLN 14.3bn. This robust growth rate is attributable to the fact that in Poland the market is at a relatively early development stage, with a low saturation rate, and hence the increasing debt of households and businesses, and the growing value of non-performing loans in the economy, translate into market growth.

The fee-based credit management market accounted for 61%, 41% and 62%, respectively, of all cases transferred for collection to third-party companies in the years 2007-2009, and the value of debt portfolios sold to debt collection companies accounted for 39%, 59% and 38%, respectively, of the total value of all cases.

Figure. Segments of the Polish credit management market in 2009 (PLNbn)



Source: IBnGR, Rynek zarządzania wierzytelnościami w Polsce oraz perspektywy jego rozwoju do 2014 roku (Polish credit management market with a development outlook until 2014), Warsaw, October 2010.

Banks' receivables account for the largest share of total debts transferred for collection to debt collection companies. Based on IBnGR's estimates, they represented approx. 70% of the total in 2009, of which 50% were consumer loans, 15% corporate loans and 5% mortgage loans. The low share of mortgage loans is caused by this type of liabilities being prioritised by households in terms of repayment. Receivables of non-banking entities accounted for 30% of all debts transferred for collection to third-party companies, with the B2B sector receivables representing 16% of total delinquent receivables, and households' debts to businesses (e.g. telephone and cable TV network operators, housing cooperatives, public institutions) accounting for the remaining 14%.

The credit management market structure in terms of segments is varied both in the case of fee-based debt collection and collection of purchased debt portfolios. On the fee-based debt collection market, consumer loans account for 57% of the market value. Importantly, no corporate debts are present in the structure, as they are typically sold to third-party operators rather than collected under outsourcing arrangements. On the debt purchase market the share of the corporate loan segment comes to 38%, and of the consumer loan segment to 37%.

As estimated by IBnGR, the average value of a collection case transferred to debt collection companies in 2009 was about PLN 2,050, which represents a 21% rise on the 2007 figure. The average value of an outsourced collection case in 2009 totalled PLN 1,850 (up by 9% on the 2007 figure), and the average value of a purchased debt collection case was PLN 3,800 (124% more than in 2007). Such a significant growth in the average value of a collection case sold to third-party debt collection companies results from a growing share of corporate debt cases in the total of sold collection cases. In addition, as much as 79% of the purchased debt collection cases in 2009 involved debts sold by banks (63% in the case of outsourced collection), typically characterised by a higher average value per case than the non-banking sector debts. In 2009, the average value of a debt collection case purchased from the banking sector totalled PLN 6,100 (125% growth on 2007), and PLN 2,400 for outsourced debt collection (approx. 25% decline on 2007). Average value of bank debt cases transferred for collection to third-party companies in 2009 was higher than the average value of cases from other sectors (telecom, financial institutions, utilities and other).

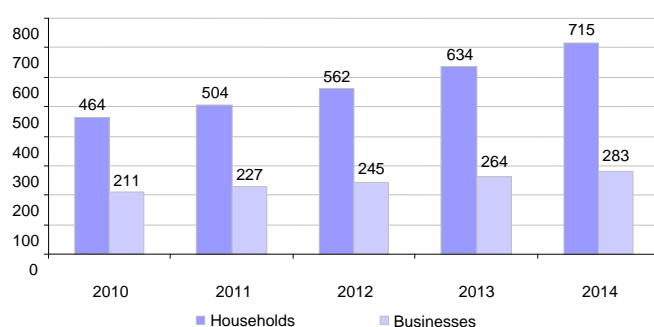
Market development prospects

Development of the Polish debt collection market in subsequent years will be driven by the following factors:

Developments on the bank loan market

According to IBnGR, the forecast Poland's return to a stable economic development path will stimulate the development of the banking sector in Poland in the years to come, e.g. by a consistent growth in the value of loans advanced. This will apply particularly to the market segments which are still at a relatively early development stage in Poland as compared with other developed countries, and convergence towards the market model prevalent e.g. in Western Europe should be expected. The underdeveloped market segments are primarily mortgage loans and credit cards. The consumer loan market in Poland demonstrates a relatively high saturation rate.

Figure. Forecast value of corporate and household loans in 2010–2014 (PLNbn)

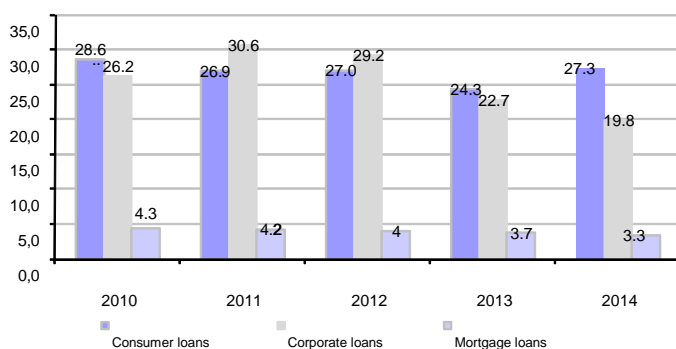


Source: IBnGR, *Rynek zarządzania wierzytelnościami w Polsce oraz perspektywy jego rozwoju do 2014 roku (Polish credit management market with a development outlook until 2014)*, Warsaw, October 2010.

Forecasts by IBnGR for 2014 relative to 2009 anticipate that households' debt will grow by about 74%, that is by 11% annually on average, with a 91% rise in the total value of mortgage loans advanced in the period and a 55% increase in the total value of non-mortgage loans. As regards development prospects for the debt collection market, the lending activity growth rate with respect to non-mortgage loans will be crucial, as they are characterised by a higher delinquency ratio than mortgage loans (9.6% for non-mortgage and 1.8% for mortgage loans in 2009, as estimated by IBnGR). Forecasts put the projected growth rate of corporate loans value in 2014 at 37% relative to 2009.

The delinquency ratio fluctuation trends with respect to loans advanced to households and corporate loans have a material bearing on the development of the Polish debt collection market. IBnGR anticipates that in 2009-2014 the share of non-performing receivables in total receivables will fall from 9.6% to 9.0% in the case of non-mortgage loans advanced to households, from 1.8% to 0.8% for mortgage loans, and from 12.4% to 7.0% for corporate loans.

Figure. Forecast value of non-performing loans in 2010–2014 (PLNbn)



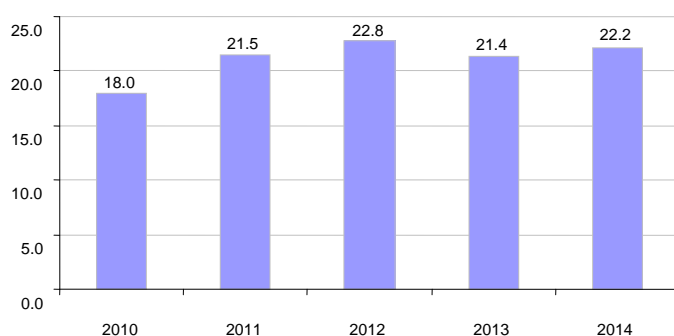
Source: IBnGR, *Rynek zarządzania wierzytelnościami w Polsce oraz perspektywy jego rozwoju do 2014 roku (Polish credit management market with a development outlook until 2014)*, Warsaw, October 2010.

IBnGR expects that on the back of the above banking sector trends, the value of non-performing loans to households will grow to about PLN 33bn in 2010, but over the next years it will decrease in line with a reduction in the delinquency ratio for this type of loans. In 2014, as a result of expansion of the loan base, stimulated by a high growth rate of lending, the value of non-performing loans will increase again, to about PLN 27bn for consumer loans, and about PLN 3bn for housing loans.

Propensity to outsource

The size of the credit management market in the years to come will depend on the propensity to outsource debt collection. As forecast by IBnGR, the relatively low saturation of the debt collection services market will result in growing propensity of financial institutions to outsource. This applies both fee-based debt collection and sale of debt portfolios. In effect, the credit management market will grow.

Figure. Size of the Polish debt collection market in 2010–2014 (PLNbn)



Source: IBnGR, *Rynek zarządzania wierzytelnościami w Polsce oraz perspektywy jego rozwoju do 2014 roku (Polish credit management market with a development outlook until 2014)*, Warsaw, October 2010.

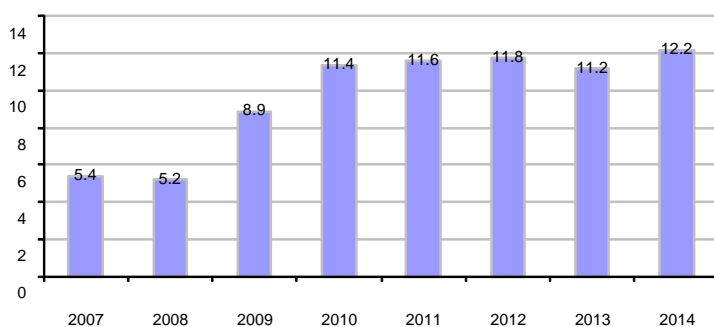
IBnGR estimates that the market size will grow from PLN 14.3bn in 2009 to PLN 18.0bn in 2010, that is by 26%. In 2014, the total value of cases transferred for collection to third-party companies will reach PLN 22.2bn, which is a 55% increase on the 2009 figure.

A factor which increases the volume of debts transferred by banks for collection by specialised external firms are the legal regulations in force. On the one hand, the legislation in force limits the collection options available to banks, e.g. in the case of debt restructuring (where debt collection companies may operate with greater flexibility), and on the other hand there are certain laws, e.g. governing securitisation, which are advantageous for banks. By deciding to sell debt banks quickly achieve a positive financial effect. The benefits include, in addition to the price received, tax benefits and elimination of further cost of managing the receivables. A bank outsourcing debt collection can focus on its core business, using an operating leverage and replacing fixed costs with variable costs. Moreover, it is able to promptly handle increases in the number of cases that require monitoring and collection without expanding its internal structures. Outsourcing of debt collection also has a positive effect on the efficiency of debt recovery thanks to constant access to the latest specialised services offered by the industry players.

Robust growth of the debt purchase market and a slower growth rate of the credit management market

IBnGR anticipates that the debt purchase market will grow faster than the credit management market.

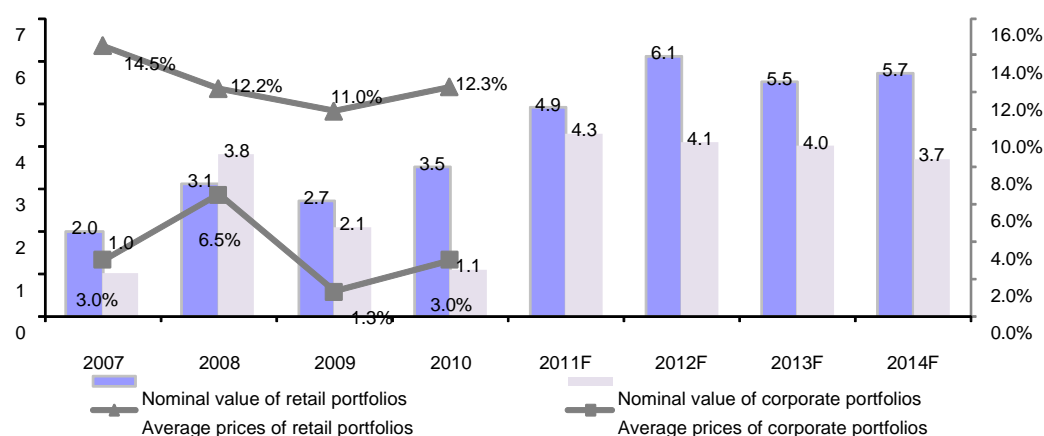
Figure. Nominal value of credit management cases (PLNbn)



Source: NBP, IBnGR

While the credit management market is expected to grow from 2009's PLN 8.9bn to PLN 12.2bn in 2014 (by 37%), the debt purchase market is forecast to expand in the period by 96%, from PLN 4.8bn in 2009 to PLN 9.4bn in 2014. In effect, the market structure in terms of segments will change. In 2014, delinquent debts purchased will account for 44% of the market size (35% in 2009). An increasing number and value of debt purchase transactions will be a strong driver of growth in the capital requirements in the debt collection sector. No sufficient capital backing may represent an important barrier of entry into the debt purchase market, thus restricting competition in the segment.

Figure. Nominal value of newly sold debt portfolios (PLNbn) and average market prices as % of the nominal value

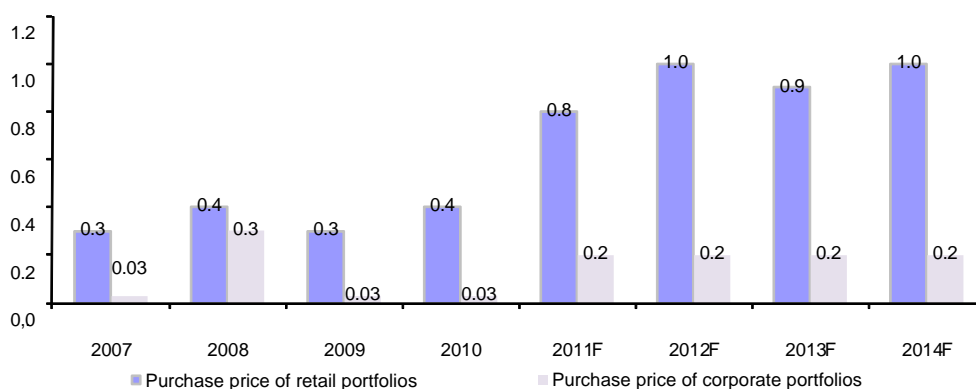


Source: the Company, NBP, IBnGR, Rynek zarządzania wierzytelnościami w Polsce oraz perspektywy jego rozwoju do 2014 roku (Polish credit management market with a development outlook until 2014), Warsaw, October 2010.

In terms of types of newly sold debt portfolios, retail debt portfolios will account for the greatest share, with their value growing from 2009's PLN 2.7bn and 2010's PLN 3.5bn to PLN 5.7bn in 2014. As regards corporate debt portfolios, a marked increase is expected in 2011 (from PLN 2.1bn in 2009 and PLN 1.1bn in 2010 to PLN 4.3bn), to be followed by a minor drop in the value of debt portfolios sold in subsequent years (down to PLN 3.7bn in 2014).

The Group expects that average market prices of debt portfolios will increase on the back of economic rebound and better recovery prospects.

Figure. Newly sold debt portfolios market, by purchase price in PLNbn (based on 2007 and previous years' prices)



Source: the Company NBP, IBnGR

F – forecast.

The Company estimates that, assuming that average market prices will return to the 2007 and previous years' level, the growing average market prices of debt portfolios and improving recovery prospects will translate into an increase in the value of the newly sold debt portfolios market by over 25% annually.

Development of credit information agencies

In the years to come, operations of credit information agencies may have a material effect on the development of the Polish debt collection market. Currently, the role of such agencies in Poland is negligible as compared with market models in place in Western Europe's countries. The growing importance of credit information agencies in Poland results from the Polish Act on Availability of Business Information, in effect since June 14th 2010, which established a new legal framework for the operation of credit information agencies in Poland. Under the Act on Availability of Business Information, all creditors have the right to submit their debtors' details to credit information agencies. Before the Act became effective, only a precisely defined group of entities, authorised to

provide information on consumers' liabilities, had this right. As estimated by the Company, details of 3 to 4 million debtors will be submitted to credit information databases in Poland in the next few years.

Romanian debt collection market

The debt collection market in Romania is marked by a relatively low saturation rate, and the resultant substantial growth potential. The market is big (GDP second only to Poland and the Czech Republic in the region, population of 22 million), and relatively akin in cultural and geographical terms to the Polish market. In addition, the legal environment is not markedly different from regulations in place for the debt collection market in Poland, in particular in terms of regulations on carrying out debt collection activities, banking law, or regulations on personal data protection. Romania acceded the European Union in 2007.

Key macroeconomic indicators for the Romanian economy in the period covered by the historical financial data are provided in the table below, along with 2010–2012 forecasts.

Item	2007	2008	2009	2010F*	2011F*	2012F*
GDP (year-on-year growth expressed in per cent)	6.3	7.3	-7.1	-1.9	1.5	4.4
Budget deficit (% of GDP)	-2.5	-4.8	-7.4	-6.8	-4.4	-3.0
Public debt (% of GDP)	20.5	21.2	28.2	33.9	36.2	35.9
CPI inflation (year-on-year price growth expressed in per cent)	4.8	7.8	5.6	6.1	6.1	3.4
Share of non-performing loans in total loans (per cent)	4.0	6.5	7.9	11.7**	no data	no data
Registered unemployment rate (as at end of period)	4.1	4.4	7.8	7.2	7.7	7.1

Source: Eurostat, World Bank, International Monetary Fund, National Bank of Romania, UniCredit, Business Monitor International.

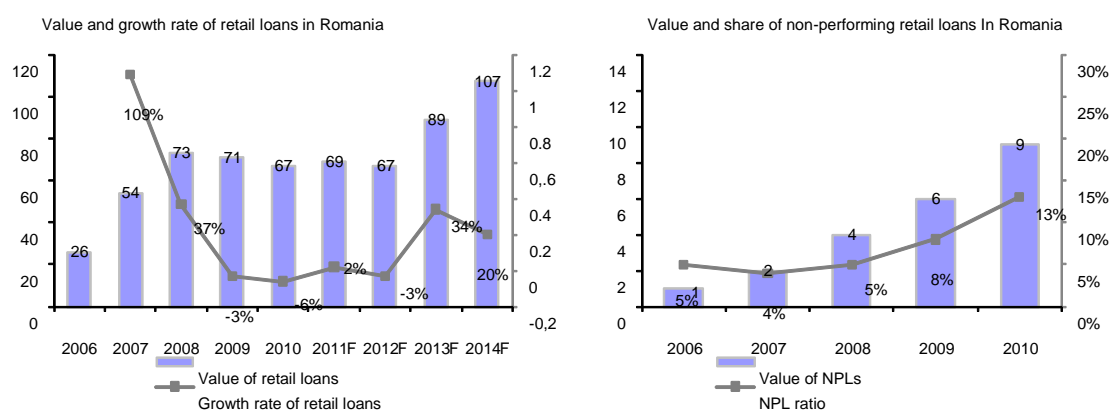
* Forecasts.

** Data for three quarters of 2010.

In 2007 and 2008, the Romanian economy recorded a robust economic growth, coming to 6.3% in 2007 and 7.3% in 2008. However, as a result of the financial crisis which began in 2008, 2009 saw a decline in GDP growth rate by 7.9% on the 2008 figure. It is expected that, starting from 2010, the Romanian economy will return to the growth path. In 2011, the economic growth rate is expected to be at 1.5% and at 4.4% in 2012.

The Romanian banking market is developing rapidly. According to Roland Berger Strategy Consultants, the ratio of loans to GDP in Romania in the first quarter of 2010 totalled 20.1%, whereas the euro zone average in the period was at about 55%.

Figure. Total retail loans and non-performing loans in Romania (PLNbn)



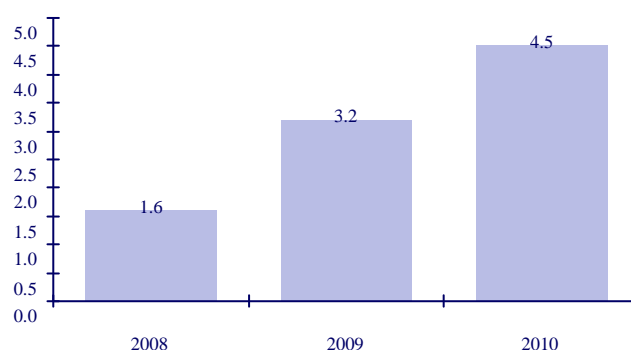
Source: NBR, NBS Securities, on the assumption that RON 1=PLN 0.949.

F- forecast.

In 2006–2009, the value of consumer loans advanced to households in Romania increased by 173%. 2010 saw a decline in the value of loans advanced by 6%, resulting from a decelerating bank lending activity in the wake of the financial crisis. Consumer loans account for nearly a half of all loans advanced. At the same time, the delinquency ratio with respect to loans advanced is on the increase. While the ratio was at 5% in 2008, current estimates indicate that it may be approaching 13%.

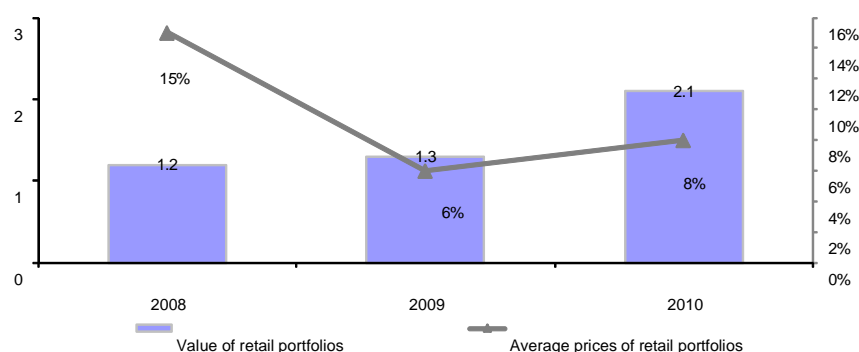
The Company estimates that, in 2009, Romanian banks and companies decided to transfer cases valued at PLN 3.2bn for collection by third-party debt collection agencies, which is a 100% increase on the 2008 figure (PLN 1.6bn). The credit management market grew to PLN 4.5bn in 2010.

Figure. Size of the Romanian credit management market for 2008–2010 (PLNbn)



The Company estimates that, in 2009, the total nominal value of retail debt portfolios sold by banks on the Romanian market was PLN 1.3bn, an 8% increase on 2008 (PLN 1.2bn). In 2010, the market growth rate accelerated, driven by the growing delinquency ratio of consumer loans, as well as a growing propensity of banks to sell receivables. The Company estimates the value of debt portfolios purchased in 2010 to be at PLN 2.1bn in nominal prices.

Figure. Debt purchase market in Romania by nominal value and average market prices as % of nominal value of portfolios



Source: Company's in-house estimates.

KRUK estimates that the fair value of debt portfolios sold on the Romanian market in 2008 totalled PLN 179m, coming to PLN 72m in 2009, and rising to PLN 166m in 2010.

The Company expects that the market growth trend will continue in the segment on the back of increasing banks' propensity to sell receivables, and the growing value of non-performing debts in the Romanian banking sector. Over the last three years, the Group has seen a gradual opening of financial institutions in Romania to debt collection outsourcing. In 2010, all major financial institutions and telecom operators used credit management services or sold debt portfolios. Deteriorating recovery rates in 2009-2010 resulted in a drop in the prices in the corresponding period. Price return to historical levels is expected in the subsequent years, supported by improving quality of debt portfolios sold.

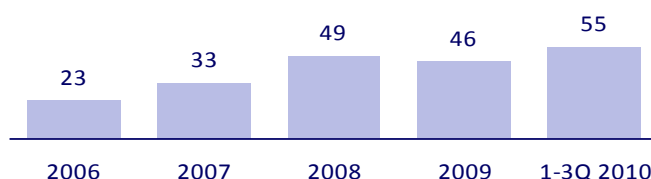
An increasing number and value of debt purchase transactions will be a strong driver of growth in the capital requirements in the Romanian debt collection sector. Lack of sufficient capital backing may represent an important barrier of entry into the debt purchase market for the local players.

Hungarian debt collection market

Hungary is the fourth largest market in Central and Eastern Europe in terms of population (10.0 million in 2009). The Hungarian economy has enjoyed a stable economic growth in recent years, with average annual growth rates at 0.3% in the period from 2004 to 2009. In 2009, Hungary's GDP amounted to EUR 99bn.

The Hungarian bank retail loan market (excluding mortgage loans) attained a similar growth rate as the Polish market, that is 18.6% annually on average (18.8% in Poland) in the period from 2006 to 2009, and from January to November 2010. In November 2010, the value of retail loans advanced in Hungary totalled EUR 13.7bn.

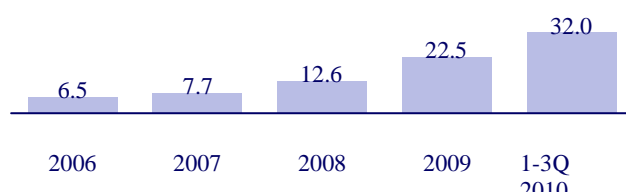
Figure. Value of bank non-mortgage retail loans in Hungary (PLNbn)



Source: HFSA (Hungarian Financial Supervision Authority).

The Hungarian Financial Supervision Authority's data indicate that 2006 marked the start of a strong growth in the value of non-performing loans, in particular from 2008, which was primarily the effect of the financial crisis. The value of non-performing non-mortgage retail loans in the Hungarian economy from 2006 to September 2010 increased nearly five-fold.

Figure. Value of non-performing non-mortgage retail loans in Hungary (PLNbn)



Source: HFSA (Hungarian Financial Supervision Authority).

The Company estimates that the value of investments on the Hungarian debt purchase market is at about PLN 50m to 75m annually, whereas revenues from the credit management segment total about PLN 25m per year.

Before the onset of the financial crisis in 2008, Hungarian banks did not collect delinquent receivables on their own, but rather sold them to specialised third-party companies. However, despite a significant increase in the value of delinquent loans caused by the crisis, the growth rate of the debt purchase segment did not keep up, as debt collection agencies did not have a sufficient capital base to invest in debt portfolios. This means that the market has a growth potential, and entry of a player with sufficient capital may open the bank receivables sale market in Hungary.

Major debt collection market players in Hungary include EOS KSI, Intrum Justitia, Credit Express, Dijbeszedo and a host of smaller, local entities.

Other important features of the Hungarian debt collection market:

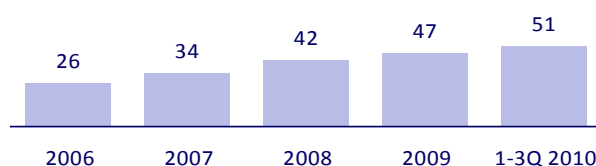
- legal framework for debt collection operations is similar to Polish laws;
- in practical terms, receivables can be purchased by Hungarian companies only;
- VAT regulations encourage operations involving debt purchase and outsourced collection by specialised companies.

Czech debt collection market

The Czech Republic is the third-largest (after Poland and Romania) country in Central and Eastern Europe in terms of population (10.5 million in 2009) and second only to Poland in terms of economic growth rate in recent years. In 2004–2009, the average annual growth rate of the Czech GDP came to 3.4%.

The Czech banking market is developing rapidly, as evidenced by the average annual increase in the value of non-mortgage retail loans: 28.6% in the period from 2006 to November 2010. In November 2010, the value of non-mortgage retail loans in the Czech economy was EUR 12.7bn.

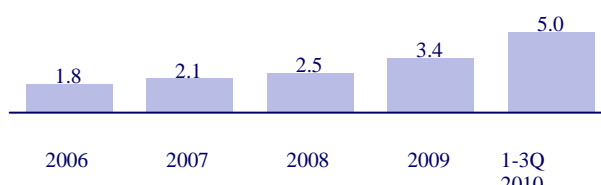
Figure. Value of non-mortgage retail loans advanced by banks in the Czech Republic (PLNbn)



Source: CNB (Czech National Bank).

The value of consumer loans in the Czech economy doubled in the period from 2006 to September 2010: from PLN 26bn to PLN 51bn. The period also saw a marked increase in the value of non-performing loans.

Figure. Value of non-performing non-mortgage retail loans advanced by banks in the Czech Republic (PLNbn)



Source: CNB (Czech National Bank).

2010 saw a particularly significant increase in the value of non-performing retail loans advanced by banks. In the first three quarters of 2010, the value of non-performing loans totalled PLN 5.0bn, a 47% growth on the 2009 total.

The Company estimates the value of investments on the debt sale market in the Czech Republic at about PLN 100m annually, whereas revenues from the credit management segment total approximately PLN 30m per year.

A distinctive feature of the Czech market is its fragmentation (about 200 to 250 market players). In 2008, debt collection companies in the Czech Republic employed 41 persons on average, achieving annual revenues at the level of PLN 10m. The dominating market segment (with a share of about 57%) is the segment of collection of banks' retail receivables. Most banks operating in the Czech Republic regularly transfer their receivables for collection by third-party companies, both under outsourcing arrangements and through sale of debt portfolios.

Other important features of the Czech debt collection market:

- legal framework for debt collection operations is similar to Polish laws;
- purchase and servicing of receivables does not require a licence;
- the law permits additional charges on the debtor in the course of litigation.

Major debt collection market players in the Czech Republic are: Profidebt, Intrum Justitia, EOS KSI, TRANSCOM.

Competition and market position

Poland

The Polish credit management sector, where the KRUK Group operates, is highly fragmented and competitive. There are many debt collection agencies on the market, and clients typically have relationships with a few competing entities from the sector. Entities which provide credit management services to financial institutions compete primarily in terms of the range of their operations, recovery rates, and personal data protection standards

Competition in the segment of debt collectors purchasing debt portfolios for their own account is less intense than in the credit management segment, owing to the market's higher barriers of entry. These include: access to capital, debt portfolio recovery rates history as the basis for valuation of debt portfolios, as well as the size of the operations enabling large-scale collection of significant debt portfolios. Receivables are purchased in auctions, where the primary award criterion is the price. There are already a few major players in the segment of debt collection agencies purchasing debt portfolios for their own account.

Figure. Credit management market structure by market shares of respective debt collection companies, based on the value of cases accepted for collection in Poland in 2009

		PLNm	%
1	KRUK	3,839	26.8%
2	Euler Hermes	1,805	12.6%
3	Lexus	1,688	11.8%
4	Transcom CMS Poland	1,673	11.7%
5	APS Poland*	1,512	10.6%
6	Intrum Justitia*	1,000	7.0%
7	EGB Investments	717	5.0%
8	Kokszys	588	4.1%
9	Best	580	4.1%
10	Presco	167	1.2%
11	Pragma Inkaso	145	1.0%
12	Kredyt Inkaso**	150	1.0%
13	Fast Finance	110	0.8%
14	Cash Flow*	100	0.7%
15	Vindexus	80	0.6%
	Other	150	1.0%
		14,304	100.0%

Source: "Przybywa długów do odzyskania" (More debts to collect), *Rzeczpospolita* daily of January 25th 2010, the Company.

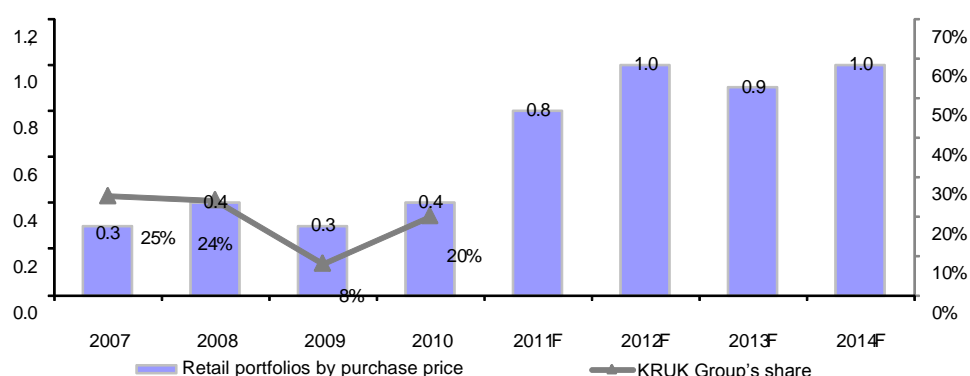
* Company's estimates. ** The same value was adopted as for the most recent full accounting period (Q1 2008 - Q1 2009) based on the *Rzeczpospolita* daily's ranking

The above listing includes entities which disclose data on the value of debts accepted for collection.

The KRUK Group is the market leader in terms of the value of debt collection cases it handles, with an almost 27% market share in 2009. The runner up is international player Euler Hermes, with a market share of 13%, i.e. twice lower than the Group's. In terms of business profiles, Euler Hermes differs from the KRUK Group in that the former focuses on debt collection in the trade receivables insurance segment and on the B2B segment. Further down in the ranking are Lexus and Transcom CMS Poland, each with a share of about 12%. The above companies jointly hold 63% of the market.

The Group's leadership of the debt collection market in Poland is additionally confirmed by a periodic ranking of debt collection agencies published by the *Rzeczpospolita* daily, prepared on the basis of surveys carried out among the market participants. The Group has come at the top of the annual ranking for many years. Based on the rankings, the value of debts accepted for collection by the KRUK Group in 2007 accounted for 37% of the total value of debts accepted for collection by all firms listed in the ranking. In 2008, the share was at 28%, at 34% in 2009, and at 41% in 2010.

Figure. Estimated position of the Group on the market of retail debt portfolios based on purchase price (PLNbn)



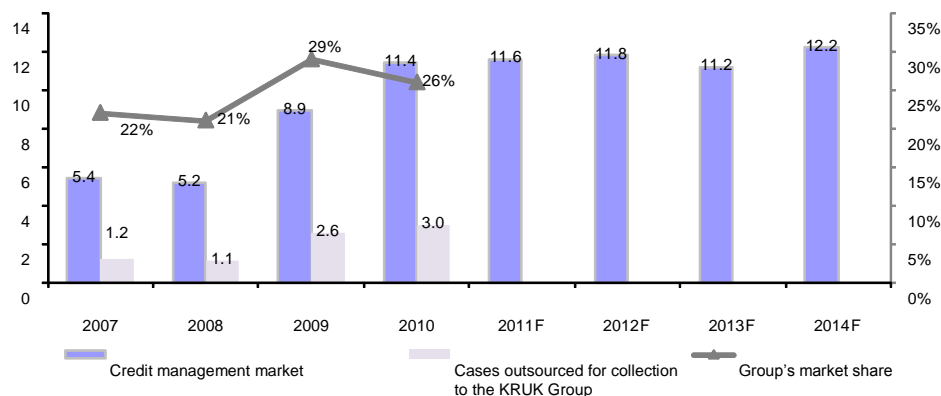
Source: NBP, IBnGR, the Company.

F - forecast

In 2007–2008, the Group's market share in terms of purchased retail debt portfolios remained at around 25%. The Group reduced its investment spending in 2009 owing to the increased macroeconomic risk in Poland, and in 2010 it focused on the development of its operations in Romania. The Group's long-term development strategy stipulates that the Group will retain its 25% market share in the segment.

The KRUK Group holds a high and growing share in the credit management segment. This has been possible thanks to its focus on the expanding retail debt segment, accounting for about 90% of the market size.

Figure. Market position of the Group in the credit management segment (PLNbn)



Source: NBP, IBnGR, the Company

F - forecast

The Group expects that, assuming that in line with the forecasts the credit management market remains stable between 2011 and 2014, the KRUK Group will retain its market share in the following years. The Group ranks among the most experienced players on the market of collection of banks' corporate debt portfolios. Currently, the Group handles corporate debt portfolios whose total nominal amount is approximately PLN 4bn. According to NBP and IBnGR data, the corporate debt market in 2006-2010 totalled PLN 9.7bn (based on nominal value of the portfolios), which translates into the Group's market share of approximately 41%.

Table: Estimated Group's share in the corporate debt purchase segment

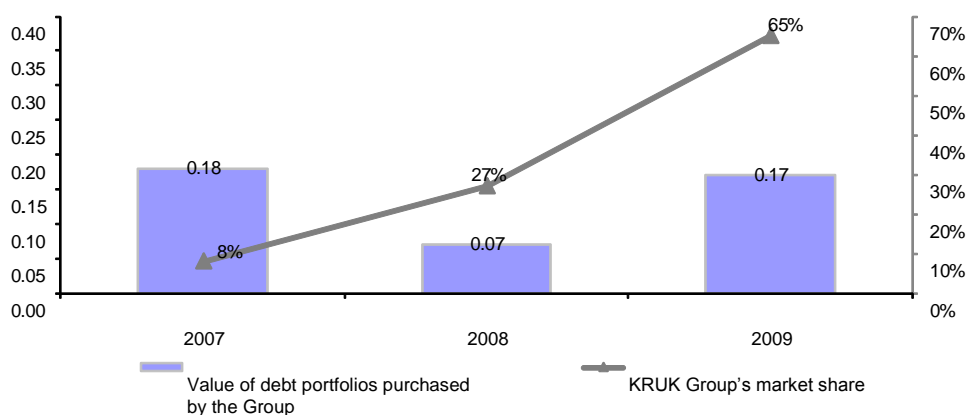
Estimated Group's share in the corporate debt purchase segment	Period ended Dec 31			
	2010	2009	2008	2007
	(management data)	(management data)	(management data)	(management data)
Corporate debt market by nominal value (PLNbn)	1.1	2.1	3.8	1.0
Average market prices as % of nominal value	3%	1%	7%	3%
Sold debt market by fair value (PLNm)	33	28	247	29
KRUK Group's market share by fair value	1%	37%	-	-
Portfolios purchased by the Group by fair value	0.4	10.4	-	-

Source: Company's in-house estimates

Romania

The Romanian debt collection market is much less fragmented than in Poland. Key market players are international companies such as EOS and Coface, as well as the KRUK Group. Other competitors are small businesses. The Romanian credit management segment is much less concentrated, with key players holding shares in the region of 13%-16%. The Company estimates that the Group's credit management market share came to 16% in 2010, and to 22% and 15% in 2008 and 2009, respectively. The value of cases handled by the Group in 2008, 2009 and 2010 was PLN 0.4bn, PLN 0.5bn and PLN 0.7bn, respectively. Estimates are based on the nominal value of retail debts transferred by businesses and banks in Romania for collection to third-party companies. The KRUK Group has 479 clients in the Romanian market, including major financial institutions. The Company estimates that the Group's Romanian market share in the debt purchase segment in 2009 totalled about 27%. The share is calculated based on the estimated value of expenditures incurred by debt collection companies in 2009. In 2010, the Group significantly increased its debt portfolio purchase volume on the Romanian market, consolidating its position in the segment, with its market share reaching 65%.

Figure. Market position of the Group in retail debt purchase segment in Romania, based on purchase price

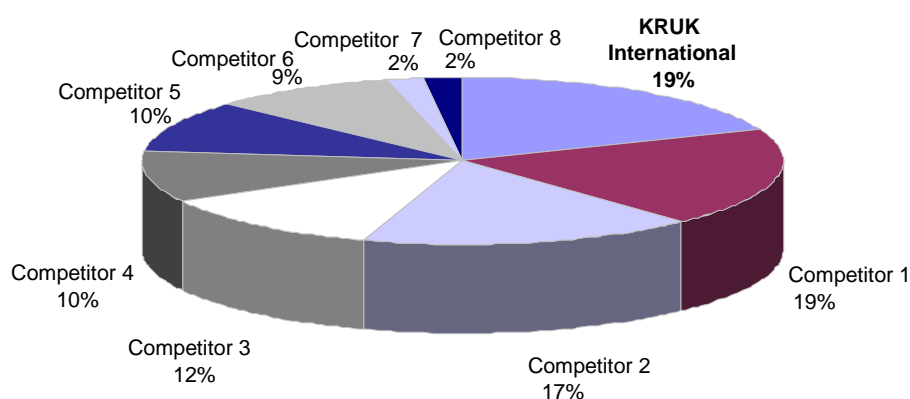


Source: Company's in-house estimates.

The debt purchase market is less competitive owing to weak financial potential of the local capital holders and relatively little interest in the market from foreign capital holders, except the foreign companies mentioned above, which carry out debt collection operations in Romania.

Estimated market shares of individual players on the Romanian market are presented below by value of cases outsourced for collection and purchased debt portfolios.

Figure. Credit management market structure by market shares of respective debt collection companies, based on the value of cases accepted for collection in Romania in 2009



Source: KRUK S.A.

The above listing is an estimation based on estimates of KRUK Group. The KRUK Group's share in the Romanian credit management market, as estimated by KRUK S.A. (total of fee-based credit management services and debt purchase), amounted to 19% in 2009. The share was calculated as the total value of cases accepted for collection under outsourcing agreements and debts purchased by debt collection companies in 2009.

REGULATORY ENVIRONMENT

The information contained in this section is of general nature and provides an overview of the regulatory framework as at the Prospectus Date. Given the material importance of the Group's Polish operations, this section deals with selected aspects of the Polish legal system only.

Securitisation funds

Operations of securitisation funds (Prokura NS FIZ and Prokulus NS FIZ) are classified as regulated activity. 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 to establish a fund (including approval of the fund's articles of association),
- 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 maintain registers of investment fund unit holders, including in terms of compliance of their operations with contractual obligations under agreements executed with investment funds, and with the funds' articles of association,
- supervision of entities which manage the securitised debt of a securitisation fund, including in terms of compliance of their securitised debt management activities 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.

Transferring any payments received by a bank or another entity holding rights under securitised debt from a specific debt pool, or under particular debt as indicated in the sub-participation agreement, to the securitisation fund is governed by the Banking Law and the Act on Investment Funds.

The Group's securitisation fund operations must be carried out in compliance with a number of Community and Polish laws.

Bank outsourcing

In order to outsource certain banking activities to the Group under a relevant agreement a bank is required to obtain the PFSA's authorisation. The Group's operations in this scope are supervised by the PFSA. In cases stipulated in the Banking Law, the PFSA may instruct the bank to take action to amend or terminate the agreement.

Detective services

Operations of the Company and KRUK Corporate involving the provision of detective services are also classified as regulated activity, and require an entry in the detective activity register maintained by the Minister of Internal Affairs and Administration.

Other authorities materially involved in supervision of the Group's operations

The companies of the Group are also overseen by other administration authorities which supervise specific areas of their 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, for personal data processing and protection,
- Minister competent for the economy, for compliance of operations involving making available and exchange of business information on creditworthiness with the applicable laws and rules of ERIF.

Personal data protection

The extent of personal data processing with respect to natural persons in day-to-day operations of the Group renders regulations on data protection materially important 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, persons whose data are processed must have the right to access and rectify such information.

Operations of ERIF which involve making available credit information are also governed by the Act on Availability of Business Information. Furthermore, the Banking Law provisions on banking secrecy apply to securitisation of bank debts by securitisation funds.

Consumer bankruptcy

Since a major group of debtors whose liabilities are processed by the Group are natural persons that are not entrepreneurs, regulations on consumer bankruptcy under the Act on Bankruptcy and Recovery of February 28th 2003, in effect from March 31st 2009, are of vital importance for the Group's operations. Under the Act, a natural person to whom general provisions of the Act on Bankruptcy and Recovery do not apply, may file for bankruptcy, involving liquidation of such person's assets. Upon completion of the bankruptcy procedure and after the obligations under the repayment plan are met, obligations of the bankrupt covered by the plan which have not been satisfied are cancelled, as a result of which the creditor is unable to seek satisfaction of any outstanding claims.

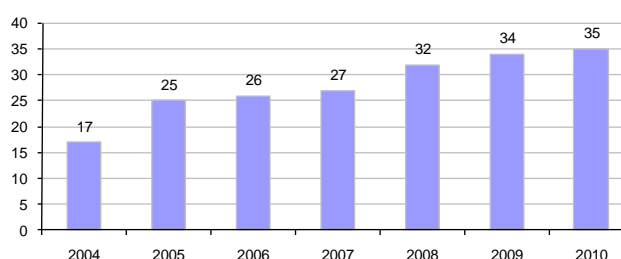
THE GROUP'S BUSINESS

Summary

The KRUK Group is a leader of the Polish and Romanian credit management markets, with many years' experience and expertise in comprehensive high-volume credit management. The Group's comprehensive offering includes a broad range of debt collection services, and is constantly enhanced with innovative debt collection methods and tools. The Group's leading position on the Polish market is reflected in the debt collection companies ranking published periodically by the *Rzeczpospolita* daily, in which the Group has uninterruptedly held No. 1 position for many years. Data on the Group's leading position on the Romanian market was estimated by KRUK S.A..

The Group's business model relies on two operational segments: credit management services and debt purchase. The Group processes debts from all market segments (banks, loan brokers, insurers, leasing companies, landline and mobile operators, cable TV operators, digital TV operators, FMCG and B2B sectors), while it focuses on the fastest-developing financial services markets, and consumer debt segment in particular. Banks represent the primary client category for the Group. As at the end of 2010, the Group cooperated with 35 financial groups in Poland (banks and loan brokers).

Figure. Number of Polish financial groups cooperating with the Group



Source: the Company.

Since 2003, the Group has worked with 8 out of 10 largest financial institutions in Poland. Below are presented values reflecting the frequency of the Group's cooperation with the biggest banks in Poland in 2007–2010.

	Number of banks out of the top 10 biggest banks in Poland	Frequency-of-cooperation ratio (%)			
		2007	2008	2009	2010
2003	3	100	97	100	100
2004	2	95	92	96	100
2005+	3	75	83	94	82
Total	8	92	91	97	93

Source: the Company. The frequency-of-cooperation ratio was calculated as the ratio of the number of months in which a given bank transferred debt portfolios for collection to the number of calendar months.

The Group has been building its credit management expertise since 1998. Rapid growth and consistent development of its comprehensive offering have made the Group the domestic market leader. In 2007, the Group launched its operations in Romania and has grown to be the market leader there over the three years. The Group is a long-standing partner of 5 out of 10 Romania's largest banks. Combined headcount of all companies of the KRUK Group as at the Prospectus Date is at about 1,200. Among the Group members is a credit information agency (ERIF) – one of Poland's three active credit information agencies as at the Prospectus Date. As at the end of 2010, the Group had approximately 4,230 clients in Poland and Romania, including about 250 clients from the B2C sector.

As at the end of 2010, the Group handled 1.8 million debt cases, whose nominal value totalled PLN 11.2bn (1.1 million cases with the nominal value of PLN 4.7bn as at the end of 2007). These comprised debts whose collection was outsourced, or which were purchased by the Group in 2010 and earlier. Between 2008 and 2010, the Group accepted for collection cases with a total nominal value of nearly PLN 13.8bn (PLN 3.1bn in 2008, PLN 4.8bn in 2009 and PLN 5.9bn in 2010).

The KRUK Group boasts very strong financial performance. In 2010, it reported revenue of PLN 164.3m, operating profit of PLN 42.6m, and net profit of PLN 36.1m. As compared with 2008, the Group recorded a 58% increase in revenue (CAGR of 26%), 72% increase in operating profit (CAGR of 31%), and 116% increase in net profit (which translates into CAGR of 47%).

The Group has managed to keep this high pace of growth for many years thanks to its expertise and many years' experience, coupled with consistent development, launch of innovative services and the debt collection sector's inherent properties, such as high level of resilience to economic cycles.

Business model

The primary sector of the Group's operations is collection of consumer debts for financial institutions (banks) 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 of companies from the FMCG and B2B sectors. The Group focuses on the banking market and relies on long-term relations with key accounts.

Core segments of the Group's operations include:

- purchase and collection of purchased debts (debt portfolios), and
- credit management services.

The Group's revenue depends on successful debt collection activities. The Group's fee for credit management services is typically commission-based (a share of the recovered amount). Debt portfolios are purchased by the KRUK Group for its own account in official auctions, and the Group's investing activities follow the principle of achieving maximum return on capital invested in a given debt portfolio.

From 2002 to the end of 2010, the KRUK Group purchased 140 debt portfolios, whose nominal value totalled about PLN 6.1bn. The Group purchases debt portfolios primarily from creditors holding high-volume receivables. The number of debt cases purchased by the Group in the period 2002-2010 was over 1.3m, whereas in 2008-2010, the Group purchased 0.6m cases. Each debt portfolio transferred to the KRUK Group is thoroughly analysed and valued based on details about the debtors, products and related security, as well as behavioural data concerning the debtors. Advanced statistical tools are used for debt portfolio valuation. Debt purchase activities are assisted by a team of risk and investment experts employed by the Group, who provide valuation support.

The credit management process is carried out in accordance with the Group's internal procedures, but also depends on a specific case and status of the debt, as well as on the client's preferences. The KRUK Group manages receivables at all stages of delinquency, and applies instruments tuned to a specific debt portfolio (servicing period, tools and process used). The Group makes extensive use of efficient debt collection methods which rely on risk management-based advanced IT systems, such as *Delfin* debt collection platform, which comprehensively supports the credit management process. The KRUK Group's innovative offering includes credit information agency services (ERIF), and legal services 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 credit management policies.

Since mid-2008, the Group has pursued a strategy of amicable settlements with debtors on a mass scale. It follows from the Group's experience that a vast majority of debtors are consumers who are unable to pay their debts for reasons beyond their control, and who also acknowledge that obligations once incurred need to be settled. Therefore, the Group focuses on adapting the repayment schedule to the debtor's current financial capacity (through instalment-based repayment). Since the launch of the amicable settlement-based collection strategy, the KRUK Group has signed 134 thousand debt settlement agreements with debtors in Poland, including 25,000 agreements concerning debt cases purchased in 2010 (the figure refers to the first settlement agreements in each case), which has considerably improved the Group's financial performance.

Since 2003, a fund managed by Enterprise Investors has been a financial investor in the Company. In 2007, the Group launched its operations on the Romanian market.

KRUK S.A. has implemented an ISO-based Quality Management System. The ISO 9001:2008 certificate held by the Company covers comprehensive credit management, in particular debt purchase, monitoring of liabilities before payment deadline, out-of-court collection services, and detective services.

An overview of operations by the Company and individual Subsidiaries is provided below.

KRUK S.A.

The Company has many years' track record of credit management and is among the operators with the longest presence on the Polish debt collection market. The Company's comprehensive offering includes loss prevention services, preventive and collection monitoring, amicable collection of consumer and pre-litigation debt, handling and management of securitised debt, and cash loans. The Company also provides credit management services and manages debt portfolios purchased by the Group on the Polish market. KRUK S.A. is also listed as a provider of detective services in the regulated activity register maintained by the Ministry of Internal Affairs and Administration, and employs licensed detectives. The Company employs most of the Group's staff.

Kancelaria Prawna RAVEN

Kancelaria Prawna RAVEN provides comprehensive services supporting litigation and enforcement procedures as part of collection processes carried out by the KRUK Group and its partners. Kancelaria Prawna RAVEN's team includes experienced solicitors and other staff holding degrees in law.

Kancelaria Prawna RAVEN's offering also includes the following services:

- Consultancy on projects involving purchase and handling of debt portfolios, in particular securitisation projects;
- due diligence processes for debt portfolios;
- litigation for B2B and corporate debt collection cases, as well as for collateralised debts (including mortgage debts);
- ongoing legal support of the Group's entities.

ERIF

ERIF operates as a platform for collection, processing and provision of information on natural persons and businesses, both debtors and timely payers. Information on payment history of business partners can be submitted by virtually any creditor. Submission of such information to ERIF helps reliable payers confirm their creditworthiness. On the other hand, it may obstruct or prevent unreliable payers from using banking products, obtaining loans, hire-purchase buying, or concluding contracts with service providers, e.g. telecommunications operators.

Key benefits of cooperating with ERIF include improved effectiveness of the debt collection processes, and the ability to eliminate business partners with a bad credit reputation.

KRUK International (Romania)

The company launched its operations in 2007, and has been active on the market of credit management services and debt purchase. Its business model successfully replicates the technologies, know-how and experience of KRUK S.A. developed and tested on the Polish market. Expansion into the Romanian market has been carried out in reliance on the solutions and structures worked out in Poland. KRUK International has a head office in Bucharest and a contact centre at a different location. On the Romanian market, the Group provides a full range of debt collection services initially developed for the Polish market, and employs licensed detectives.

Secapital Luksemburg

Secapital Luksemburg is a special-purpose securitisation vehicle, which invests in debts or debt-backed assets. Secapital Luksemburg invests in debt as part of the Group's operations involving the purchase of debts for the Group's own account, and benefits from Luxembourg's special tax regime. For details on the KRUK Group's tax optimisation see section "*Operational and financial review*" – "*Income tax*".

Prokura NS FIZ and Prokulus NS FIZ securitisation funds

Prokura NS FIZ and Prokulus NS FIZ securitisation funds are securitisation and investment vehicles relying on professional risk assessment and credit management methodologies. The Group's securitisation funds have been established under Polish laws governing the operation of investment funds. Prokura NS FIZ and Prokulus NS FIZ purchase debt portfolios in auctions held by banks and other institutions. The certificates issued by the securitisation funds are held by Secapital Luksemburg, and consequently any gains on an appreciation in the value of the certificates are taxed to Secapital Luksemburg. For details on the KRUK Group's tax optimisation see section "*Operational and financial review*" – "*Income tax*".

Other Subsidiaries

The following are also members of the KRUK Group:

- Secapital Polska – company which services securitised debts;
- KRUK Corporate – dedicated company dealing with corporate receivables;
- Polski Rynek Długów – company which supports the debt collection process.

In the period covered by the historical financial information, the above Subsidiaries were not material to the Group's operations and financial standing.

Competitive advantages

Comprehensive and innovative service offering

The business model implemented by the KRUK Group relies on the Group's strong presence in two key market segments: credit management services and debt purchase. The Group is specialised in collecting bank receivables, which account for the largest share of the consumer debt collection market. In addition, the Group has accumulated vast market experience over 12 years of its presence in the sector, and has attained the position of the market leader.

The Group has a very extensive range of services on offer, from loss prevention to services at all stages of amicable collection or litigation, including hybrid services, which combine selected debt collection services and tools, enabling the Company to cater to specific clients and adjust to specific debt profiles. Debt collection tools are selected on a case-by-case basis to be aligned with the selected debt collection method and the debtor's profile. A useful addition to the Group's offering are legal services by Kancelaria Prawna RAVEN and credit information services provided by ERIF. The Company believes that innovation is a key driver of the Group's future growth. Accordingly, the KRUK Group is expanding and improving its offering by adding new innovative solutions.

Advanced debt collection tools

KRUK applies new information technologies for efficient and effective high-volume debt collection at all stages of the process:

- *Delfin* debt collection system, which is scalable to suit client needs and the collection process, and which facilitates process management at all stages and generates various kinds of reports.
- Capacity to process high-volume deals thanks to *Delfin*'s ability to interface with IT systems of the institutions which outsource debt collection.
- State-of-the-art contact centre integrated with the *Delfin* system, which is one of Poland's most advanced call centre solutions, accommodating 278 workstations and facilitating smooth call support. High level of automation and a number of functions developed specifically for debt collection operations enable the Company to make 2.4 million calls annually, and send 5.1 million text and voice messages to debtors (data for 2010). The Group also operates a contact centre with 101 workstations in Romania.
- Team of qualified field negotiators across the country.
- A back-up centre in Szczawno-Zdrój, ca. 70 kilometres from the Company's head office, providing immediate support and able to take over work processed from Wrocław in the event of emergency, thus ensuring continuity of debt collection processes.
- High-capacity Print House printing facility – an advanced data processing system enabling high-volume generation of personalised payment reminders (up to 70,000 letters daily).
- e-KRUK website integrated with *Delfin*, where debtors can e.g. check their debt status, make payments, or enter into settlement agreements online.

Group's law firm

One of the KRUK Group companies is Kancelaria Prawna RAVEN, a law firm providing comprehensive services supporting litigation and enforcement procedures as part of collection processes. The firm employs 133 people and supports exclusively the Group's operations. Kancelaria Prawna RAVEN deals with both consumer and corporate cases. It has many years' experience of dealing with high-balance corporate debt cases, also involving security-backed obligations.

Since 2008, the Group has been more active in terms of litigation and other debt collection actions before courts carried out by Kancelaria Prawna RAVEN, which generated a nearly seven-fold increase in the number of cases processed by Kancelaria Prawna RAVEN in 2010 as compared with 2007, and the value of recovered payments went up by 8.5 times.

The 2010 introduction of the EPU simplified procedure (*postępowanie upominawcze*) further improved the effectiveness of Kancelaria Prawna RAVEN's operations, contributing to a drop in the unit cost of court proceedings, streamlining the administrative procedure and cutting the duration of the procedure by one-third. In 2010, Kancelaria Prawna RAVEN filed 55.8 thousand cases with courts based on the simplified procedure.

Kancelaria Prawna RAVEN's revenue on a separate basis amounted to PLN 8.7m in 2008, and to PLN 8.2m in 2009. In 2010, the revenue grew to PLN 11.2m. Pre-tax profit in the period totalled PLN 3.9m in 2008, PLN 1.6m in 2009, rising to PLN 2.1m in 2010.

Credit information agency

Since 2007, the KRUK Group has also operated a credit information agency, active in the area of loss prevention and supporting debt collection activities. The agency collects both negative and positive consumer and corporate credit histories. ERIF's Debtor Register is a business information exchange system, governed by the Act on Availability of Business Information. It is one of Poland's three active credit information agencies. Under the Act, secondary creditors, including the KRUK Group, can submit details about debtors to credit information agencies. As a result, ERIF's database grew from 106 thousand records in 2008 and 142 thousand records in 2009, to 515 thousand records in 2010, and will continue to expand owing to the Group's more intense purchases of debt portfolios. As at the end of March 2011, ERIF's Debtor Register contained 577 thousand debt cases with a total value of nearly PLN 2.5bn, while the number of debtors stood at 548 thousand and the average value per case was PLN 4.2 thousand. The credit information agency's services are used in the process of disciplining debtors as part of debt collection activities. In 2010, records in ERIF's Debtor Register database enabled the Group to sign debt settlement agreements totalling PLN 26m for cases where no previous recoveries had been made. In addition, ERIF's Debtor Register is increasingly more widely used by third parties, which also submit their records. The business model adopted by ERIF is subscription fee-based for clients from the consumer finance and B2B segments. Total revenue generated by the service offered by ERIF totalled, on a separate basis, about PLN 2.3m in 2010.

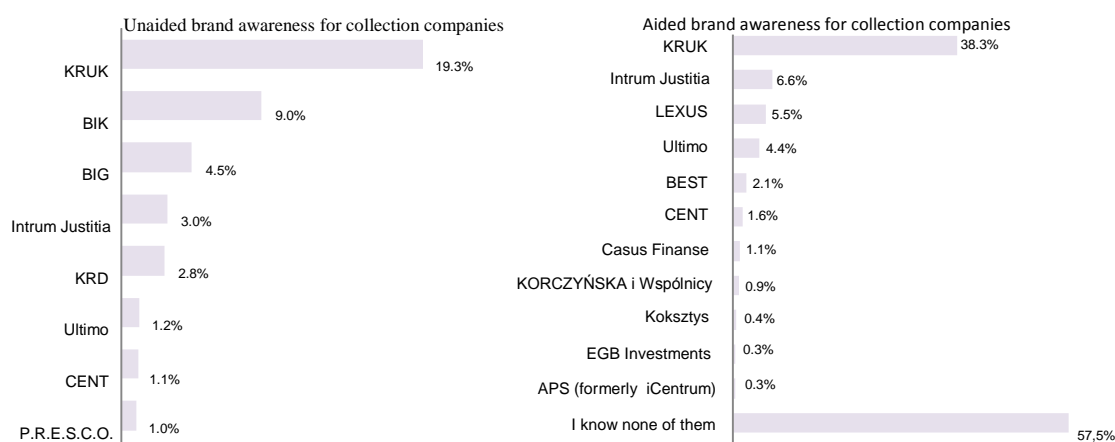
Licensed detectives

Another competitive advantage of the Group over other players in the sector is its being listed as a detective services provider in the regulated activity register maintained by the Ministry of Internal Affairs and Administration. Licensed detectives employed by the KRUK Group improve the effectiveness of debt collection processes.

Large-scale implementation of the amicable settlement strategy

From mid-2008, the Group has consistently pursued a strategy to enter into debt settlement agreements with debtors. Under the strategy, the debtor is perceived as a consumer who is unable to pay his or her debts for reasons beyond his or her control, and who acknowledges that obligations once incurred need to be settled. As a result, the Group gears its debt collection activities to obtaining the optimum solution, considering the debtor's current financial capacity (e.g. by instalment-based repayment). The effect of the strategy is improved effectiveness of the collection efforts and more regular payments made by debtors. The Company estimates that the likelihood of repayment after signing of the settlement agreement grows about to 70%–80% compared with 40%-50% in the case of traditional strategy. Since the launch of the amicable settlement strategy for debt collection, the KRUK Group has signed 134 thousand settlement agreements with debtors, including 25 thousand agreements concerning cases purchased in 2010. Implementation of the strategy was supported by a media campaign targeted at debtors, which enhanced the Group's positive image and made it a debt collection company enjoying the highest recognition in Poland. In 2010, over 57% of repayments received by the Group were made under debt settlement agreements.

Below are presented the results of a survey of debt collection companies and their perception, conducted by TNS Pentor S.A. research centre in December 2010.



Source: Debt collection companies, awareness and perception survey, PENTOR Research International, December 2010. Unaided awareness results include companies named without the interviewer's prompt. Aided awareness listing includes companies indicated after the interviewer had read their names.

Debt portfolio valuation experience

The Group's market presence dates back to 1998. Since then the Group has purchased 140 and valued over 800 debt portfolios. Historical recovery data about debt portfolios purchased by the Group and debt recovery statistics for credit management activities (database for valuation of debt portfolios to be purchased) equip the Company with expert know-how on debt portfolio valuation, purchase and servicing. Adequate experience in debt portfolio valuation is a critical success factor in the debt purchase segment.

Combination of credit management and debt purchase activities

The business model which combines credit management and debt purchase activities generates synergies, as the experience gained as part of credit management facilitates valuation of debt portfolios the Group intends to purchase. The Group uses statistical data obtained in the credit management processes to value debt portfolios sold in auctions.

Scale of operations: operational capacity to absorb business and access to capital

The large scale of the KRUK Group's operations represents a vital competitive advantage. On the one hand, the Group has the operational capacity to absorb large debt portfolios for collection, thus demonstrating potential for high-volume support of large debt portfolios across Poland. On the other hand, the size of its business enables the Group to secure external funding at a competitive cost, to be invested in debt purchases. The scale of its operations enables the Group to incur substantial capital expenditures on the development of its IT systems and statistical analysis department, which significantly improves the effectiveness of debt collection operations.

Highly qualified staff

Highly qualified staff represents one of the key success factors for the KRUK Group. The Group employs experts with broad debt collection process experience. Many of the Company's managers have previous experience of working for banks, financial brokerage firms, telecoms, and large distribution companies. As at the end of 2010, some 60% of the Group's staff were university graduates. The Company also has a 42 person strong team of software developers.

The Company's professional risk management team performs a central role in analysing and valuing purchased debt, and in analysing the effectiveness of debt collection operations.

Since highly-qualified staff is a vital asset of the Group, the Company makes an effort to ensure development of its team and to offer optimum terms of employment. It operates an extensive internal training system, designed to improve the debt collection staff's skills in negotiation techniques, legal issues, psychology and sociology. Staff members are also covered by an incentive scheme described in section "The Group's business" – "Employees".

Experienced managers

Members of the Company's Management Board and other key personnel of the KRUK Group are tens of experts in such areas as sales, high-volume process management, finance, debt valuation, human resources management, legal support, IT and public relations. Stability of the Group's management team (low turnover rate) and the broad know-how developed over the years of working for the Group represent an important competitive advantage. As at the Prospectus Date, 36 persons from the management team were the Company's shareholders. Piotr Krupa, President of KRUK's Management Board since 2003, is a co-founder and major shareholder of the Company.

The Group currently has an incentive scheme in place, described in section "*The Group's business*" - "*Employees*".

Strategy

The key strategic development goals of the Company for 2011-2014 are as follows:

- Maintain the leading position in Poland in both credit management and debt purchase market segments;
- Participate in the market growth, expected mainly in the segment of purchasing and collection of debt portfolios;
- Expand into foreign markets;
- Develop new products.

Below is presented an outline of the Group's strategic objectives along with a description of steps to be taken to implement the main objectives of the strategic plan for 2011-2014.

Maintaining the leadership of the debt collection market in Poland

The Group intends to hold on to its position of the leader of the Polish debt collection market by focusing on its most attractive segment, i.e. collection of retail debt owed to banks, 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 by undertaking the following measures:

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

- Improvement of cost efficiency, including as a result of the development of IT systems supporting the work of collection personnel;
- Further development of statistical analysis skills;
- Use of the ERIF's Debtor Register database to improve the effectiveness of collection efforts;
- Continuous and systematic enhancement of operating methods and implementation of best practices as an element of collection process management.

Increasing 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 collection of corporate debt

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

Participation in the market growth, expected mainly with respect to purchasing and collection of debt portfolios

The Company expects that the credit management market in Poland will grow significantly and plans to at least maintain its current share in the debt purchase segment through ongoing improvement of collection processes, and:

- Further development of debt portfolio valuation skills;
- Increasing access to debt financing by expanding cooperation with banks and investors purchasing bonds and obtaining the status of a public company;
- Reinvestment of profits in debt portfolios purchased for the Group's own account.

The Group's development strategy provides for achieving a market share in the segment of retail debt purchases at a level approximate to that achieved in 2007 and 2008.

Selective foreign expansion

The Group plans to actively participate in the development of collection services in Central and Eastern Europe, including through expansion into the Hungarian and Czech 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 are as follows:

- Maintain the leading position on the Romanian market;
- Enter new markets through a start-up business or acquisitions;
- Replicate the tried-and-tested business model in selected new markets.

The Group plans to enter the Czech and Hungarian markets within the next two years. One of the potential ways of entering the markets is acquisitions. The Group aims to become a leading player on both markets, both in credit management services and debt purchase.

Development of new products

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

Continuation of the Pożyczka Novum (Novum Loan) project

The Company intends to use its database of debtors' credit history for the purposes of the *Pożyczka Novum* cash loan project. The loan is addressed to persons excluded from the banking market. As the Prospectus Date, the Group had 800 thousand retail debtor cases, including 247 thousand cases purchased in 2010.

Continued development of the resources of ERIF

ERIF, operating as a credit information agency within the Group, provides significant support for the Group's collection activities. The Group's ambition is to create Poland's largest database of debtors, both consumers and businesses, as a platform for business information trading. In 2011, the Group plans to expand the sales of ERIF's services to clients from the segment of small and medium-sized enterprises.

Geographical markets of the Group's operations

The Group operates in Poland, and in 2007 it started operations in Romania. Its development strategy provides for expansion into selected markets of Central and Eastern Europe.

As at the Prospectus Date, the Group operated throughout Poland. The Company's head office and the registered offices of Kancelaria Prawna RAVEN are situated in Wrocław, where the Group also operates a contact centre, including the associated technical and logistic facilities. The Company has eight regional branches, seven of which are located in large cities: Gdynia, Bydgoszcz, Poznań, Warsaw, Łódź, Katowice, and Kraków. The branch located in Szczawno-Zdrój serves both as an operational centre and a back-up facility with 218 call centre workstations. The Szczawno-Zdrój branch has a total of 351 full-time employees. Moreover, the Group runs a number of field offices across Poland, supporting the debt recovery process.

In Romania, the Group has the main office in Bucharest and a contact centre in Targoviste, with 101 workstations.

Types of offered debt collection services / Types of products and services

The KRUK Group can boast the most comprehensive and innovative service range on the Polish market. The Group's offering includes loss prevention services, collection services and other services.

All services specified below were provided by the Group throughout the entire period covered by the historical financial information, unless indicated otherwise. In the period covered by the historical financial information, the Group did not discontinue any type of its services.

Loss prevention services

Provision of payment reports through ERIF

ERIF's Debtor Register is a platform for collecting, processing and providing information on liabilities incurred by individuals and businesses. The functionalities of ERIF's Debtor Register include: checking the creditworthiness 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 in terms of their creditworthiness, and checking the authenticity of documents. The system contains up-to-date business information and operates on the basis of the new Act on Availability of Business Information. Since 2010, consumers have been able to obtain information from ERIF's Debtor Register through, *inter alia*, the Infokonsument.pl website.

This service has been offered by the Group since 2007.

Preventive monitoring

The Group provides services related to monitoring of the financial standing of borrowers, correctness of data, documents related to loan servicing, and value of collateral. Preventive monitoring is used to establish the validity of data and place cases with the largest financial exposure and clients from the highest risk group under special permanent surveillance.

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 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. An investigation can be performed in a covert or overt manner with respect to the investigated firm.

Collection services

Collection monitoring

Collection monitoring comprises reminding and monitoring activities undertaken both before and immediately after the payment deadline. It serves to more effectively predict, control and minimise the level of provisions for non-performing loans, while maintaining a high level of client satisfaction. The objective of collection monitoring is to ensure regular debt repayments and prevent payment delays. Collection monitoring is characterised by quick and frequent contacts with debtors. It is usually applied with respect to payments late by 5 to 45 days, which means that it involves quick actions and relatively frequent contacts with debtors. 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. The following activities are performed as part of amicable debt collection:

- Contact with the debtor based on available contact details, status of the case, and previous actions and arrangements;
- Execution and subsequent monitoring of settlement agreements, update of repayment records, termination of recovered, closed or withdrawn cases;
- Update or establishment of contact details;
- Gathering information on the debtor's financial standing;
- Acceptance and consideration of complaints;
- Detailed reporting and accounting for payments.

The *Delfin* system used by the Group enables it to process all cases in a very individualised way.

Doorstep debt collection

As part of a collection process, a field negotiator may visit a debtor or detective activities may be performed at a debtor's domicile or place of business. During such a visit, the negotiator and debtor may agree upon the terms of debt repayment or settlement, and the negotiator may also collect cash or collateralised assets. Doorstep collection is effective for high-value and high-priority cases, e.g. where there is a suspicion that the debtor is hiding or disposing of his/her property.

Repossession of collateralised assets

Claims secured over movable or non-movable property may be enforced by repossessing the collateralised assets. The 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. The main principle followed in performing this service is individual approach to each case. Each case is thoroughly reviewed to establish the facts and the debtor's financial standing is analysed. Then action is taken to restore regular repayments, restructure the debt, or foreclose and sell mortgaged real estate.

Hybrid services using ERIF's Debt Register

The use of ERIF's Debt Register in the collection process effectively supports collection efforts. The process of amicable collection combined with the possibility of entering the debtor's details in ERIF's Debt Register is a hybrid service, unique on the Polish market. The Group has provided credit information agency services since 2007.

Debt collection by way of litigation and enforcement

Litigation and enforcement activities are conducted by Kancelaria Prawna RAVEN, a law firm being member of the KRUK Group. Kancelaria Prawna RAVEN represents the KRUK Group members and clients in court proceedings initiated in order to obtain a final court judgment with an enforcement clause, as well as during enforcement processes.

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. The Group has offered the service since 2009.

Other services

Electronic debt exchange

The debt exchange has been developed by the Group to facilitate debt trading and create a register of defaulting counterparties. Through the e-debt exchange it is possible to enter the details of the debtor and debt in a generally accessible database of debts put up for sale. The e-debt exchange may be used in collection processes handled by the Group. If the debtor does not respond to payment reminders, the debt may be placed on the e-debt exchange as an offer to sell.

The Group follows the principle of not disclosing, and does not intend to disclose, natural persons' details through the electronic debt exchange.

e-KRUK

e-KRUK is an interactive multimedia service supporting the collection process, available through web browsers. Currently it is the only web service on the market which caters for the needs of debtors and helps them to clear their debts. Through e-KRUK, debtors may access information on their debt and take steps to solve their debt problems on a 24/7 basis.

The e-KRUK functionalities available to debtors include viewing the list of debts which the debtor owes to particular creditors, checking the debt servicing status, obtaining information on litigation and bailiff collection costs, and entering into a fair settlement.

The benefits of using the e-KRUK service include making contact at a time and place convenient for the debtor, entering into a settlement agreement without direct contact with a negotiator, flexible arrangement of

instalments payable under the settlement in terms of their number as well as amounts and dates of payments, constant and easy access to information on the status of the collection process and debt level, convenient direct link to the bank's website to repay debt, option to arrange for contact with a negotiator at a convenient time, possibility to quickly update contact details. The e-KRUK platform was launched in 2010 at www.e-kruk.pl.

The Pożyczka Novum service

As at the Prospectus Date, the Company was in the process of implementing an innovative service called *Pożyczka Novum (Novum Loan)*, launched in the second quarter of 2010. As part of this service, the Company grants short-term cash loans to former debtors who have a track record of repaying their liabilities to the Company in a timely manner. The service was designed with a view to putting persons excluded from the banking system due to their former debts and negative credit record back into the economic system and rebuilding their creditworthiness. This new service is also intended to diversify the Group's revenue sources. In 2010, 2,975 *Novum Loans* were granted, totalling PLN 2.4m (net). The basic value of a loan is PLN 1-2 thousand. Loans granted as part of the *Novum Loan* service carry a high margin, at a level similar to para-banking loans.

Collection tools and methods

Collection methods

The KRUK Group applies the following collection methods, understood as forms of argumentation (persuasion) to make debtors repay their debts:

Collection monitoring

Reminding and monitoring activities are undertaken both before and immediately after the payment deadline. Thanks to monitoring activities it is possible to more effectively predict, control and minimise the level of impairment losses on 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 is characterised by quick and frequent contact with debtors.

Pre-litigation collection

The range of pre-litigation collection activities includes debt processing both before the creditor terminates the agreement and thereafter. Collection while the agreement is still in force most frequently concerns individual loan instalments and is designed to put repayments back in order, i.e. ensure that delinquent debt is paid and future repayments are made as originally scheduled, while maintaining the client in the creditor's portfolio. Collection after the agreement is terminated is intended to recover debt as quickly as possible, using the most effective tools for particular categories of debt. As part of pre-litigation services the Group handles cases at any stage of delinquency and with different statuses, e.g. before bringing a case to court, cases where an enforcement clause has been issued but enforcement by a bailiff proved ineffective, as well as cases previously handled by other debt collection firms.

Debt collection by way of litigation and enforcement

Litigation and enforcement involves participation in court proceedings (representation of the client) as well as supervision and coordination of bailiff's actions during the enforcement process. All the activities involved in this service are constantly supported by collection efforts designed to accelerate debt repayment still at the stage amicable debt repayment negotiation, thus reducing the costs to the creditor (the *Pegaz* hybrid service).

Specialised services

Specialised services include a field negotiator's or detective's visit at the debtor's domicile or place of stay. During the visit the negotiator may agree upon the terms of debt repayment, sign a settlement agreement, collect part or entire debt or collateralised assets as well as review the debtor's property. An effective method for high-value and high-priority cases is use of licensed detectives' services.

Hybrid collection

Hybrid collection is a collection service supported by the entry of the debtor and debt details into ERIF's Debtor Register.

Collection tools

The Group uses the following collection tools, understood as forms of contact with the debtor or establishing the debtor's address and telephone number for contact purposes:

Skip

Establishment of the debtor's address and telephone number using generally available databases, directory inquiries and Internet search engines.

Telephone

Telephone call to the debtor to remind about the payment, assess the debtors' financial standing, and cause the debt to be repaid as soon as possible.

SMS

Short text or voice messages sent to the debtor's mobile or landline telephone number, reminding the debtor of the repayment deadline, specifying the number of account for payment, requesting contact, etc.

Payment reminder letters

Basic collection tool used to inform the debtor of the overdue debt amount and consequences of failure to pay.

Amicable settlement

Written agreement with the debtor, under which the debtor may repay the debt by instalments. Terms of settlement are determined individually with each debtor (by telephone or letter).

Direct negotiations

Direct negotiations involve personal contact with the debtor at his/her place of domicile or business. The visit serves to determine the cause of delinquency, set the repayment dates, enter into a settlement, provide or complete relevant documents, discipline the debtor and persuade him or her to repay the debt, collect all or part of the debt, collect information on the debtor from his or her family, neighbourhood or local community, recommendation on how to further proceed with the case.

e-KRUK

e-KRUK is an interactive multimedia service supporting the collection process, available through web browsers. Through the e-KRUK platform, debtors can access information on their debt and take steps to solve their debt problems. The service automatically reminds debtors of repayment dates and informs them of the cost of potential litigation and enforcement proceedings. e-KRUK is a unique solution on the market.

ERIF

ERIF is one of Poland's three operators collecting and making available information on debtors, as well as on consumers and entrepreneurs who pay their liabilities on time.

Prevention stamp

Placing a prevention stamp on an invoice is a warning that in the event of failure to pay on time the debt will be enforced by the KRUK Group. The stamp indicates that the creditor cooperates with a professional debt collection firm on a regular basis and will seek its claims in a persistent and decisive manner.

IT system – the unique IT platform

The key drivers of operating and cost efficiency, as well as of the Group's growth and success on the credit management market, include the IT systems used at the Group and based on state-of-the-art technologies.

Delfin debt collection system

The most important component of the IT system used by the Group is the *Delfin* platform, an end-to-end solution supporting the credit management process. The system includes a number of functionalities, which are fully customised to the needs of the KRUK Group, the Group's internal procedures and its clients. The system was developed and has been upgraded under supervision of a team of experts employed by the Company. The fact that the system does not involve dependence on any third-party software vendor and the system's open architecture render the platform flexible and scalable; each improvement of the debt collection process is followed with a relevant modification to the *Delfin* platform. Currently, a standard client service process includes the adaptation of the database, application and reporting system to the individual profile of each case.

The *Delfin* system includes dedicated modules supporting the key areas of the Group's operations:

- Out-of-court debt collection – telephone calls and bulk mailing;

- Direct debt collection –coordination of the work of debt collection personnel at field branches and data exchange between branches;
- Litigation – bulk generation of letters, statements of claim, requests to bailiffs and tracking the progress of cases; and
- Management information system.

Apart from the modules supporting individual areas of the Group's operations, the system also includes such components as the timetable with a task list, internal communication mechanism, monitoring of work time and the number of telephone calls and a module integrating the system with a private branch exchange.

The *Delfin* system is integrated with all tools supporting debt processing.

Contact centre

The Company's contact centre is among the most modern systems of the type operating in Poland. Currently, the two branches of the call centre, in Wrocław and Szczawno-Zdrój, jointly room 278 workstations and may be further extended. The Group also operates a contact centre with 101 workstations in Romania.

The advanced integration of the *Delfin* system with private branch exchanges is important for the telephone debt collection process. The system includes tools which facilitate and increase the efficiency of negotiators' work (single-click number dialling, automated search of a case based on the interlocutor's telephone number, autodialing etc.).

The contact centre operates a digital call recording system including a module that supports archiving data on external storage media. A billing system is also integrated with private branch exchanges, supporting the creation of detailed reports and billings. The system also interoperates with the *Delfin* platform, thus enabling the cost of outgoing telephone calls to be monitored and controlled at each stage of the debt collection process.

Another component integrated with the private branch exchanges is a fax system, which enables full automation of fax receiving and distribution processes, as well as the generation of bulk outgoing faxes.

Currently, around 350 negotiators work in a shift system at the contact centre. Annually, the contact centre registers about 0.8m incoming calls, 5.1 outgoing text and voice messages, and a total of nearly 2.4m calls with debtors.

Print house

The print house is a high-capacity facility supporting bulk printing and mailing of personalised payment reminders, payment forms, statements of claim, etc.

Management information system

Management information system (MIS) is an in-house developed solution based on a data warehouse. The centralised system collecting large quantities of data enables the generation of comprehensive reports, which support the performance of multifaceted analyses. The MIS system provides the Group's management with information necessary for making financial, operating and strategic decisions. Integration with the Group's other IT systems makes it possible to monitor operational effectiveness, accurately assess the situation on an ongoing basis, forecast future events and streamline business processes.

e-KRUK and Infokonsument.pl services

Material components of the IT systems operated by the Group are the services e-KRUK (www.e-kruk.pl) and Infokonsument.pl, described above in this section.

Security

The Group applies personal data protection and data security measures in the following areas:

- Overall security – procedures of granting and controlling access to the IT system and databases, restrictive policy in the scope of access to strategic facilities (e.g., the server room), encryption of data leaving the IT system etc.;
- System security – effective protection of the IT network and access to computers, based on hardware and software protections which prevent and report on breaches, if any, of security; monitoring of operations performed within the system;
- Physical security – protection of the Company's offices by a specialised external firm; certified alarm systems installed, etc.

The Group also has a system of business continuity procedures in place, to be applied in emergency situations (such as failure), known as the Business Continuity Plan. A crucial element of the system is the back-up centre in Szczawno-Zdrój, which enables a prompt launch of order servicing in the *Delfin* system at the back-up unit in the event of an emergency.

History of the Group

1998	<ul style="list-style-type: none"> Two lawyers, Piotr Krupa and Wojciech Kuźnicki, establish KRUK Sp. z o.o. of Wrocław. The Company is originally established as a publishing house under the name KRUK: it publishes and distributes books devoted to occupational and social rehabilitation of the disabled and to the sheltered employers of the disabled. However, shortly after its establishment, the Company expands its business profile to include credit management services in response to signals from the market, relating to the increasing scope of client payment problems encountered by the new mobile telephony segment and hire-purchase companies.
1999–2003	<ul style="list-style-type: none"> First clients purchase credit management services for high-volume debt portfolios. Thanks to the dynamic growth of its business, the Company achieves the leading position on the Polish debt collection market.
2003	<ul style="list-style-type: none"> Polish Enterprise Fund IV L.P. acquires a 70% equity interest in KRUK Sp. z o.o. Kancelaria Prawna KRUK (since 2006: Kancelaria Prawna RAVEN), dedicated to handling court proceedings and supporting bailiff enforcement proceedings, is established. The Company purchases the first debt portfolio for its own account. The IT system <i>Delfin</i> is fully implemented.
2004	<ul style="list-style-type: none"> The Company obtains the Minister of Internal Affairs and Administration's licence for detective services. A private equity fund represented by Enterprise Investors resolves to invest another USD 10m in the Company.
2005	<ul style="list-style-type: none"> KRUK Sp. z o.o. is transformed into a joint-stock company. The Prokura NS FIZ fund is established – one of the first securitisation funds in Poland. The companies: Secapital Luksemburg, Secapital Polska and KRUK Corporate are established. An operating branch in Wałbrzych is established. The Company accedes to Konferencja Przedsiębiorstw Finansowych w Polsce (Conference of Financial Enterprises in Poland) and participates in the development of the Code of Best Practices in Debt Collection.
2006	<ul style="list-style-type: none"> The first ever full debt securitisation deal in Poland takes place with the participation of the Prokura NS FIZ fund. Kancelaria Prawna KRUK is transformed into Kancelaria Prawna RAVEN, dedicated to handling court proceedings and supporting bailiff enforcement proceedings. The company Polski Rynek Długów is established.
2007	<ul style="list-style-type: none"> The company KRUK International of Bucharest, Romania, is established and the first debt portfolio on the Romanian market is purchased. Shares in KSV BIG S.A. are acquired; the company changes its name to Europejski Rejestr Informacji Finansowej BIG S.A. and commences operations as a credit information agency. KSV BIG S.A. holds 100% of shares in Information Services Sp. z o.o. Two new securitisation funds are established: Sekura NS FIZ (it operated until 2009) and Prokulus NS FIZ. The Company accedes to ACA International – the largest global organisation of

		credit management companies.
	•	The Company wins the Ventura distinction for Enterprise Investors' most dynamic portfolio company.
2008	•	The collection strategy is changed to one based on amicable settlements with debtors.
	•	The first sub-fund of Secapital Luksemburg is established.
	•	Information Services Sp. z o.o. is dissolved.
2009	•	Roll-out of the debt collection strategy based on amicable settlements and restructuring.
	•	The Sekura NS FIZ fund discontinues its operations as there is no rationale for the operation of three securitisation funds within the Group.
2010	•	The internet platforms e-KRUK and Infokonsument.pl are launched.
	•	Television campaign addressed to debtors is conducted – the first ever project of this type in the history of the Polish debt collection industry.
	•	The <i>Pożyczka Novum</i> service is introduced: it is addressed to persons who make timely payments under instalment agreements with the Group.

Risk management system

As the Group uses financial instruments, it is exposed to the following risks: credit, liquidity, market and operating risks. The Management Board is responsible for defining risk management procedures and overseeing their implementation.

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 verified to ensure that they reflect the market trends and developments at a given time, as well as changes within the KRUK Group.

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.

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.

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 2010, revenue from the Group's largest client represented 4% of total revenue).

The credit policy followed in debt portfolio purchases includes the following tools:

- 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.

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 loans or bond issues.

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.

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 KRUK 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.

Detailed rules of risk management are described in Note 5 to the Company's Consolidated Financial Statements, included in section "*Selected historical financial information*".

Main characteristics of core business areas and revenue sources (key markets, market segments)

The Group's core business comprises two operating segments:

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

A vast majority of the Group's revenue is generated in the banking sector. Accordingly, the Group's sales depend chiefly on 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' propensity to outsource 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 (CMS) or by selling the debt.

Sales revenue by main product groups

The table below sets out the structure of the Group's revenue in the period covered by the historical financial information.

Continuing operations	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Revenue from debt purchase, including:	118,062	84,700	72,498
Interest received on purchased debt portfolios	99,706	78,436	63,386
Revaluation of debt portfolios	18,356	6,264	9,112
Revenue from credit management	44,063	41,765	28,683
Revenue from other services	2,156	2,110	2,426
Revenue from sales of goods for resale and materials	0	0	275
Revenue from continuing operations	164,281	128,575	103,882

Source: Consolidated Financial Statements.

The key item of the Group's revenue is revenue from debt purchase activities, which in 2008 amounted to PLN 72,498 thousand and accounted for 69.8% of total revenue. Revenue from credit management services accounted for 27.6% of total revenue for 2008. In subsequent periods, the Group actively engaged in developing its operations in the segment of purchasing and collection of debt portfolios. As sales grew period by period, the structure of revenue changed: the share of revenue from credit management services declined, while the share of revenue from debt purchase increased. In 2010, revenue from debt purchase accounted for 71.9% of total revenue, and the share of credit management services was 26.8%.

Table. Structure of the Group's revenue from credit management services

Structure of the Group's revenue from credit management services	Period ended Dec 31			
	2010	2009	2008	2007
	(Management information)	(Management information)	(Management information)	(Management information)
Credit management portfolio (nominal amount, PLN billion)	3.7	3.1	1.4	1.2
Credit management revenue excluding service (PLN million)	39	37	23	18
Revenue to nominal amount retail (%)	1.1%	1.2%	1.7%	1.5%
Credit management revenue service banking corporations* (PLN million)	5	5	4	2
Total credit management revenue (PLN million)	44	42	29	20

Source: Company's management information.

* Credit management for corporate debt – taking over processing of debt portfolios from the financial investor.

Sales structure by geographical regions

The Group operates throughout Poland. In 2007, the Group launched operations on the Romanian market. The table below sets out the structure of the Group's revenue by geographical regions in the period covered by the historical financial information.

Continuing operations	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Poland	122,711	111,948	102,305
Romania	41,570	16,627	1,577

Continuing operations

	Period ended Dec 31		
	2010	2009	2008
	(audited)	(audited)	(audited)
	(PLN '000)		
Revenue from continuing operations, including:	164,281	128,575	103,882
<i>Poland</i>	74.7%	87.1%	98.5%
<i>Romania</i>	25.3%	12.9%	1.5%

Starting from 2007, the Group has expanded its operations in Romania by implementing the business model developed on the Polish market. In 2008, the share of revenue from the Romanian operations was 1.5%. 2009 saw a leap in the value of foreign sales: from PLN 1,577 thousand in 2008 to PLN 16,627 thousand. Consequently, sales in Romania accounted for 12.9% of total revenue. 2010 saw a further growth of the Romanian operations. The sales revenue generated in Romania amounted for PLN 41,570 thousand and was 150.0% higher than in 2009. The steady revenue growth in Romania was attributable mainly to the reinforcement of the KRUK Group's market position in that country.

New products and services

In the period covered by the historical financial information, the Group launched the following new products and services:

2008

In 2008, the Group did not launch any new products or services.

2009

In 2009, the Group started to offer the following new services:

- *Pegaz* hybrid service

2010

In 2010, the Group started to offer the following new services:

- e-KRUK Internet platform
- Providing information from ERIF's Debtor Register through the Infokonsument.pl website.
- *Pożyczka Novum* service

As at the Prospectus Date, the *Pożyczka Novum* (*Novum Loan*) service was in the process of implementation.

For a detailed description of the services listed above see section "*Types of offered debt collection services / Types of products and services*" above.

Seasonality

The Group's revenue is not subject to seasonality effects. In its operations, the Group observes seasonal changes in its capital requirement as the supply of debt portfolios offered by banks in auctions is usually higher in the second half of the year.

Key business partners

The Group's key business partners are clients outsourcing debt collection to the Group or selling debt portfolios, and debtors, i.e. individuals and businesses with delinquent debt subject to collection.

The KRUK Group's key clients are as follows:

Banking clients

Banking clients include financial sector entities, such as banks, Cooperative Savings and Loan Associations (SKOK), loan brokers, insurance companies, and other financial institutions. Banking clients represent the primary client category for the Group.

Non-banking clients

Non-banking institutions with high-volume retail debt (B2C) or corporate debt similar in terms of the nominal value and volume to retail debt, e.g. landline and mobile telephone operators, cable and satellite TV providers, utility suppliers, insurers.

B2B clients

Institutions with receivables generated as part of their business activities (e.g. unpaid invoices). In some cases debts owed to clients from the B2B segment may be similar to debts owed to non-banking clients (e.g. high-volume small debts owed to beer producers, distributors of non-alcoholic beverages etc.).

The KRUK Group is not dependent on any of its clients. In 2010, revenue from transactions with the Group's largest client represented 4% of total revenue.

The key debtor segments served by the KRUK Group are as follows:

Retail segment

The retail segment comprises debts owed by individuals (including sole traders). Debt from this segment have small nominal values and are unsecured. The exception here is mortgage loans and car loans (lease of new cars). In 2010, the Group processed approximately 3.3 million cases involving retail debt, with the nominal value of PLN 9.0bn.

Corporate segment

Debts from the corporate segment, comprising legal entities, typically have large nominal values. Such debts are frequently secured over debtor's assets. In 2009, the Group processed approximately 19 thousand cases involving corporate debt, with the nominal value of PLN 2.7bn. The amount of cash recoveries under corporate debts processed by the Group in 2008 was PLN 69m, i.e. 53% more than in the preceding year, while in 2009 it stood at PLN 46m, and in 2010 at PLN 47m.

Employees

The table below sets out the workforce figures (full and part time positions) of the Group as at the dates indicated.

	As at Mar 15 2011	As at Dec 31		
		2009	2008	2007
Company	850	730	688	572
Subsidiaries	387	288	230	142
Total	1,237	1,018	918	714

Source: the Company.

The table below sets out the workforce figures (full and part time positions) of the Group as at the dates indicated, with a breakdown into main geographical regions of the Groups' operations.

	As at Mar 15 2011	As at Dec 31		
		2009	2008	2007
Number of employees, including:	1,237	1,018	918	714
Poland	1,009	861	790	679
Romania	228	157	128	35

Source: the Company.

In the Company's opinion the number of persons employed at the Group (full and part time positions) as at the Prospectus Date was not materially different from the figure as at March 15th 2011.

The average monthly base pay of the Company employees in the years ended December 31st 2008, December 31st 2009 and December 31st 2010 was PLN 2,117.02, PLN 2,384.64 and PLN 2,464.87, respectively.

As at the Prospectus Date, the Group had no provisions for retirement benefits or length-of-service awards for the Group's employees and no such provisions were created in 2008, 2009 and 2010.

The Group employs staff both under employment contracts and managerial contracts. It also commissions work under temporary employment contracts (*umowa zlecenia*) and piecework contracts (*umowa o dzieło*). As at the Prospectus Date, the Group did not hire any temporary staff.

As at February 15th 2011, the Company employed 35 licensed detectives.

The Group employees, both those employed under employment contracts and engaged under civil-law contracts, participate in the incentive schemes implemented by the Group. Additional benefits for employees include co-financing of post-graduate studies, training, specialist English courses, medical cards, fitness club cards, as well as rewards for special accomplishments. The Company's employees and persons providing services to the Company at the organisational units and in positions eligible to participate in the incentive scheme may also receive performance-based remuneration, including a bonus for the accomplishment of tasks assigned to particular employees and a bonus for the achievement by the Company of an assumed annual net profit from operations.

As at the Prospectus Date, there were no trade unions active either at the Company or any of the Subsidiaries and no collective bargaining agreements or social agreements were in force. Since 2006, a three-member Employee Forum has been in place at the Company, established as a body cooperating with the Company as the employer with respect to providing information to the employees and employee consultations, pursuant to the Act on the Provision of Information to and Consultations with Employees of April 7th 2006.

From January 1st 2007 to the Prospectus Date there were no strike actions at the Company or any of the Subsidiaries, and neither the Company nor any of the Subsidiaries were parties to a collective dispute.

As at the Prospectus Date, 36 of the Company employees were shareholders in the Company (including all members of the Management Board; see also section *“Management and corporate governance” – “Other information about members of the Management Board and the Supervisory Board” – “Existing Shares or Allotment Certificates held by the members of the Management and Supervisory Boards”*). As at the Prospectus Date, the above individuals held 748,000 Company shares, representing 4.7% of the Company's share capital and 4.7% of the total vote at its General Shareholders Meeting (the number is exclusive of registered shares held by Piotr Krupa, President of the Management Board, whose shareholding in the Company is shown in section *“Major shareholders”*). All persons specified above (excluding Piotr Krupa, President of the Management Board) granted the Selling Shareholder powers of proxy to vote all the Company shares they hold at the General Shareholders Meetings (see also section *“Major shareholders”*). For a detailed description of limitations concerning the Company shares held by the persons specified above see section *“General information about the Company” – “Share capital” – “Restrictions on transferability of the shares”*.

Research and development

The table below shows the amount of the Group's R&D spending for each financial year in the period covered by the historical financial information, i.e. for 2008-2010.

Research and development expense

	Period ended Dec 31		
	2010	2009	2008
	(unaudited)	(unaudited)	(unaudited)
	(PLN '000)		
Upgrade of the <i>Delfin</i> system	455	508	323
Management information system	437	324	220
Lisek project	200	0	0
Other	8,690	564	326
Total	1,961	1,396	926

Source: the Company.

The Group's R&D strategy pursued in 2008-2010 involved the development of new IT solutions to further support large-scale collection activities and enhance their effectiveness. The new solutions and functionalities of the IT systems employed by the Group were designed in particular to adapt the systems to the constantly expanding product range of the Group.

Delfin debt collection system

The upgrades and implementations performed in 2008-2010 included the creation of a module recording the activities of the detective office, integration of the call recorder with the system, creation of the e-KRUK web service enabling debtors to view their case history and make repayments, phone-call related improvements (integration of the collection queue with autodialing, launch of a functionality related to autodialing support in

recognising answering machines and faxes), upgrade designed to facilitate electronic sending of statements of claim as part of the EPU procedure and many other.

For a description of the functionalities of the *Delfin* collection system see section “*IT system – the unique IT platform*” above.

Management information system

In the period covered by the historical financial information, the Group's research and development activities focused on further improvements to the system and addition of new functionalities. The implementations performed in that period included the development of reporting tools for purchased debt, enhanced reporting capabilities enabling creation of reports on cost of telecommunication services, margins on business cases, complaints and correspondence, adaptation of application functionalities to support new products (corporate cases, court cases), development of management information tools to monitor repayments under settlement agreements, development of a data mining model enabling cash recoveries forecasting for particular areas, creation of a mechanism to monitor the process of granting loans as part of the *Pożyczka Novum* project and others.

For a description of the functionalities of the management information system see section “*IT system – the unique IT platform*” above.

Lisek project

In 2010, as part of the Lisek project the Group upgraded the *Delfin* debt collection system and the systems interoperating with *Delfin* (e.g. the e-KRUK service) with a functionality enabling issuance and processing of instalment agreements with interest. The new functionality facilitates processing of the settlement agreements concluded by the Group.

Other research and development work

In addition to the above development efforts, in 2008-2010 the Group also developed a number of other IT solutions, including tools designed to enhance the Group's internal organisation (HR management – work time recording systems, modification of the CV registration system), automation of processes in the organisation of ERIF and Kancelaria Prawna RAVEN, adaptation of the systems for the purposes of the Romanian operations.

Intellectual property

Below is presented information on intellectual property rights material for the Group's operations. Given the nature of the Group's operations, as at the Prospectus Date the Group was not dependent on any trademarks, patents, licences, other industrial property rights, or new technological processes, to an extent which could be considered material for its operations or profitability.

Trademarks

As at the Prospectus Date, the Group registered protection rights to three trademarks. The Company registered protection rights to one trademark. Moreover, the Group applied to the Patent Office to initiate proceedings aimed at registering additional two trademarks.

Below is presented information on the Group's trademarks registered with the Patent Office.

Name	Trademark type	No. of notification	Date of notification	No. of protection rights	Class	Entitled entities
KRUK	word and graphic mark	Z-287875	Nov 19 2004	R-194586	09.16, 18, 20, 28, 35, 36, 38, 40, 41, 42	Company
Kancelaria Prawna Raven Krupa & Stańko	word and graphic mark	Z-332115	Oct 29 2007	R-222828	09.16, 18, 20, 35, 36, 38, 40, 41, 42	Kancelaria Prawna RAVEN
ERIF Europejski Rejestr Informacji Finansowej BIG S.A.	word and graphic mark	Z-332741	Nov 13 2007	Decision of Aug 8 2010 (as at the Prospectus Date information on the protection right number was not available)	09, 16, 18, 20, 35, 36, 38, 40, 41, 42	ERIF

Source: the Company.

Internet domains

As at the Prospectus Date, the Group held 49 registered Internet domains, including www.kruksa.pl.

IT systems

Computer software material for the Group's operations is developed under the supervision of an in-house team of IT specialists, taking into the account the needs of the Group and clients. The software includes systems supporting, systemising and organising the Company's operations related to collection and commercial processes. The key systems developed and used at the Company include: Delfin, Delfin Mobile, Delfin Online, CRM, Koliber, WBOonline, e-KRUK, and e-Wierzytelności. The Company holds copyright to the software developed for its internal needs (see also "*IT system – the unique IT platform*" above).

Moreover, as at the Prospectus Date the Group used approximately 20 computer applications (including five applications of strategic importance to the Group's operations). The applications were used to support core business activities and to develop proprietary computer systems.

The Group entered into standard agreements with external suppliers of the computer programs it uses, based on which it obtained licences for the programs. Moreover, the Group has secured maintenance support in the event of system failure and is entitled to receive upgraded versions of the systems.

Material agreements

Below are presented material agreements executed by the Group in the two years preceding the Prospectus Date, or earlier, if the agreements relate to material rights and obligations of the Group as at the Prospectus Date. The agreements were considered material on the basis of their value, i.e. their value represents at least 5% (agreements outside the ordinary course of business) or 10% (agreements in the ordinary course of business) of the Group's consolidated revenue for the last four reporting quarters, or due to their effect on the Group's performance or financial standing, even if their value does not exceed the above thresholds.

Agreements executed in the ordinary course of business

In the ordinary course of business the Company and its Subsidiaries enter into many agreements, in particular: (i) claims assignment agreements; (ii) agreements for the management of securitised debt; and (iii) agreements for the provision of debt collection services.

The following agreements were deemed material as their value exceeded 10% of the Group's sales revenue for the four reporting quarters prior to the Prospectus Date.

Claims assignment agreements

In the period from January 1st 2009 to the Prospectus Date, the Company and its Subsidiaries executed the following material claims assignment agreements:

- in the period from July to August 2010, Secapital Luksemburg and business partner A executed agreements for purchase of two debt portfolios with a total nominal value of PLN 16.7m as at the purchase date;
- in the period from June 2009 to January 2011, Secapital Luksemburg and business partner B executed agreements for purchase of seven debt portfolios with a total nominal value of PLN 1,598.8m as at the purchase date;
- in the period from March 2009 to December 2010, Secapital Luksemburg and business partner C executed agreements for purchase of four debt portfolios with a total nominal value of PLN 183.2m as at the purchase date;
- in the period from June to December 2010, Prokura NS FIZ and business partner D executed agreements for purchase of two debt portfolios with a total nominal value of PLN 64.1m as at the purchase date;
- in March 2010, Prokura NS FIZ and business partner E executed an agreement for purchase of a debt portfolio with a total nominal value of PLN 19.4m as at the purchase date;
- in the period from June 2010 to January 2011, Prokura NS FIZ and business partner F executed agreements for purchase of two debt portfolios with a total nominal value of PLN 182.8m as at the purchase date;

- in March 2010, Prokura NS FIZ and business partner G executed an agreement for purchase of a debt portfolio with a total nominal value of PLN 111.2m as at the purchase date;
- in July 2010, Prokura NS FIZ and business partner H executed an agreement for purchase of a debt portfolio with a total nominal value of PLN 54.7m as at the purchase date;
- in the period from September 2009 to June 2010, Prokura NS FIZ and business partner I executed agreements for purchase of two debt portfolios with a total nominal value of PLN 192.1m as at the purchase date;
- in June 2010, Secapital Luksemburg and business partner J executed agreements for purchase of two debt portfolios with a total nominal value of PLN 54.5m as at the purchase date, while in the period from December 2010 to March 2011, Prokura NS FIZ and business partner J executed three agreements for purchase of debt portfolios with a total nominal value of approximately PLN 69.6m as at the purchase date;
- in the period from June to December 2010, Secapital Luksemburg and business partner K executed agreements for purchase of two debt portfolios with a total nominal value of PLN 115.9m as at the purchase date;
- in the period from May to June 2009, Prokura NS FIZ and business partner L executed agreements for purchase of two debt portfolios with a total nominal value of PLN 1,110.5m as at the purchase date; moreover, on April 4th 2011, Prokura NS FIZ won the auction for the purchase from business partner L of one debt portfolio with a nominal value of PLN 541.5m; consequently, Prokura NS FIZ plans to conclude an agreement for purchase of that portfolio with business partner L;
- in the period from August 2009 to March 2011, Prokura NS FIZ and business partner M executed agreements for purchase of three debt portfolios with a total nominal value of approximately PLN 81.5m as at the purchase date;
- in the period from March 2010 to March 2011, Secapital Luksemburg and business partner N (Romania) executed agreements for purchase of four debt portfolios with a total nominal value of approximately PLN 374.0m as at the purchase date;
- in December 2010, Prokura NS FIZ and business partner O executed an agreement for purchase of a debt portfolio with a total nominal value of PLN 177.4m as at the purchase date;
- in September 2009, Secapital Luksemburg and business partner P executed an agreement for purchase of a debt portfolio with a total nominal value of PLN 0.9m as at the purchase date, while in the period from June 2010 to March 2011, Prokura NS FIZ and business partner P executed agreements for purchase of four debt portfolios with a total nominal value of approximately PLN 41.5m as at the purchase date;

The agreements contain standard terms and conditions applied in agreements of such type, with the exception of provisions relating to the limitation of assignors' liability for legal defects of the debts and potential obligation to reassign certain debts back to the assignor.

Furthermore, in February 2011, the Company made a firm proposal to business partner R to purchase a debt portfolio in the Czech Republic with a total nominal value of CZK 1,119.1m, and a debt portfolio in Slovakia with a total nominal value of EUR 12.8m. As the proposal was accepted, the Company expects to conclude a claims assignment agreement with business partner R in the near future.

The names of business partners designated as A to R have been withheld from publication on the basis of the Company's application for exemption from the requirement to disclose them in this Prospectus.

Agreement for the management of securitised debt

On February 27th 2006, the Company and Prokura NS FIZ executed an agreement for the management of securitised debt, after the Company obtained PFSA's authorization to conclude such an agreement.

Under the agreement, the Company performs collection activities acting for and on behalf of Prokura NS FIZ. KRUK's credit management services consist in particular in: (i) accumulating amounts paid under particular debts purchased by Prokura NS FIZ in Prokura NS FIZ's account, (ii) monitoring repayments; (iii) conducting out-of-court collection procedures; (iv) accepting, on behalf of Prokura NS FIZ, debtors' offers to enter into an out-of-court settlement; (v) monitoring debts on a long-term basis and debt administration; and (vi) providing detective services.

For its services, the Company is entitled to compensation, determined on a case-by-case basis for each debt portfolio by way of an annex to the agreement. The agreement was concluded for an indefinite term and may be terminated without notice in cases specified therein. Moreover, it may be terminated at any time by Prokura NS FIZ upon two months' notice or by the Company upon six months' notice.

Agreements for the provision of debt collection services

In the period from January 1st 2009 to the Prospectus Date, neither the Company nor its Subsidiaries concluded any material agreements for the provision of debt collection services (based on the materiality criterion specified above).

Agreements executed outside the ordinary course of business

Material credit facility agreements

a) Credit facility agreement with Bank Polska Kasa Opieki S.A.

On July 21st 2008, the Company (as a borrower) and Bank Polska Kasa Opieki S.A. executed a working capital facility agreement, under which Bank Polska Kasa Opieki S.A. granted to the Company a non-revolving working capital loan of PLN 10,000,000 to be used to cover the costs of purchase of domestic bank or telecommunications debts by the Company.

The facility bears interest at a variable rate, based on the 1M WIBOR rate plus the Bank's margin set forth in the agreement. Interest is payable on a monthly basis.

The facility is secured, among others, with a registered pledge over assets acquired with the loan proceeds and a guarantee issued by one of the Subsidiaries.

The agreed repayment date is December 31st 2011. As at December 31st 2010, the Group's debt under the agreement amounted to PLN 2.7m.

b) Credit facility agreement with Bank Pocztowy S.A. of June 5th 2009

On June 5th 2009, the Company (as a borrower) and Bank Pocztowy S.A. executed a credit facility agreement, under which Bank Pocztowy S.A. granted to the Company an investment credit facility of PLN 5,932,639.99 for financing and refinancing of purchase of shares in Secapital Luksemburg.

The facility bears interest at a variable rate, based on the 1M WIBOR rate plus the Bank's margin set forth in the agreement. Interest is payable on a monthly basis.

The facility is secured, among others, with a registered pledge over shares in Secapital Luksemburg and guarantees issued by certain Subsidiaries.

The agreed repayment date is January 31st 2012. As at December 31st 2010, the Group's debt under the agreement amounted to PLN 2.3m.

c) Credit facility agreement with Bank Pocztowy S.A. of May 19th 2010

On May 19th 2010, the Company (as a borrower) and Bank Pocztowy S.A. executed an investment credit facility agreement, under which Bank Pocztowy S.A. granted to the Company a credit facility of PLN 5,000,000 to finance or refinance, among other things, up to 80% of the price of debt portfolios purchased by the Company.

The facility bears interest at a variable rate, based on the 1M WIBOR rate plus the Bank's margin set forth in the agreement. Interest is payable on a monthly basis.

The facility is secured, among others, with a registered pledge S.A. over shares in Secapital Luksemburg and guarantees issued by certain Subsidiaries.

The agreed repayment date is May 16th 2014. As at December 31st 2010, the Group's debt under the agreement amounted to PLN 4.9m.

d) Credit facility agreement with Bank Polskiej Spółdzielczości

On July 6th 2010, the Company (as a borrower) and Bank Polskiej Spółdzielczości S.A. executed a revolving credit facility agreement, under which Bank Polskiej Spółdzielczości S.A. granted to the Company a revolving credit facility of up to PLN 10,000,000 for, among others, refinancing or financing of purchase of debt portfolios by the Company and its Subsidiaries.

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

The facility is secured with a number of instruments, including: a registered pledge over shares in Secapital Luksemburg, a surety issued by certain Subsidiaries, and a registered pledge over a debt portfolio held by the Company.

The notice period for termination of the agreement is 30 days or, in the event of threat of the Company's bankruptcy – 7 days.

The agreed repayment date is July 5th 2013. As at December 31st 2010, the Group's debt under the agreement amounted to PLN 6m.

e) Credit facility agreement with Bank Zachodni WBK S.A.

On July 29th 2010, the Company (as a borrower) and Bank Zachodni WBK S.A. executed an investment credit facility agreement, under which Bank Zachodni WBK S.A. granted to the Company an investment credit facility of up to PLN 20,000,000 to finance or refinance the acquisition by the Company of shares in Secapital Luksemburg effected to purchase debt portfolios.

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

The facility is secured, among others, with a registered pledge over shares in Secapital Luksemburg.

The agreement also contains standard provisions imposing restrictions on the Company with respect to: (i) amendments to its corporate documents (such as resolutions, articles of association); (ii) undertaking activities that are outside the scope of its existing operations and that become part of its core business; (ii) disposing of and encumbering its assets; and (iii) advancing loans.

The agreed repayment date is December 31st 2013. As at December 31st 2010, the Group's debt under the agreement amounted to PLN 4.7m.

The credit facility agreements contain standard clauses for this type of agreements with regard to the obligations of the Company as a borrower, including (i) the *pari passu* clause (the borrower's liabilities under the agreement must rank at least equally with its other liabilities, whether present or future), or (ii) the negative pledge clause (which prohibits the creation of any security over its present and future assets which might obstruct the lender in satisfying its claims). Furthermore, the credit facility agreements with Bank Polska Kasa Opieki S.A., Bank Pocztowy S.A. and Bank Zachodni WBK S.A. include other standard provisions that impose restrictions on the Company by obligating the Group and certain Group members to maintain certain financial ratios at levels set forth in the agreement (including the obligation to prevent a situation where the Company has negative equity).

Issues of debt securities

In 2007–2010 (to the Prospectus Date), the Company issued unsecured Series A, B, C, D, E¹, E², F¹, F², G¹, G², H¹ and H² bonds. With the exception of Series C and D bonds, the issue price of the bonds was equal to their par value. In accordance with the terms and conditions of each issue, the bonds are ordinary bearer bonds in a book-entry form and, with the exception of Series H¹ and Series H² bonds, were entered into a register maintained by a brokerage house. In accordance with the terms and conditions of the issue of Series H¹ and H² bonds, the bonds will be converted into book-entry form by way of registering them with the depository for securities maintained by the Polish NDS. With the exception of Series C and D bonds, the bonds bear interest calculated on the basis of a year consisting of 365 days. The interest rate of the bonds is based on the variable WIBOR rate (3M or 6M WIBOR, depending on the issue) plus a fixed margin. The interest on the bonds will accrue in consecutive three- or six-month (depending on the issue) interest periods. It is payable in arrears, at the end of a given interest period. In 2007–2011, the Company issued unsecured Series A, B, C, D, E¹, E², F¹, F², G¹ and G² bonds. Moreover, the Company plans to launch a new bond issue programme and issue Series H bonds with a total value of PLN 45,000,000 in April 2011. With the exception of Series C and D bonds, the issue price of the bonds was equal to their par value. In accordance with the terms and conditions of each issue, the bonds are ordinary bearer bonds in a book-entry form and were entered into a register maintained by a brokerage house. With the exception of Series C and D bonds, the bonds bear interest calculated on the basis of a year consisting of 365 days. The interest rate of the bonds is based on the variable WIBOR rate (3M or 6M WIBOR, depending on the issue) plus a fixed margin. The interest on the bonds will accrue in consecutive three- or six-month (depending on the issue) interest periods. It is payable in arrears, at the end of a given interest period.

Proceeds from the bond issues are applied towards the purchase of debt portfolios or refinancing of portfolios purchased by Group companies.

a) Issue of Series A bonds

Under the Management Board's resolutions of November 15th 2007 and December 7th 2007, the Company issued 165 bonds with a par value of PLN 100,000 per bond. The total value of the bonds was PLN 16,500,000. The bonds were due 36 months from the issue closing and settlement date, with the early redemption option for the Company.

Series A bonds were repaid on December 7th 2010.

b) Issue of Series B bonds

Under the Management Board's resolutions of February 11th 2010 and February 24th 2010, the Company issued 15,882 bonds with a par value of PLN 1,000 per bond. The total value of the issue was PLN 15,882,000. The bonds are due 24 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

c) Issue of Series C bonds

Under the Management Board's resolutions of February 11th 2010 and February 24th 2010, the Company issued 13,415 bonds with a par value of PLN 1,000 per bond. The issue price per bond was equal to the par value discounted at the rate of 11.17% and amounted to PLN 923.65. The total value of the issue stood at PLN 12,390,765. The bonds were due 9 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

Series C bonds are zero coupon bonds.

Series C bonds were repaid on November 24th 2010.

d) Issue of Series D bonds

Under the Management Board's resolutions of February 11th 2010 and February 24th 2010, the Company issued 4,053 bonds with a par value of PLN 1,000 per bond. The issue price per bond was equal to the par value discounted at the annual discount rate of 10.17% and amounted to PLN 929.93. The total value of the issue stood at PLN 3,769,006.29. The bonds were due 9 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

Series D bonds are zero coupon bonds.

Series D bonds were repaid on November 24th 2010.

e) Issue of Series E¹ bonds

Under the Management Board's resolutions of July 2nd 2010 and July 15th 2010, the Company issued 12,500 bonds with a par value of PLN 1,000 per bond. The total value of the issue was PLN 12,500,000. The bonds are due 24 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

f) Issue of Series F¹ bonds

Under the Management Board's resolutions of July 2nd 2010 and July 15th 2010, the Company issued 12,500 bonds with a par value of PLN 1,000 per bond. The total value of the issue was PLN 12,500,000. The bonds are due 12 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

g) Issue of Series E² bonds

Under the Management Board's resolutions of August 13th 2010 and September 2nd 2010, the Company issued 17,500 bonds with a par value of PLN 1,000 per bond. The total value of the issue was PLN 17,500,000. The bonds are due 24 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

h) Issue of Series F² bonds

Under the Management Board's resolutions of August 13th 2010 and September 2nd 2010, the Company issued 17,500 bonds with a par value of PLN 1,000 per bond. The total value of the issue was PLN 17,500,000. The bonds are due 12 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

i) Issue of Series G¹ bonds

Under the Management Board's resolutions of October 14th 2010 and November 4th 2010, the Company issued 20,000 bonds with a par value of PLN 1,000 per bond. The total value of the issue was PLN 20,000,000. The bonds are due 30 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

j) Issue of Series G² bonds

Under the Management Board's resolutions of March 16th 2011 and March 22nd 2011, the Company issued 30,000 bonds with a par value of PLN 1,000 per bond. The total value of the issue was PLN 30,000,000. The bonds are due 24 months from the allotment date, with the option of early redemption in the event of the liquidation or transformation of the Company.

k) Issue of Series H¹ bonds

On March 24th and April 1st 2011, the Management Board adopted resolutions concerning the issue of up to 30,000 bonds with a par value of PLN 1,000 per bond, by way of a public offering under Art. 7.3.2 of the Act on Public Offering. The total value of the issue will be up to PLN 30,000,000. The bonds are due 30 months from the allotment date (planned for April 7th 2011), with the provision that in the event of the liquidation of the Company, the bonds will be subject to early redemption on the liquidation opening date, while in the event of the transformation of the Company, the bonds held by a given bondholder will be subject to early redemption upon the bondholder's request.

l) Issue of Series H² bonds

On March 24th and April 1st 2011, the Management Board adopted resolutions concerning the issue of up to 15,000 bonds with a par value of PLN 1,000 per bond, by way of a public offering under Art. 7.3.2 of the Act on Public Offering. The total value of the issue will be up to PLN 15,000,000. The bonds are due 36 months from the allotment date (planned for April 7th 2011), with the provision that in the event of the liquidation of the Company, the bonds will be subject to early redemption on the liquidation opening date, while in the event of the transformation of the Company, the bonds held by a given bondholder will be subject to early redemption upon the bondholder's request.

As at the Prospectus Date, the public offering of Series H¹ and H² bonds has not been completed and the bonds have not been allotted to bondholders. If so required by the applicable legal regulations, the information on the issue of Series H¹ and H² bonds being unsuccessful or a material amendment to the terms and conditions of the bonds shall be published in the form of a Supplement, upon its approval by the PFSA, in accordance with Art. 51 of the Act on Public Offering.

Court, administration and arbitration proceedings

In the ordinary course of business the Company and its Subsidiaries are parties to legal proceedings concerning their operating activities. As at December 31st 2010, the Company and its Subsidiaries acted as the plaintiffs in 61,208 court proceedings (including 641 commercial proceedings, 36,438 EPU proceedings (simplified procedure) and 957 bankruptcy proceedings), with the total litigation value of around PLN 1,040.3m. Moreover, as at December 31st 2010, 95,555 enforcement proceedings were under way with the total value of enforced claims approximating PLN 1,370.2m.

Except the proceedings referred to below, no administrative, civil, arbitration or penal proceedings which might have a material effect on the Group's financial standing or operating performance were pending or concluded against the Company or its Subsidiaries over the period of 12 months preceding the Prospectus Date and, to the best of the Company's and its Subsidiaries' knowledge, no such proceedings had been threatened as at the Prospectus Date.

No liquidation, bankruptcy or recovery proceedings have been conducted against the Company or any of its Subsidiaries.

Tax proceedings before the Supreme Administrative Court

As at the Prospectus Date, Polski Rynek Długów was also a party to tax proceedings before the Supreme Administrative Court. The proceedings relate to VAT on debt purchase transactions. The proceedings were initiated following Polski Rynek Długów's application for private letter rulings regarding interpretation of the provisions of the Value Added Tax Act, to determine the rules governing taxation of debt purchase transactions. In the private letter ruling issued in response to the application, the Minister of Finance – Tax Chamber Director adopted a standpoint contrary to Polski Rynek Długów's position and stated that, as a rule, assignment of debt (as an incorporeal right) represents provision of services, while purchase of debt with a view to its enforcement is a

form of financial intermediation. Polski Rynek Długów appealed against that ruling to the Provincial Administrative Court of Wrocław. The Provincial Administrative Court of Wrocław shared Polski Rynek Długów's position and repealed the ruling appealed against. The Minister of Finance then appealed against this decision to the Supreme Administrative Court. As at the Prospectus Date, Polski Rynek Długów awaits for the Supreme Administrative Court to resolve the case. The resolution will not be made until the European Court of Justice issues a prejudicial decision in an analogous case (i.e., concerning rules governing VAT on debt purchase). If the case is resolved in a way unfavourable to Polski Rynek Długów, the company will be obliged to pay value added tax on debt purchase transactions. As at the Prospectus Date, the estimated value of the potential VAT payable by Polski Rynek Długów totals around PLN 1m, including accrued interest (since December 2008).

Material property, plant and equipment and intangible assets

Material property, plant and equipment

As at the Prospectus Date, the Group does not own material property, plant and equipment (including material real estate), that is any items of property, plant and equipment the loss of which might cause a material decrease in the Group's revenue or a material obstacle to the Group's operations. While identifying the Group's material assets, the Company adopted the materiality criterion referred to in Par 2.45 of the Regulation on Reports and considers an asset material if its value is equal to or greater than 10% of the Group's consolidated revenue for the last four reporting quarters. As at the Prospectus Date, the Group does not plan to acquire non-current assets which would be deemed material on the basis of the criterion referred to above.

The majority of assets used by the Group in the course of its operations are held under real estate lease agreements (including real estate where the Company's regional offices are located) and other lease agreements (which in particular refers to vehicles and IT infrastructure).

For its headquarters, the Company leases office space in Wrocław. The lease terms are as follows: ten years, starting on October 13th 2006, for offices at ul. Legnicka, and three years, starting on February 21st 2011, for offices at ul. Wołowska. The Company also leases office space in Szczawno-Zdrój near Wałbrzych, which houses the logistic centre/contact centre. The lease agreement was concluded for a period of ten years starting on August 13th 2009.

Material intangible assets

As at the Prospectus Date, the Group did not own intangible assets which would be material to the Group's operations or financial standing, other than IT systems (for detailed information, see section "IT systems" above).

Insurance

The Group holds third party liability insurance in respect of its operations. The Company's and Kancelaria Prawna RAVEN's assets are also covered under an all-risk insurance policy (including fire and other acts of God, burglary/theft and robbery). The Company and KRUK Corporate hold a third party liability insurance against losses inflicted in the course of detective activities. All insurance policies are renewed annually. Currently, the Group's insurers are PZU and GENERALI. The Company believes that the scope of the insurance it holds reflects the market practice prevailing among companies conducting similar activity in Poland.

Moreover, the members of the management and supervisory boards of the Group companies, including the members of the Company's Management and Supervisory Boards, are covered by D&O third party liability insurance.

Environmental protection

The Company believes that environmental matters are not material to the Group's operations and financial standing, nor have they a material effect on the Group's use of its property, plant and equipment, which do not materially affect the natural environment.

Regulatory matters

Operations of securitisation funds (Prokura NS FIZ and Prokulus NS FIZ) are classified as regulated activity. Moreover, the Company's activities relating to the management of securitisation funds' assets require an authorisation issued by the PFSA. As at the Prospectus Date, the Company held an authorisation to manage

securitisation funds' securitised debt and the PFSA's authorisations for the establishment of Prokura NS FIZ and Prokulus NS FIZ.

The Group's securitisation fund operations are regulated by the PFSA and must be carried out in compliance with a number of European Community and Polish laws. In the course of their operations, securitisation funds are subject to numerous inspections, audits and explanatory proceedings conducted by various regulatory bodies supervising the financial services sector.

Detective services provided by the Company and Kruk Corporate are also classified as regulated activity, which requires to be entered in the detective activity register maintained by the Minister of Internal Affairs and Administration. As at the Prospectus Date, the Company and Kruk Corporate were entered in the detective activity register.

For more detailed information on regulatory matters see section “*Regulatory environment*”.

GENERAL INFORMATION ABOUT THE COMPANY

Basic information

Name and legal form: KRUK Spółka Akcyjna

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

Phone No.: +48 71 79 02 800

Fax No.: +48 71 79 02 867

Website: <http://www.kruksa.pl>

Email: info@kruksa.pl

Number of entry in the National Court Register (KRS): 0000240829

Industry Statistical Number (REGON): 931189985

Tax Identification Number (NIP): 894-23-89-605

KRUK sp. z o.o. was incorporated as a limited liability company on April 21st 1998, and entered into the commercial register under no. RHB 7826 on May 3rd 1998.

Under the resolution of the General Shareholders Meeting of June 28th 2005 Kruk sp. z o.o. was transformed into a joint stock company. On September 7th 2005, the Company was entered into the National Court Register kept by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register. As at the Prospectus Date the above court was the registry court competent for the Company.

The Company was incorporated for an indefinite term.

The Company operates under the provisions of the Commercial Companies Code and other laws applicable to commercial law companies, as well as under the provisions of its Articles of Association and other internal regulations.

Business profile

The Company's business profile is set forth in Par. 2 of the Articles of Association.

The Company's business includes credit management services and debt trading. The Company provides comprehensive services in the area of credit management and enforcement of claims to banks, loan brokers, insurance companies and other financial institutions, mobile and landline telephone operators, digital TV operators and cable TV operators. The Company cooperates with housing cooperatives, power utilities and other entities whose debtors are retail customers and small and medium-sized enterprises.

Share capital

Share capital structure

As at the Prospectus Date, the Company's share capital amounted to PLN 15,800,340 and was divided into 15,800,340 Existing Shares with a par value of PLN 1 per share, including:

- (i) 2,692,220 Series A registered shares;
- (ii) 11,366,600 Series AA registered shares;
- (iii) 1,250,000 Series B registered shares; and
- (iv) 491,520 Series C ordinary bearer shares.

Pursuant to the Articles of Association, Series A, AA and B shares will be converted into bearer shares upon conversion of the shares of respective series, i.e. Series A, AA and B shares, into book-entry form in accordance

with Art. 5 of the Act on Trading in Financial Instruments (see “*General information about the Company*” – *Share capital*” – “*Changes in the share capital*” below).

Series A and Series AA shares (which represented in total more than 10% of the Company's share capital in the period covered by the historical financial information) were covered in full with the assets of the transformed limited liability company KRUK sp. s o.o. The remaining shares, i.e. Series B and C shares, were covered in full with cash contributions.

The Existing Shares carry no preference in terms of voting rights, the right to dividend, or the right to a share in the Company's assets in case of its liquidation.

The Articles of Association do not contain any provisions authorising the Management Board to increase the Company's share capital up to the authorised capital amount.

Changes in the share capital

The table below contains information on changes in the amount of the share capital issued and the number of shares in the period from January 1st 2008 to December 31st 2010.

	As at	
	Jan 1	Dec 31
	<i>Share capital (PLN)/number of shares</i>	
2010	15,770,900.00/1,577,090	15,308,820.00/15,308,820
2009	15,770,900.00/1,577,090	15,770,900.00/1,577,090
2008	14,520,900.00/1,452,090	15,770,900.00/1,577,090

The above change in the amount of the share capital issued and the number of shares in 2008 was made pursuant to the resolution of the General Shareholders Meeting of August 7th 2008 on an increase in the Company's share capital through the issue of 125,000 Series B registered shares with a par value of PLN 10 per share, with the existing shareholders holding preemptive rights to acquire Series B shares. The issue price of Series B shares was PLN 84 per share.

Moreover, the following changes occurred in the share capital structure in 2010, resulting from reductions in the share capital on account of retirement of shares:

- (i) a reduction in the Company's share capital by PLN 450,050, to PLN 15,320,850, pursuant to the resolution of the General Shareholders Meeting of February 9th 2010, passed under Art. 360.1 and 360.2.2 of the Commercial Companies Code in conjunction with Art. 455.1 and 455.2 of the Commercial Companies Code, through the retirement of 45,005 Series A registered shares against compensation of PLN 107.44 for each share retired;
- (ii) a reduction in the Company's share capital by PLN 4,330, to PLN 15,316,520, pursuant to the resolution of the Management Board of February 9th 2010, through the retirement of 433 Series A registered shares;
- (iii) a reduction in the Company's share capital by PLN 5,900, to PLN 15,310,620, pursuant to the resolution of the Management Board of July 8th 2010, through the retirement of 590 Series A registered shares; and
- (iv) a reduction in the Company's share capital by PLN 1,800, to PLN 15,308,820, pursuant to the resolution of the Management Board of September 9th 2010, through the retirement of 180 Series A registered shares.

The share capital reductions referred to in items (ii), (iii) and (iv) above was made pursuant to Art. 359.6 and 359.7 of the Commercial Companies Code and under Par. 12.2 of the Articles of Association in effect as at the dates of the respective resolutions, which provides for the retirement of Series A registered shares of particular numbers in the following cases: (i) as of the date of termination of an employment contract between the shareholder and the Company, or termination of another legal relation under which the shareholder worked or provided services for the Company, (ii) as of the date of the shareholder's death, or (iii) at the request of the shareholder. The shares were retired against compensation of PLN 84 per share, plus interest at the rate of 8% annually (calculated from the date of acquisition of the shares from CDZ 7 Sp. z o.o.).

On November 24th 2010, the Extraordinary General Shareholders Meeting passed a resolution on separation of Series AA registered shares within the Company's share capital, conversion of the registered shares into bearer

shares, and a split of the shares through a decrease in their par value and an increase in the number of shares. Pursuant to the resolution, the following changes were made to the Company's share capital:

- (i) 1,136,660 Series A registered shares were separated from among 1,405,882 Series A registered shares and marked as Series AA registered shares;
- (ii) Series A, AA and B registered shares were converted into bearer shares, with the provision that the conversion would become effective upon conversion of the shares of a given series, i.e. Series A, AA and B shares, into book-entry pursuant to Art. 5.1 of the Act on Trading in Financial Instruments;
- (iii) All the Company shares were split through a decrease in the par value of each share from PLN 10 to PLN 1 and replacement of each share with the par value of PLN 10 with ten shares with the par value of PLN 1; no share capital reduction was made in connection with the split.

Moreover, on December 9th 2010, the Extraordinary General Shareholders Meeting passed a resolution to increase the Company's share capital through the issue of up to 491,520 Series C ordinary bearer shares with the par value of PLN 1 per share, with the existing shareholders' preemptive rights to acquire Series C shares waived in their entirety. The issue of Series C shares, at a price of PLN 1 per share, was addressed to the Company's employees and management and was related to the closing of an incentive scheme (see "*Restrictions on transferability of Series C shares*" below). The Company anticipates that the costs incurred by the acquirers of Series C shares will differ significantly from the cost of purchase of the Offer Shares. As at the Prospectus Date it is not possible to precisely specify the difference between the Offer Shares price and the issue price of Series C shares as the Offer Shares price had not been determined (see section "*Terms and conditions of the Offering – 'Share Price determination process'*").

Restrictions on transferability of the shares

Restrictions on transferability of registered shares

Pursuant to Par. 22b-Par. 22g of the Articles of Association, any disposal of the Company's registered shares, other than in the cases specified in the Articles of Association, is subject to the following restrictions:

- (i) in the event a shareholder holding an interest representing more than 5% of the Company's share capital intends to sell registered shares to a third party who is not a shareholder in the Company, shareholders holding shares representing at least 15% of the share capital have the right of first refusal with respect to such shares to be disposed of. Moreover, in such an event, shareholders holding shares representing up to 5% of the share capital and shareholders holding shares representing at least 15% of the share capital who have not exercised their right of first refusal, have the right to join the shareholder disposing of the Company's registered shares in the transaction with the third party (the tag-along right);
- (ii) in the event the Selling Shareholder intends to sell registered shares to a third party who is not a shareholder in the Company, the Selling Shareholder may demand that all shareholders holding shares representing up to 5% of the share capital and shareholders holding shares representing up to 15% of the share capital dispose of their registered shares to that third party (the drag-along right).

Furthermore, pursuant to Par. 22b.6 of the Articles of Association, as long as Mr Piotr Krupa is a member of the Management Board, disposal of the registered shares held by him requires approval of the Supervisory Board. The above approval is not required only if Mr Piotr Krupa exercises the tag-along right (see item (i) above) or the Company's registered shares are disposed of as a result of the Selling Shareholder exercising the drag-along right (see item (ii) above).

The Articles of Association also provide for the retirement of Series A registered shares of particular numbers in the cases set forth therein. Pursuant to Par. 22g.2 of the Articles of Association, shares are to be retired (i) as of the date of termination of an employment contract between the shareholder and the Company, or termination of another legal relation under which the shareholder worked or provided services for the Company, (ii) as of the date of death of the shareholder, or (iii) at the request of the shareholder. The shares are to be retired against compensation of PLN 8.40 per share, plus interest at the rate of 8% annually (calculated from the date of acquisition of the shares from CDZ 7 Sp. z o.o.).

Additionally, pursuant to Par. 22h of the Articles of Association, in the event the Company's share capital is increased and the existing shareholders' preemptive rights are not waived, the Selling Shareholder and Mr Piotr Krupa are entitled to indicate an affiliate, as defined in Par. 22b.2.1 of the Articles of Association, entitled to exercise, in whole or in part, their preemptive rights. Disposal of the registered shares acquired in the above manner by the affiliate indicated by Mr Piotr Krupa requires approval of the Selling Shareholder. The approval is not required only in the event the right of first refusal or the tag-along right (see item (i) above) is exercised, or

in the event the Company's registered shares are disposed of as a result of the Selling Shareholder exercising the drag-along right (see item (ii) above).

Pursuant to Par. 22a of the Articles of Association, all the above transferability restrictions apply only to the Company's registered shares. Therefore, the restrictions shall cease to apply upon conversion of the registered shares into bearer shares, which will take place on the date of conversion of shares of a given series, i.e. Series A, AA and B shares, into book-entry form (see "*General information about the Company*" – "*Share capital*" – "*Changes in the share capital*" above).

Restrictions on transferability of Series C shares

The right to dispose of Series C shares issued to the Company's employees and management in connection with the closing of an incentive scheme (see "*General information about the Company*" – "*Share capital*" – "*Changes in the share capital*" above) is subject to contractual restrictions under agreements concluded by the Selling Shareholder, Mr Piotr Krupa, the Company and each individual to whom the offering of Series C shares was addressed. The agreements provide, *inter alia*, for a lock-up (prohibition of disposal) of Series C shares during a period of 12 months from the date of the first listing of at least 1 Company share on the WSE (the restriction does not apply in the cases enumerated in the agreements, including, without limitation, disposal of Series C shares in response to a tender offer pursuant to Art. 91 of the Act on Public Offering and disposal of Series C shares upon prior written approval by the Selling Shareholder) and (on account of the contractual restrictions relating to the disposal of Series C shares, referred to above) conclusion of an agreement to block Series C shares in the event they are converted into book-entry form pursuant to Art. 5.1 of the Act on Trading in Financial Instruments. Moreover, the agreements provide that: (i) the individuals who have subscribed for Series C shares will grant powers of proxy to the Selling Shareholder to exercise the voting rights attaching to all the Series C shares they subscribed for; such powers of proxy will expire at the end of the 12-month lock-up period referred to above; (ii) the Company has the right to repurchase all Series C shares to retire them within 8 months from the date of the first listing of at least 1 Company share on the WSE in the cases indicated in the agreements (including, without limitation, termination by the shareholder of an employment contract or another similar contract under which the shareholder worked or provided services for the Company); and (iii) the right of the Selling Shareholder to demand that Series C shares be disposed of in the cases specified in the agreements (the shareholder's obligation to dispose of Series C shares on such demand expires on the date of the first listing of at least 1 Company share on the WSE).

Incentive Scheme

On March 30th 2011, the General Shareholders Meeting adopted a resolution on setting the rules of an incentive scheme for the years 2011-2014 (the "**Incentive Scheme**"), conditional increase in the Company's share capital and issue of subscription warrants, with the Company existing Shareholders' pre-emptive rights waived with respect to shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association. Pursuant to the resolution, the Company will issue, free of charge, up to 845,016 registered subscription warrants carrying the right to acquire the total of 845,016 ordinary bearer shares in the Company issued under the conditional share capital increase.

Below are presented the main principles of the Incentive Scheme.

Eligible persons

The Incentive Scheme is addressed to members of the Management Board, except for the President of the Management Board, and selected employees of the Company, as well as to selected members of management boards and employees of the Subsidiaries ("**Eligible Persons**"). They will be eligible to acquire subscription warrants upon fulfilment of the terms and conditions of the Incentive Scheme. A list of Eligible Persons and the number of subscription warrants allotted to them in each year of the Incentive Scheme will be approved by the Supervisory Board, having considered a recommendation from the President of the Management Board. However, if Piotr Krupa is the President of the Management Board or the Chairman of the Supervisory Board and provided that Mr Krupa (or its wholly-owned subsidiary) holds the Company shares carrying the right to 8% or more of the total vote at the General Shareholders Meeting, the list of Eligible Persons may be approved by the Supervisory Board only at Mr Krupa's request. The approval of the list of Eligible Persons should take place within two months following the approval of the Company's consolidated financial statements for a given financial year. The Supervisory Board may change the list of Eligible Persons at any time during the life of the Incentive Scheme, but not later than by the date of acquisition of all subscription warrants by Eligible Persons in each of the four tranches, by extending the list or excluding persons from it, with a provision that the excluded persons will remain entitled to exercise any rights attached to the subscription warrants already vested or acquired under the Incentive Scheme. If Piotr Krupa is the President of the Management Board or the Chairman of the Supervisory Board and provided that Mr Krupa (or its wholly-owned subsidiary) holds the Company

shares carrying the right to 8% or more of the total vote at the General Shareholders Meeting, the list of Eligible Persons may be changed by the Supervisory Board only at Mr Krupa's request.

An Eligible Person will be able to acquire subscription warrants during the life of the Incentive Scheme on condition that they have been in an employment relationship with the Company or a Subsidiary or in another legal relation under which they have provided management services for the Company or a Subsidiary for a period of at least six months in the calendar year preceding the date of allotment of options to acquire Subscription Warrants for a given year of the Incentive Scheme.

An Eligible Person will lose their right to exercise the option to acquire subscription warrants granted under the Incentive Scheme as of the date of termination of an employment relationship or another agreement under which that Eligible Person works for or provides services to the Company or a Subsidiary, where termination of the above legal relation with the Company or a Subsidiary is made pursuant to Art. 52 of the Polish Labour Code or is due to a gross breach of obligations by the Eligible Person.

Subscription warrants, tranches, terms and conditions of delivery and exercise of subscription warrants

Under the Incentive Scheme the Company will issue, subject to registration of the conditional share capital increase approved by the General Shareholders Meeting on March 30th 2011, up to 845,016 registered subscription warrants carrying the right to acquire the total of 845,016 ordinary bearer shares in the Company.

The total number of subscription warrants offered under the Incentive Scheme was split into four tranches – in each year of the Incentive Scheme, i.e. for the financial years 2011-2014, Eligible Persons may be allotted up to 211,254 subscription warrants, with the reservation that any subscription warrants or subscription warrants in a given tranche which are not allotted in a particular year may be transferred to subsequent financial years.

Subscription warrants will be issued and delivered free of charge. They may be inherited but cannot be encumbered or disposed of, except in the following cases: (a) disposal of subscription warrants to the Company with a view to retiring them; (b) disposal to an entity or entities indicated by the Company; and (c) disposal under extraordinary circumstances subject to a prior approval by way of a resolution of the Supervisory Board.

The Supervisory Board and the Management Board or, as applicable, a custodian selected by the Supervisory Board are authorised to offer and deliver subscription warrants to Eligible Persons for a given financial year, provided that, in accordance with the consolidated financial statements for a given financial year (i.e. for 2011, 2012, 2013 and 2014) approved by the General Shareholders Meeting, the Group achieves a specified increase in the EPS ratio (by at least 17.5%) and at least one of the following financial ratios is achieved: EBIDTA goes up by at least 17.5% or ROE amounts to at least 20%. If the above ratios are not achieved in a given financial year, the tranche of subscription warrants which might be offered and delivered to Eligible Persons in accordance with the above principles and are not allotted in the financial year due to failure to meet the above criteria, will be offered and allotted in the following financial years of the Incentive Scheme, thus increasing the pool of warrants in the next tranche. Moreover, the Supervisory Board may transfer any subscription warrants which have not been allotted under the Incentive Scheme in a given tranche (tranches I-III) to tranches in subsequent years.

The right to acquire subscription warrants is granted by the Supervisory Board. If Piotr Krupa is the President of the Management Board or the Chairman of the Supervisory Board and provided that Mr Krupa (or its wholly-owned subsidiary) holds the Company shares carrying the right to 8% or more of the total vote at the General Shareholders Meeting, subscription warrants for a given financial year, less the reserve pool for that year, may be allotted by the Supervisory Board only upon Mr Krupa's request. The subscription warrants should be granted within two months of the date of approval of the consolidated financial statements for the financial year.

Subscription warrants may be acquired by Eligible Persons or a custodian appointed by the Management Board, who will then (acting under an agreement) transfer them free of charge to Eligible Persons in the number resulting from the Incentive Scheme.

Detailed terms and conditions of the issue and exercise of subscription warrants, and the number of subscription warrants which particular Eligible Persons will be entitled to acquire, will be determined by the Supervisory Board.

Each subscription warrant will entitle the Eligible Person to subscribe for one ordinary bearer share in the Company with the par value of PLN 1 per share, at the issue price being equivalent to the issue price of the Company shares in the Public Offering. The right to exercise a subscription warrant and subscribe for the Company shares may be exercised no sooner than after six months of the date of acquisition of a subscription warrant, however, no later than by June 30th 2016. In cases set forth in the Incentive Scheme, holders of subscription warrants will be able to exercise the rights thereunder to subscribe for shares prior to the scheduled date as of which such exercise is possible.

The Incentive Scheme may also be executed using treasury shares repurchased by the Company on the basis of a separate resolution of the General Shareholders Meeting authorising the Company to repurchase its own shares in order to offer them to Eligible Persons. Implementation of the Incentive Scheme under this procedure will require the Supervisory Board's consent granted in a separate resolution adopted at the Management Board's request. According to the draft rules of the Incentive Scheme to be adopted by the Supervisory Board, Eligible Persons who are offered treasury shares in the number corresponding to the number of subscription warrants that may be allotted for a given year of the Incentive Scheme cannot be granted any subscription warrants for a given year of the Incentive Scheme. In such a case, the subscription warrants which have not been allotted will be retired and will not be included in the reserve pool. It is the Company's intention that the price of treasury shares offered to Eligible Persons will be equal to the issue price of shares delivered on the basis of subscription warrants. The Company will offer its treasury shares to an Eligible Person on condition that an agreement for sale of treasury shares is executed between the Eligible Person and the Company. Under the agreement the Eligible person will undertake to refrain from disposing of and encumbering the treasury shares for a year from the date of acquiring the shares, with the provision that under extraordinary circumstances the Supervisory Board may grant its consent to such disposal or encumbrance. If the Eligible Person rejects the offer to purchase treasury shares and, in particular, if no agreement referred to in the previous sentence is concluded, the Eligible Person's right to acquire subscription warrants for a given year of the Incentive Scheme in a given calendar year will expire. Upon prior approval of the Supervisory Board, the Management Board will adopt a resolution concerning detailed rules whereby Eligible Persons may be granted treasury shares instead of subscription warrants, including, without limitation, the number and rules of allotting treasury shares in each year of the Incentive Scheme.

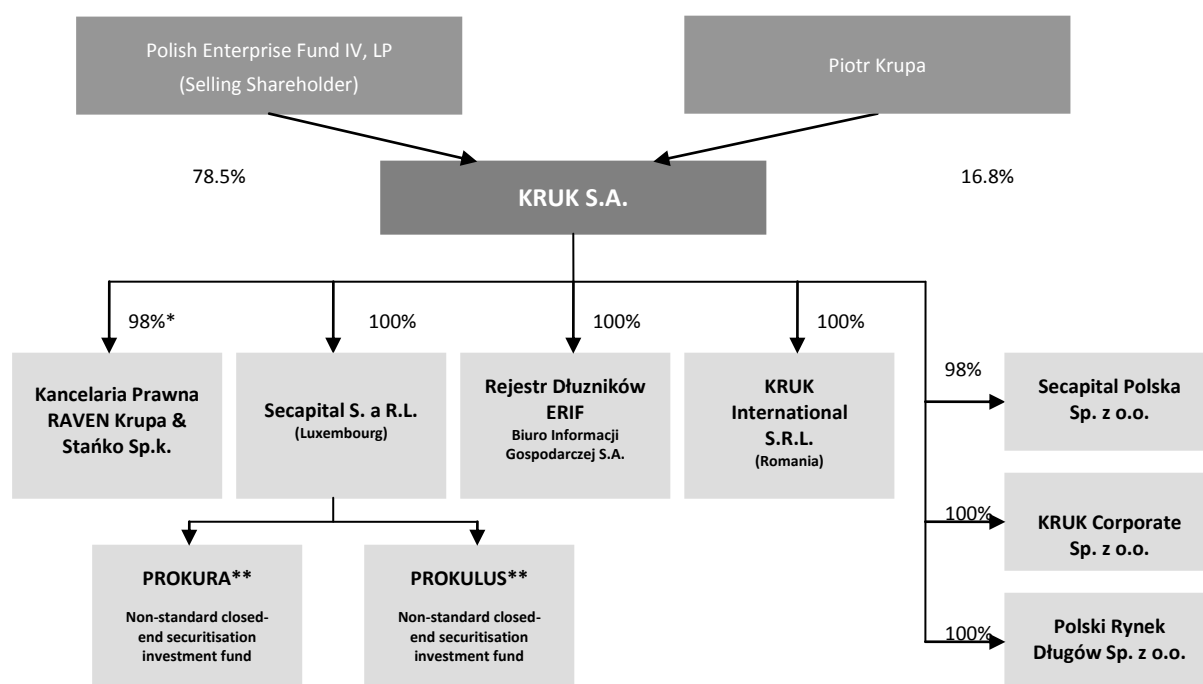
Conditional share capital increase in connection with the Incentive Scheme

In connection with the Incentive Scheme, on March 30th 2011, the General Shareholders Meeting approved a conditional share capital increase by an amount of up to PLN 845,016 through the issue of up to 845,016 ordinary bearer shares with a par value of PLN 1 per share. As at the Prospectus Date, the conditional share capital increase was not registered by the registry court.

The Group

As at the Prospectus Date, the Group comprised the Company and seven Subsidiaries directly controlled by the Company, as well as two Non-Standard Closed-End Securitization Investment Funds. The Group companies provide comprehensive credit management and debt trading services.

The diagram below presents the Group's structure (including Polish Enterprise Fund IV, LP as the Selling Shareholder, Prokura NS FIZ and Prokulus NS FIZ) as at the Prospectus Date:



** The Company's share in assets, profits and losses.*

*** All the investment certificates of the fund are owned by Secapital S a R.L.*

The Group's investment funds are managed by Copernicus Capital Towarzystwo Funduszy Inwestycyjnych (investment fund management company). Moreover, on January 17th 2011 KRUK Towarzystwo Funduszy Inwestycyjnych S.A. (investment fund management company) was incorporated and the Articles of Association of Protagon Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Non-Standard Closed-End Securitization Investment Fund), to be managed by KRUK Towarzystwo Funduszy Inwestycyjnych S.A., were established. On April 1st 2011, the Company applied to the registry court for the registration of KRUK Towarzystwo Funduszy Inwestycyjnych S.A. As at the Prospectus Date, KRUK Towarzystwo Funduszy Inwestycyjnych S.A. has not been registered. In the near future the Company intends to apply for the authorizations necessary to operate and establish the above investment fund.

The investment funds in the above diagram are considered the Group entities in terms of the accounting standards (IFRS) applied by the Group. Pursuant to the Act on Investment Funds, investment funds are not subsidiaries of the management company or the persons who hold, directly or indirectly, a majority of votes at the general meeting or in the board of investors.

The Group companies

Below is presented basic information about the companies comprising the Group (including Prokura NS FIZ and Prokulus NS FIZ) as at the Prospectus Date. In the period covered by the historical financial information, the following Subsidiaries: Secapital Polska, KRUK Corporate and Polski Rynek Długów, were not material to the Group's operations and financial performance.

Secapital Luksemburg

The Company holds 100% of shares in the share capital of Secapital Luksemburg, which entitles it to exercise 100% of votes at the General Shareholders Meeting.

Basic information:

Name and legal form: Secapital S. a R.L.

Registered office and address: 2 Avenue Charles de Gaulle, L-1653 Luxembourg, Luxembourg

Share capital: PLN 120,916,000

Core business: Valuation, purchase and processing of debt portfolios, in particular banks' receivables

KRUK International

The Company holds 100% of shares in the share capital of KRUK International, which entitles it to exercise 100% of votes at the General Shareholders Meeting.

Basic information:

Name and legal form: KRUK International S.R.L.

Registered office and address: Splaiul Independentei No. 319, OB 152, 060044 Bukarest, Romania

Share capital: RON 3,249,180

Core business: Comprehensive management of consumer debt, including purchase of debt, out-of-court debt collection, litigation-based debt collection and doorstep debt collection.

Kancelaria Prawna RAVEN

The Company, Mr Piotr Krupa and Mr Sebastian Stańko are partners in Kancelaria Prawna RAVEN, where Mr Krupa and Mr Stańko are general partners, and the Company is a limited partner.

Basic information:

Name and legal form: Kancelaria Prawna RAVEN Krupa & Stańko spółka komandytowa

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

Limited partner's liability (amount): PLN 1,500 (limited partner's investment: PLN 500)

Core business: Legal advisory services related to the purchase and processing of debt portfolios.

ERIF

The Company holds 100% of shares in the share capital of ERIF, which entitles it to exercise 100% of votes at the General Shareholders Meeting.

Basic information:

Name and legal form: Rejestr Dłużników ERIF Biuro Informacji Gospodarczej spółka akcyjna

Registered office and address: Plac Bankowy 2, 00-095 Warsaw, Poland

Share capital: PLN 4,600,000

Core business: Collection, storage and provision of information on debtors as well as consumers and businesses repaying debts in a timely manner.

Secapital Polska Sp. z o.o.

The Company holds 98% of shares in the share capital of Secapital Polska Sp. z o.o., which entitles it to exercise 98% of votes at the General Shareholders Meeting.

Basic information:

Name and legal form: Secapital Polska Sp. z o.o.

Registered office and address: ul. Emilii Plater 53, 00-113 Warsaw, Poland

Share capital: PLN 51,000

Core business: Debt collection.

KRUK Corporate Sp. z o.o.

The Company holds 100% of shares in the share capital of Kruk Corporate Sp. z o.o., which entitles it to exercise 100% of votes at the General Shareholders Meeting.

Basic information:

Name and legal form: Kruk Corporate Sp. z o.o.

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

Share capital: PLN 100,000

Core business: Collection of debts originating in commercial transactions.

Polski Rynek Długów Sp. z o.o.

The Company holds 100% of shares in the share capital of Polski Rynek Długów Sp. z o.o., which entitles it to exercise 100% of votes at the General Shareholders Meeting.

Basic information:

Name and legal form: Polski Rynek Długów Sp. z o.o.

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

Share capital: PLN 50,000

Core business: Intermediation in sale of debts through a public offering.

Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty

Secapital Luksemburg holds 100% of the investment certificates issued by Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty.

Basic information:

Name and legal form: Prokura Niestandaryzowany Sekurytyzacyjny Fundusz
Inwestycyjny Zamknięty

Name of the management company:..... Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A.

Registered office and address of the
management company: ul. Grójecka 5, 02-019 Warsaw, Poland

Core business: Issue of investment certificates to raise funds for debt purchase.

Prokulus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty

Secapital Luksemburg holds 100% of the investment certificates issued by Prokulus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty.

Basic information:

Name and legal form: Prokulus Niestandaryzowany Sekurytyzacyjny Fundusz
Inwestycyjny Zamknięty

Name of the management company:..... Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A.

Registered office and address of the
management company: ul. Grójecka 5, 02-019 Warsaw, Poland

Core business: Issue of investment certificates to raise funds for debt purchase.

MANAGEMENT AND CORPORATE GOVERNANCE

The following overview of the Management Board and the Supervisory Board has been prepared based on the provisions of the Commercial Companies Code, the Articles of Association and the Rules of Procedure of the Supervisory Board.

Management Board

The Company's management body is the Management Board.

Composition of the Management Board

Pursuant to the Articles of Association, the Management Board is composed of three to eight members, including the President of the Management Board and, as need be, the Vice-President or Vice-Presidents of the Management Board.

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

The number of members of the Management Board, including Vice-Presidents, is determined by the Supervisory Board at the request of the President of the Management Board. The President of the Management Board is appointed and removed from office by the Supervisory Board. Other members of the Management Board, including Vice-Presidents, are appointed and removed from office by the Supervisory Board; their appointment is made at the request of the President of the Management Board. If the President of the Management Board does not submit a request to have the number of members of the Management Board determined by the Supervisory Board, or does not indicate candidates for members of the Management Board within seven days of the date of his/her appointment or within seven days of the date on which the number of members of the Management Board falls below three, the Supervisory Board is authorised to appoint the Management Board members and determine their number at its discretion. Notwithstanding the above, the Supervisory Board is authorised to appoint members of the Management Board for a good reason, subject to the provisions of the Articles of Association which set forth the minimum and maximum number of members of the Management Board.

Pursuant to the Articles of Association, the above rules of appointing members of the Management Board and determining their number will become effective as of the date of conversion of all Series A, AA and B shares into book-entry form, pursuant to Art. 5.1 of the Act on Trading in Financial Instruments. Until that date, the Supervisory Board appoints, removes from office, and determines the number of members of the Management Board.

The Supervisory Board has the capacity to suspend some or all members of the Management Board from duties, for a good reason, and to delegate members of the Supervisory Board, for a period no longer than three months, to perform the duties of the members of the Management Board who have been removed, have resigned or cannot perform their duties for any other reason.

A member of the Management Board may also be removed from office or suspended from duties by way of resolution of the General Shareholders Meeting.

Powers and responsibilities of the Management Board

The Management Board manages the Company's business and assets, and represents the Company before courts, government authorities and third parties. The Management Board makes decisions in all matters which are not in the exclusive competence of the Supervisory Board or the General Shareholders Meeting under the Articles of Association or the applicable laws.

The President of the Management Board has exclusive competence to take decisions on the establishment and liquidation of all the Company's organisational units.

Operation of the Management Board

Pursuant to the Articles of Association, the Management Board operates on the basis of the Articles of Association and the Rules of Procedure of the Management Board adopted by the Supervisory Board. The Rules of Procedure of the Management Board are planned to be adopted by the Supervisory Board in the near future.

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.

Meetings of the Management Board are convened by the President or, failing him or her, Vice-President, if appointed. Members of the Management Board must be notified of a meeting of the Management Board in writing or by email at least three days prior to the date of the meeting. Under expedient circumstances, the

President of the Management Board or, failing him or her, Vice-President, if appointed, may order another manner and time limit for giving notice of a meeting of the Management Board to its members.

The Management Board is deemed to have the capacity to pass resolutions if all its members have been effectively notified of a meeting and at least half of the members of the Management Board are present at the meeting.

A declaration of will on behalf of the Company may be made by: (i) two members of the Management Board acting jointly; (ii) a member of the Management Board acting jointly with a commercial proxy; or (iii) an agent acting on his/her own, under a power of proxy granted to him/her by the Company.

Members of the Management Board

As at the Prospectus Date, the Management Board was composed of six members.

Below is presented information on the members of the Management Board, including their age, position, date of appointment, and end date of the term of office.

Name and surname	Age	Position	Date of appointment for the current term of office	End date of the current term of office
Piotr Krupa	39	President of the Management Board	June 2nd 2009	June 2nd 2012
Rafał Janiak	42	Member of the Management Board – Finance	June 2nd 2009	June 2nd 2012
Agnieszka Kulon	40	Member of the Management Board – Credit Management	June 2nd 2009	June 2nd 2012
Urszula Okarma	36	Member of the Management Board – Strategic Transactions and Client Relations	June 2nd 2009	June 2nd 2012
Iwona Slomska	41	Member of the Management Board – Marketing, Public Relations and Human Resources	October 12th 2009	June 2nd 2012
Michał Zasepa	37	Member of the Management Board – Business Development and Financing	May 28th 2010	June 2nd 2012

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

Below is presented an overview of the qualifications and professional experience of the members of the Management Board.

Piotr Krupa

Mr Piotr Krupa is a co-founder of the Company. Since 2003, he has served as President of the Management Board. He started his professional career in 1997 as a partner in Kuźnicki i Krupa, a civil law partnership, where he remained a partner until 2004.

Mr Krupa is a legal counsel. In 1996, he graduated from the Faculty of Law and Administration at the University of Wrocław. In 1997-2000, he completed legal training in court (*aplikacja sądowa*); in 2000-2003, he accomplished his training to become a barrister (*aplikacja radcowska*). Mr Krupa is a holder of a detective licence.

Rafał Janiak

Mr Rafał Janiak started his professional career with Arthur Andersen Sp. z o.o., where he worked as a consultant in 1993-1995. In 1995-2001, Mr Janiak was employed with PTK Centertel Sp. z o.o., where he held the posts of financial analyst, head of the operational planning department, and head of the financial planning department. In 2001-2003, he was head of finance at Polon Sp. z o.o. He has worked for the Company since 2003, when he became Finance Director, and then was appointed as member of the Management Board.

In 1993, he graduated from the Faculty of Economics and Management at the Nicolaus Copernicus University in Toruń. In 1997, he completed an Executive MBA programme run by the University of Calgary in cooperation with the Warsaw School of Economics, and was awarded an MBA diploma of the University of Calgary.

Agnieszka Kulon

Ms Agnieszka Kulon started her professional career in 1996 with the Municipal Office of Wrocław, where she worked in the finance and accounting department as an independent clerk. In 1997-2000, she was employed with Agencja Ratalnej Sprzedaży ARS S.A., first as credit department manager, and later as head of the credit department and head of the financial product division. In 2000-2001, she held the post of head of the financial

product division at Agencja Ratalnej Sprzedaży ARS Serwis sp. z o.o., and in 2001-2002 she worked for Euro Kredyt sp. z o.o. Ms Kulon has worked for the Company since 2002, first as a debt dealing and credit management specialist, and in 2003-2006 – as Credit Management Director. Ms Kulon has been a member of the Management Board since 2006.

In 1995, she graduated from the Faculty of National Economy at the Wrocław University of Economics and was awarded Master's degree.

Urszula Okarma

Ms Urszula Okarma started her professional career with Zakład Energetyczny Wrocław as an accountant. In 1999, she was head of the Municipality Council office at the Długołęka Municipality Office, and in 1999-2001 held the post of head of the prevention department at SKK Kredyt S.A. She has worked for the Company since 2002, when she took up the post of Director of Telephone Collection and Director of the Financial Institutions Division. Ms Okarma has been a member of the Management Board since 2006.

In 1998, she graduated from the Faculty of National Economy at the Wrocław University of Economics with the major in finance and banking, and was awarded Master's degree.

Iwona Słomska

Ms Iwona Słomska started her professional career in 1994 as a radio journalist. In 1996-2000, she was public relations manager at Gospodarczy Bank Południowo-Zachodni S.A. In 2002-2004, she was head of the marketing and public relations department and press spokesman at SKK KREDYT S.A., PKO Towarzystwo Finansowe sp. z o.o. and Bank Współpracy Europejskiej S.A. She has worked for the Company since 2004, when she took up the post of Director of the Marketing and Public Relations Department. Ms Słomska has been a member of the Management Board since 2009.

In 1995, Ms Słomska graduated from the Faculty of Social Sciences at the University of Wrocław with a Master's degree, and in 2000 from the Polish-American School of Social Communication in Organisation and Management at the Wrocław University of Technology. In 2010, she completed an MBA course at the Wrocław School of Banking, organised in cooperation with the Franklin University, Ohio.

Michał Zasępa

Mr Michał Zasępa started his professional career with A.T. Kearney sp. z o.o., where he was employed in 2000-2002. In 2003-2004, he worked for Dresdner Kleinwort Wasserstein Sp. z o.o., and in 2004-2010 for Enterprise Investors sp. z o.o. Mr Zasępa has been a member of the Management Board since 2010.

In 2000, he graduated from the Warsaw School of Economics and was awarded Master's degree with the major in management and marketing. In 1996-1997, he studied at the University of Wisconsin as part of the grant received from the Stefan Batory Foundation, and in 1999 at the Stockholm School of Economics.

The business address of all the members of the Management Board is Kruk S.A., ul. Legnicka 56, 54-204 Wrocław, Poland.

Positions held by the members of the Management Board at other companies

Below is presented information on other companies and partnerships at which the members of the Management Board (i) held positions on the management or supervisory bodies, (ii) held shares, or (iii) were partners, over the last five years.

Name and surname	Company name	Position	Is the position still held?
Piotr Krupa	KRUK Corporate*	President of the management board	Yes
	Secapital Luksemburg*	Manager	Yes
	Secapital Polska*	Commercial proxy (authorised to represent the company individually)	Yes
	Polski Rynek Długów*	Member of the management board	Yes
	ERIF *	Member of the supervisory board	Yes
	KRUK International*	Member of the management board	Yes
	Kancelaria Prawna RAVEN*	General partner	Yes
	Magellan S.A.	Member of the supervisory board	Yes
	CDZ 7 Sp. z o.o. under liquidation *, **	Member of the management board, liquidator, shareholder	Yes

Name and surname	Company name	Position	Is the position still held?
	Biroul de Detectivi Particulari Corbul S.R.L.	Manager, sole shareholder	Yes
	IPT sp. z o.o.	Shareholder	No
	Information Services sp. z o.o. *, ***	Liquidator	No
Rafał Janiak	Secapital Luksemburg*	Member of the management board	Yes
	ERIF *	Member of the supervisory board	Yes
	Secapital Polska	Commercial proxy	Yes
	KRUK Corporate	Commercial proxy	Yes
	Riojanas Investment Limited	Member of the board of directors	Yes
	Secapital Polska*	Member of the management board	Yes
Agnieszka Kulon	ERIF *	Member of the supervisory board	Yes
	ERIF *	President of the management board	Yes
Urszula Okarma	ERIF *	Member of the supervisory board	No
	The Company	Member of the Supervisory Board	No
Michał Zasępa	Gamet S.A.	Member of the supervisory board	No
	Nomi S.A.	Member of the supervisory board	No

* Companies of the Group.

** Pursuant to the resolution of the general shareholders meeting of CDZ 7 Sp. z o.o. of August 13th 2010, liquidation of CDZ 7 Sp. z o.o. was initiated, and then the company was wound up. CDZ 7 Sp. z o.o. was liquidated due to organisational restructuring of the Group.

*** Pursuant to the resolution of the general shareholders meeting of Information Services Sp. z o.o. of February 1st 2008, liquidation of the company was initiated. On February 26th 2009, Information Services Sp. z o.o. was deregistered. Information Services Sp. z o.o. was liquidated due to organisational restructuring of the Group.

Supervisory Board

The Supervisory Board exercises ongoing supervision over the Company's operations in each area of its activity.

Composition of the Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board is composed of five or seven members, appointed for a joint three-year term of office.

The General Shareholders Meeting determines the number of Supervisory Board members. They are appointed and removed from office by the General Shareholders Meeting, except for members appointed and removed by the Selling Shareholder or its legal successor, or Piotr Krupa, under their personal rights described below.

If the Selling Shareholder or its legal successor holds the Company shares carrying the right to 40% or more of the total vote at the General Shareholders Meeting, it is entitled to appoint and remove from office: (i) three members of a five-member Supervisory Board, including the Chairman; or (ii) four members of a seven-member Supervisory Board, including the Chairman. If the Selling Shareholder or its legal successor holds the Company shares representing at least 20% but less than 40% of the total vote at the General Shareholders Meeting, it is entitled to appoint and remove from office: (i) two members of a five-member Supervisory Board, including the Chairman; or (ii) three members of a seven-member Supervisory Board, including the Chairman.

If Mr Krupa holds Company shares representing 8% or more of the total vote at the General Shareholders Meeting, he is entitled to appoint and remove from office: (i) one member of a five-member Supervisory Board, including the Deputy Chairman; or (ii) two members of a seven-member Supervisory Board, including the Deputy Chairman. With respect to Mr Krupa's right to appoint Supervisory Board members, the 8% or more of the total vote at the General Shareholders Meeting means votes held by Mr Krupa individually or by persons acting in concert with Mr Krupa, that is persons indicated in Art. 87.4.1 and 87.4.2 of the Act on Public Offering and by entities wholly-owned by Mr Krupa.

The right to appoint and remove from office Supervisory Board members is exercised by delivery of a written statement to this effect to the Company.

If the Selling Shareholder or its legal successor, or Mr Krupa fails to exercise the right to appoint or remove members of the Supervisory Board within 21 days following the expiry of the mandates of members previously appointed by them, the Supervisory Board members are appointed or removed by the General Shareholders Meeting. Mandates of the Supervisory Board members appointed in this manner expire by default after the

Selling Shareholder or its legal successor, or Mr Krupa have exercised their rights, which does not however affect the term of office of the Supervisory Board.

Furthermore, subject to the mandatory provisions of law, if the Supervisory Board consists of fewer members than determined by the General Shareholders Meeting following the expiry of the mandates of some members (for reasons other than their removal from office), the Supervisory Board has the capacity to adopt valid resolutions until the vacancies are filled.

Retiring Supervisory Board members are eligible for re-election or re-appointment for another term of office.

Furthermore, the Articles of Association provide that candidates to the Supervisory Board or members of the Supervisory Board are obliged to submit, immediately after appointment, a written statement to the Company to the effect that they meet the independence criteria under Annex II to the Recommendation on the role of non-executive directors, and advise the Company promptly if their status changes during the Supervisory Board's term of office.

Powers and responsibilities of the Supervisory Board

Pursuant to the Articles of Association, apart from the matters stipulated in the Commercial Companies Code, the powers and responsibilities of the Supervisory Board include: (i) reviewing financial statements and the Directors' Report on the Company's operations for the previous financial year, in terms of their consistency with the accounting books, relevant documents and with the facts, and assessing the Management Board's recommendations concerning the distribution of profit or coverage of loss, as well as submitting an annual written report on the results of the above review and assessment to the General Shareholders Meeting; (ii) appointing and removing from office the President of the Management Board and determining his or her remuneration; (iii) appointing and removing from office Management Board members (including Vice-Presidents) subject to Par. 7.6 of the Articles of Association; (iv) determining the rules and amount of remuneration for Management Board members at the request of the President of the Management Board; (v) approving the Company's annual financial plans (budgets) and strategic business plans; (vi) granting consent to contracting loans by the Company, other than loans provided for in the annual budget, in excess of a cumulative annual amount of PLN 5m, with the exception of loans contracted from related parties; (vii) issuing sureties and encumbering the Company's assets, assuming commitments under guarantees and other off-balance-sheet commitments and liabilities, in excess of a cumulative annual amount of PLN 5m, except where the sureties, encumbrances, commitments or liabilities are provided for in the budget or the transactions are executed solely with a related party of the Company; (viii) granting consent to contracting liabilities by the Company as part of a single transaction or a series of related transactions with a total value in excess of PLN 2m in a financial year, other than liabilities provided for in the budget approved in accordance with the Articles of Association or arising in the Company's ordinary course of operations; (ix) granting consent to assignment by way of security, or creation of a pledge, mortgage or other encumbrances over the Company's assets other than provided for in the budget approved in accordance with the Articles of Association, in excess of a cumulative annual amount of PLN 2m; (x) granting consent to acquiring of or subscribing for shares in other commercial companies or joining other businesses by the Company; (xi) granting consent to the acquisition or disposal of the Company's assets exceeding 15% of the Company's net book value as determined on the basis of the last audited financial statements (xii) granting consent to the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks; (xiii) 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; (xiv) approving the rules of management stock option plans; (xv) selecting an auditor to audit the Company's annual financial statements, referred to in Art. 395 of the Commercial Companies Code, in accordance with the Polish and international accounting standards; (xvi) granting consent to the execution of or amendment to agreements concluded between the Company or its Subsidiary and Management or Supervisory Board members; (xvii) 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 in a financial year; (xviii) granting consent to making any gratuitous disposals or commitments by the Company or its Subsidiary outside the scope of the Company's business in an amount exceeding PLN 200,000 in a financial year; and (xix) granting consent to the purchase or disposal of real estate, perpetual usufruct rights or interests in real estate.

Furthermore, pursuant to the Articles of Association, until all Series A, AA and B shares are converted into book-entry form, the Supervisory Board is entitled to determine the number of Management Board members, and the rules and amount of their remuneration, including for the President of the Management Board.

The Supervisory Board represents the Company in agreements and disputes with Management Board members, unless such powers are vested in a representative by virtue of a resolution adopted by the General Shareholders Meeting.

Operation of the Supervisory Board

The Supervisory Board operates on the basis of the Articles of Association and the Rules of Procedure of the Supervisory Board adopted by the General Shareholders Meeting on March 17th 2011.

Supervisory Board resolutions are passed with an absolute majority of votes of the Supervisory Board members present at the meeting. In the case of a voting tie, the Chairman of the Supervisory Board has the casting vote.

Pursuant to the Articles of Association and subject to the provisions of the Commercial Companies Code, the Supervisory Board may adopt resolutions by voting in writing or using means of remote communication. A resolution adopted in this manner is valid only if all Supervisory Board members have been notified of the contents of the draft resolution. If a resolution is to be adopted in writing, the Chairman of the Supervisory Board votes first and sends the resolution to the other Supervisory Board members. The resolution is valid if signed by an absolute majority of the Supervisory Board members. Adoption of a resolution via means of remote communication is approved by the Chairman of the Supervisory Board, who accepts the votes of the other members. The approval is made by specifying in the resolution the adoption procedure and votes cast by each Supervisory Board member. Under both procedures, in the event of a voting tie, the Chairman has the casting vote.

Committees of the Supervisory Board

The following Supervisory Board committees are planned to be established by the time the Shares are admitted to stock-exchange trading: the Audit Committee, the Remuneration and Appointment Committee, and the Finance and Budget Committee.

Members of the Supervisory Board

As at the Prospectus Date, the Supervisory Board was composed of five members.

Below is presented information on the current members of the Supervisory Board, including their age, position, date of appointment, and end date of the term of office.

Name and surname	Age	Position	Date of appointment for the current term of office	End date of the current term of office
Dariusz Prończuk	50	Chairman of the Supervisory Board	June 26th 2009	June 26th 2012
Krzysztof Kawalec	37	Member of the Supervisory Board	November 2nd 2009	June 26th 2012
Paweł Sikorski	35	Member of the Supervisory Board	May 12th 2010	June 26th 2012
Piotr Stępnik	48	Member of the Supervisory Board	June 26th 2009	June 26th 2012
Wojciech Mąlek	36	Member of the Supervisory Board	December 16th 2010	June 26th 2012

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

Below is presented an overview of the qualifications and professional experience of the members of the Supervisory Board.

Dariusz Prończuk

Mr Dariusz Prończuk started his professional career in 1988 as a consultant at PGO. Since 1993, he has worked for Enterprise Investors sp. z o.o., where he first held the position of an analyst, then became vice-president of the management board, a management board member and, in 2006, a managing partner. He has served as Chairman of the Supervisory Board since 2005.

In 1987, Mr Prończuk graduated from the Main School of Planning and Statistics (currently: Warsaw School of Economics) with a Master's degree in economics.

Mr Prończuk's business address is Enterprise Investors sp. z o.o., ul. Emilii Plater 53, 00-113 Warsaw, Poland.

Mr Prończuk has been appointed to the Supervisory Board by the Selling Shareholder under the Selling Shareholder's personal rights provided for in the Articles of Association.

Krzysztof Kawalec

Mr Krzysztof Kawalec started his professional career in 1998 as a manager at International Fast Food Polska sp. z o.o. Since 2002, he has worked for Magellan S.A., first as head of the contracting department and from 2008 as president of the management board. Mr Kawalec has been a member of the Supervisory Board since 2009.

In 1999, Mr Kawalec graduated from the Faculty of Organisation and Management of the Technical University of Łódź with a degree of Master Engineer. He completed the Post-graduate Studies in Enterprise Value Management and the Post-graduate Studies in Management Accounting and Controlling at the Warsaw School of Economics in 2002 and 2003, respectively. Moreover, in 2006, he completed an MBA programme run by the University of Łódź in cooperation with the University of Maryland, and was awarded an Executive MBA degree.

Mr Kawalec's business address is Magellan S.A., ul. Sienkiewicza 85/87, 90-057 Łódź, Poland.

Mr Kawalec meets the independence criteria for supervisory board members of public companies set forth in the Best Practices of WSE Listed Companies.

Mr Kawalec has been appointed to the Supervisory Board by the Selling Shareholder under the Selling Shareholder's personal rights provided for in the Articles of Association.

Paweł Sikorski

Mr Paweł Sikorski started his professional career at the investment banking department of Citibank S.A. in 2000, where he was employed until 2005. Then, in 2005, Mr Sikorski took up the position of head of investments at Enterprise Investors sp. z o.o., which he held until the end of March 2011. He has been a member of the Supervisory Board since 2010.

In 2001, Mr Sikorski graduated from the Faculty of Finance and Banking at the Warsaw School of Economics with a Master's degree. In 2000, he completed an MBA programme at the West Pomeranian Business School of Szczecin.

Mr Sikorski's business address is Kruk S.A., Legnicka 56, 54-204 Wrocław, Poland.

Mr Sikorski has been appointed to the Supervisory Board by the Selling Shareholder under the Selling Shareholder's personal rights provided for in the Articles of Association.

Piotr Stępiak

Mr Piotr Stępiak started his professional career in 1997 with Bank Handlowy S.A., where he was a member of the Handlobank project team. Then he worked for Lukas Bank S.A., where he served as head of the marketing department in 2000-2001 and as vice-president of the management board responsible for retail banking in 2001-2005. He has been a member of the Supervisory Board since 2009.

In 1988, Mr Stępiak graduated from the University of Guelph in Canada with a BA degree in economics and management. In 1995, he completed an MBA EAS programme in Rouen, France. Moreover, Mr Stępiak studied at Purdue University, USA, where he was awarded the degree of Master of Science in Management.

Mr Stępiak's business address is FM Bank, ul. Solec 38, 00-394 Warsaw.

Mr Stępiak meets the independence criteria for supervisory board members of public companies set forth in the Best Practices of WSE Listed Companies.

Mr Stępiak has been appointed to the Supervisory Board by Mr Piotr Krupa under his personal rights provided for in the Articles of Association.

Wojciech Małek

Mr Wojciech Małek started his professional career in 1999 with Arthur Andersen sp. z o.o., where he held the position of a consultant at the audit and business advisory department until 2002. Then, in 2003-2007 he was employed at Polish Energy Partners S.A. as a financial controller and Business Development Manager. In 2007-2010, he served as a manager responsible for M&A advisory projects at Fidea sp. z o.o. sp. k. He also served as head of finance at Wakacje.pl sp. z o.o./wakacje.pl S.A. (2007-2009) and Comperia.pl sp. z o.o. (2007-2010). Since 2010, he has worked for Enterprise Investors sp. z o.o., holding the position of director responsible for exit transactions of Enterprise Investors funds.

In 2000, Mr Małek graduated from the Warsaw School of Economics with an Master's degree in economics. Since 2002, he has been a member of the ACCA. In 2006, he completed the Certified Financial Analyst course (but in 2011 he suspended his membership of the CFA).

Mr Małek's business address is Enterprise Investors sp. z o.o., ul. Emilii Plater 53, 00-113 Warsaw, Poland.

Wojciech Małek meets the independence criteria for supervisory board members of public companies stipulated in the Act on Qualified Auditors.

Mr Małek has been appointed to the Supervisory Board by the Selling Shareholder under the Selling Shareholder's personal rights provided for in the Articles of Association.

With respect to the independence of Supervisory Board members appointed and removed from office by Piotr Krupa or the Selling Shareholder, the Company believes that in the light of the wording of Annex II to the Recommendation on the role of non-executive directors, the fact that a supervisory board member has been appointed by a shareholder under the shareholder's personal rights provided for in the Articles of Association does not mean that such member represents the shareholder (and therefore cannot be regarded as an independent member meeting the criteria set forth in Recommendation on the role of non-executive directors). The Company points out that a shareholder holding personal rights referred to above under articles of association, may appoint to the supervisory board a person with whom such shareholder has no factual or legal relationship and who has an appropriate educational and professional background and experience, in order to ensure impartial and objective supervision over the company by persons with appropriate qualifications. In the Company's opinion, there are no grounds for assuming by default that such supervisory board member does not have a status of an independent member.

Positions held by the members of the Supervisory Board at other companies

Below is presented information on other companies and partnerships at which the members of the Supervisory Board (i) held positions on the management or supervisory bodies, (ii) held shares, or (iii) were partners, over the last five years.

Name and surname	Company	Position	Is the position still held?
Dariusz Prończuk	Magellan S.A.	Chairman of the supervisory board	Yes
	Magellan Sp. z o.o.	Chairman of the Supervisory Board	Yes
	MedFinance	Member of the Supervisory Board	Yes
	Skarbiec Asset Management Holding S.A.	Chairman of the supervisory board	Yes
	S.C. Macon S.A.	Chairman of the board of directors	Yes
	AVG Technologies N.V.	Member of the supervisory board	Yes
	Kofola S.A.	Member of the supervisory board	Yes
	Netrisk.hu Első Online Biztosítási Alkusz Kft.	Member of the board of directors	Yes
	Enterprise Investors sp. z o.o.	Member of the management board	Yes
	Enterprise Investors Corporation	Member of the board of directors	Yes
	DBMM Investment Holdings Limited	Member of the board of directors	Yes
	Polish Enterprise Investors VI GP, Ltd.	Member of the board of directors	Yes
	Enterprise Venture Partners I GP, Ltd	Member of the board of directors	Yes
	Siveco Romania S.A.	Member of the board of directors	No
	STD Donivo a.s.	Member of the supervisory board	No
	Mobiltek S.A.	Chairman of the supervisory board	No
	Mobiltek Sp. z o.o.	Member of the supervisory board	No
	Global Hotels Development Group Poland S.A.*	Chairman of the supervisory board	No
Krzysztof Kawalec	Magellan S.A.	President of the management board	Yes
	Medfinance s.r.o.	Member of the supervisory board	Yes
	Magellan Slovakia s.r.o.	Member of the supervisory board	Yes
	Medfinance S.A.	Member of the supervisory board	Yes
Paweł Sikorski	Nordglass II Sp. z o.o.	Member of the Supervisory Board	No
	Jaan Automotive Glass Sp. z o.o.	Member of the Supervisory Board	No
	Sklepy Komfort S.A.	Member of the Supervisory Board	No
	WEMA S.A.**	Member of the Supervisory Board	No
Piotr Stępiak	FM Bank S.A.	Deputy chairman of the supervisory board	Yes
	Fundusz Mikro sp z o.o.	Member of the supervisory board	No
	Skarbiec Asset Management Holding S.A.	Member of the supervisory board	Yes

Name and surname	Company	Position	Is the position still held?
Wojciech Małek	ATM Grupa S.A.	Member of the supervisory board	Yes
	Getin Holding S.A.	President of the management board	No
	TU Europa S.A.	Member of the supervisory board	No
	TU Europa na Życie S.A.	Member of the supervisory board	No
	EFL S.A.	Member of the supervisory board	No
	Getin Bank S.A.	Chairman of the supervisory board	No
	Noble Bank S.A.	Chairman of the supervisory board	No
	Noble Funds TFI	Member of the supervisory board	No
	Open Finance S.A.	Member of the supervisory board	No
	Fiolet S.A.	Member of the supervisory board	No
	Getin Leasing S.A.	Member of the supervisory board	No
	PDK S.A.	Member of the supervisory board	No
	Carcade ooo Russian Federation	Member of the supervisory board	No
	Prikarpattya Bank Ukraina	Member of the supervisory board	No
	Lukas Bank	Vice-president of the management board	No
	Netrisk.hu	Member of the supervisory board	Yes
	Wagary sp. z o.o.	Member of the management board	No
	Wakacje.pl sp. z o.o.	Member of the management board	No
	Wakacje.pl S.A.	Member of the management board	No
	Comperia.pl sp. z o.o.	Member of the management board	No
	FAMED S.A.***	Member of the supervisory board	No
	PEP S.A.	Shareholder	No

* * On April 14th 2003, the court issued a decision declaring bankruptcy of Global Hotels Development Group Poland S.A and then, on February 2nd 2007, a decision on the completion of the bankruptcy proceedings. The company's bankruptcy was due to its poor financial standing.

** On October 14th 2010, WEMA S.A. declared bankruptcy following a material fall in demand for interior finishing materials in Poland in 2009 and 2010. In the period September 1st - October 21st 2008, Paweł Sikorski was a member of the supervisory board of WEMA S.A.

*** According to Wojciech Małek's statement, FAMED S.A. filed a petition for bankruptcy after he had resigned from the position of a supervisory board member. Wojciech Małek has no knowledge of the reasons for the bankruptcy petition.

Other information about members of the Management Board and the Supervisory Board

According to the statements submitted by the members of the Management Board and the Supervisory Board, with the exceptions presented above, in the previous five years none of them has been:

- a shareholder in any company or a partner in any partnership;
- a shareholder of a public company holding more than 1% of the total vote at the general shareholders meeting;
- engaged in any activities outside the Company which would be material to its business;
- convicted of fraud;
- officially and publicly charged by any statutory or regulatory bodies (including recognised professional organisations) or subjected to any sanctions by a public authority or any other supervisory authority (including recognised professional organisations);
- disqualified by a court from holding positions in administrative, management or supervisory bodies of any company or from performing managerial functions or conducting the affairs of any company;
- a member of an administrative, management or supervisory body or a member of senior management at any entity placed under administration or subject to bankruptcy, liquidation or other similar proceedings before, during or after their term of office.

Family links

No family links exist between the members of the Management and Supervisory Boards.

Administrative, management and supervisory positions held at other entities

Save as specified above, none of the Management or Supervisory Board members performs administrative, supervisory or management functions at any other company or holds important positions outside the Company, which might be relevant to the Company.

Conflicts of interests

According to the statement submitted by Dariusz Prończuk, as at the Prospectus Date Mr Prończuk was a partner and a management board member at Enterprise Investors Corporation, an entity providing advisory services to the Selling Shareholder. Hence, in the event of a conflict between Enterprise Investors Corporation, the Selling Shareholder and the Company, on account of Mr Prończuk's chairmanship of the Supervisory Board, a conflict of interests may arise between his obligations towards the Company and his duties of a partner and a management board member at Enterprise Investors Corporation.

With respect to the other Management and Supervisory Board members, neither actual nor potential conflicts of interests exist between their private interests and their duties or obligations toward the Company.

Agreements and arrangements with the Management and Supervisory Board members

Save as specified in section “*Related-party transactions*”, in the period covered by the Consolidated Financial Statements and to the Prospectus Date the Company did not execute any other transactions with the Management and Supervisory Board members or pay any benefits other than remuneration for their services on the Company's or the Group's management and supervisory bodies or for working for the Company or the Group as described in this section .

Agreements and arrangements on appointment of Management or Supervisory Board members with major shareholders, clients, suppliers or other parties

No agreements were executed or arrangements made with any of the Company's major shareholders, clients, suppliers or other parties whereby any member would be appointed to the Management or Supervisory Board.

Participation of the Management and Supervisory Board members in the Offering

According to his statement, Mr Piotr Stępnik intends to participate in the Offering and subscribe for the Offer Shares.

To the Company's knowledge as at the Prospectus Date, the other members of the Management and Supervisory Boards do not intend to participate in the Offering and subscribe for the Offer Shares.

Existing Shares or Allotment Certificates held by the members of the Management and Supervisory Boards

As at the Prospectus Date, the following members of the Management Board held the Existing Shares or Allotment Certificates:

Name and surname	Position	Number of Existing Shares or Allotment Certificates
Piotr Krupa	President of the Management Board	2,435,740 Series A shares and 220,050 Series B shares
Rafał Janiak	Member of the Management Board	52,840 Series A shares (indirectly) and 91,870 Series C shares
Agnieszka Kulon	Member of the Management Board	25,350 Series A shares and 91,870 Series C shares
Urszula Okarma	Member of the Management Board	18,480 Series A shares and 91,870 Series C shares
Iwona Słomska	Member of the Management Board	10,920 Series A shares and 38,680 Series C shares
Michał Zasępa	Member of the Management Board	8,000 Series C shares

Apart from the persons listed above, no member of the Management or Supervisory Board holds the Existing Shares or Allotment Certificates for the Shares.

For a detailed description of restrictions on transferability of the Company shares held by the Management Board members specified above see section “*General information about the Company*” – “*Share capital*” – “*Restrictions on transferability of the shares*”. Save as described in that section, there are no other restrictions agreed by the Management or Supervisory Board members as regards disposal of the Company shares held by them in a specified period.

Remuneration and terms of employment contracts executed with the Management and Supervisory Board members

Remuneration and rules of employment of the Management Board members

Pursuant to the Articles of Association, until all Series A, AA and B shares are converted into book-entry form in accordance with Art. 5.1 of the Act on Trading in Financial Instruments, the rules and amount of remuneration of all Management Board members, including the President, are determined by the Supervisory Board. As of the conversion date the Supervisory Board will be entitled to determine the amount of remuneration of the President of the Management Board and to define the remuneration rules for the other members. However, the amount of remuneration of the Management Board members other than the President will be determined by the Supervisory Board at the request of the President of the Management Board and in line with the remuneration rules defined by the Supervisory Board.

The Company executed managerial and employment contracts with the following Management Board members:

Name and surname	Effective date of the contract	Position
Piotr Krupa	January 29th 2004	President of the Management Board
Rafał Janiak	August 16th 2006	Member of the Management Board
Agnieszka Kułton	May 30th 2006	Member of the Management Board
Urszula Okarma	May 30th 2006	Member of the Management Board
Iwona Słomska (employment contract)	November 1st 2009	Member of the Management Board
Michał Zasepa	May 28th 2010	Member of the Management Board

The members of the Management Board entered into managerial contracts with the Company for the period of their service on the Management Board. Ms Iwona Słomska was engaged under an employment contract.

Pursuant to the executed managerial contracts, the members of the Management Board are entitled to monthly remuneration specified in the contracts. Irrespective of the base salary, they may receive annual bonuses linked to the Company's performance in a given financial year and discretionary bonuses. The decision on the payment and amount of the discretionary bonuses is made by the Supervisory Board.

The President of the Management Board is entitled only to a discretionary bonus that depends on the Supervisory Board's decision.

The other Management Board members receive bonuses for: (i) achievement of individual targets set for every financial year on the basis of the Company's financial plan for a given financial year, in the amount specified in the contract, and (ii) performance of the Company's financial plan for a given financial year, in the amount specified in the contract taking into account the percentage reflecting the performance of the financial plan.

In connection with their positions on the Management Board, the Management Board members are also entitled to additional benefits: use of company cars, mobile phones with specified call limits and laptops, medical care and partial funding of English courses.

The terms of the managerial contracts correspond to the terms of the Management Board members' mandates: they expire as a result of mandate expiry, removal or resignation from office of a Management Board member. Furthermore, the parties may terminate the managerial contracts on three months' notice, or without notice in cases indicated in the contract.

The contracts executed with the Management Board members contain provisions prohibiting additional paid employment without the Company's written consent while the contract is in force as well as non-compete clauses effective during the contract term and for 24 months following its termination. The contracts concluded with Mr Rafał Janiak, Ms Iwona Słomska, Ms Urszula Okarma and Ms Agnieszka Kułton provide for compensation for the above prohibitions, payable in monthly instalments within 24 months after the contract termination (in the case of Mr Rafał Janiak, Ms Agnieszka Kułton and Ms Urszula Okarma) or 12 months (in the case of Ms Iwona Słomska), corresponding to 25% (in the case of Ms Iwona Słomska and Mr Rafał Janiak) or 40% (in the case of Ms Agnieszka Kułton and Ms Urszula Okarma) of their respective remuneration. Moreover, a contract executed with a Management Board member provides for compensation payable upon its termination. Contracts concluded with the other Management Board members do not provide for compensation related to the non-compete obligations. Furthermore, the contracts executed with the Management Board members (except for Piotr Krupa) impose contractual penalties in the amounts specified therein for violation of the non-compete provisions.

With the exceptions indicated above, as at the Prospectus Date there were no other contracts executed by the Management Board members with the Company or its Subsidiaries providing for post-termination benefits.

The table below shows the amounts of remuneration and additional benefits received by the Management Board members (in office in 2010) from the Company and its Subsidiaries for 2010.

Name and surname	Remuneration from the Company for 2010	Additional benefits* from the Company for 2010	Remuneration from the Subsidiaries for 2010	Additional benefits* from the Subsidiaries for 2010
	(PLN '000)		(PLN '000)	
Piotr Krupa	624.0	7.4	-	-
Rafał Janiak	396.0	142.3	-	-
Agnieszka Kulon	368.5	147.5	11.8	-
Urszula Okarma	368.5	140.9	-	-
Iwona Słomska	264.0	61.2	-	-
Michał Zasepa	229.9	14.7	-	-

* Additional benefits include bonuses, medical services, personal accident insurance.

Source: the Company.

The total value of remuneration and additional benefits for 2010 paid by the Company and the Subsidiaries to the Management Board members specified above amounted to PLN 2,764.9 thousand and PLN 11.8 thousand, respectively.

The additional benefits received from the Company for 2010 include bonuses for the Management Board members for 2009, paid in June 2010, in the amount of PLN 483.5 thousand, but do not include bonuses for 2010, which will be paid in 2011. As at the Prospectus Date, a provision created by the Company for 2010 bonuses for the Management Board members stood at PLN 2,135.0 thousand.

With the exception of the bonuses for 2010, there were no contingent or deferred benefits payable to the members of the Management Board by the Company or the Subsidiaries.

Amount and rules of remuneration of the Supervisory Board members

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 below shows the amounts of remuneration received by the Supervisory Board members (in office in 2010) from the Company and its Subsidiaries for 2010.

Name and surname	Remuneration from the Company for 2010
	(PLN '000)
Piotr Stępnia	74.0
Dariusz Prończuk	-
Krzysztof Kawalec	45.9
Paweł Sikorski	-
Wojciech Małek	-

The total value of remuneration for 2010 received by the Supervisory Board members specified above amounted to PLN 119.9 thousand.

In 2010, neither the Company nor its Subsidiaries paid any additional benefits to the members of the Supervisory Board.

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

As at the Prospectus Date, there were no contracts executed by the Supervisory Board members with the Company or its Subsidiaries providing for post-termination benefits.

Corporate governance and the Best Practices of WSE Listed Companies

As the Company was not listed on the WSE as at the Prospectus Date, it did not apply the corporate governance principles for public companies. Upon admission of the Shares to trading on the main market of the WSE, the Management Board intends to implement all corporate governance principles stipulated in the document Best Practices of WSE Listed Companies, except the following:

- Recommendation 1 – to the extent it refers to broadcasting the proceedings of the General Shareholders Meeting over the Internet, recording the proceedings and publishing the records at the Company's website

The Company does not contemplate broadcasting of the proceedings of the General Shareholders Meeting over the Internet, but it is considering an option to record the proceedings and subsequently publish the records on the Company's website.

- Recommendation 5 – to the extent it refers to having in place a remuneration policy and rules for determination of such policy

The Company does not have in place a remuneration policy and rules for its establishment with respect to remuneration of the Supervisory Board and Management Board members. The Company is considering the possibility of establishing such policy and rules in the future. Under the Articles of Association, the Supervisory Board is responsible for defining the rules of remuneration of members of the Management Board and the amount of remuneration of the President of the Management Board. The President of the Management Board submits requests to the Supervisory Board to determine remuneration of individual members of the Management Board other than the President, taking into account the rules of remuneration specified by the Supervisory Board, and the remuneration is subsequently approved by the Supervisory Board.

- Best Practice II.2, implemented by management boards of listed companies – to the extent it refers to publication on the Company's website of: (i) information whose delayed publication due to translation could result in such information not being material and current information; and (ii) historical data on the Company

The Company maintains and will maintain its website in English, where it will publish important documents, including (i) key corporate documents of the Company; (ii) annual reports; (iii) quarterly reports to the extent they relate to the Company's financial results (financial statements); and (iv) information on the date, venue and agenda of the General Shareholders Meeting (without resolutions and their drafts). The Company will consider an option of publishing the required information in English in the future.

- Best Practice II.7, implemented by management boards of listed companies – to the extent it refers to the publication on the Company's website of shareholders' queries concerning matters on the agenda, made before and in the course of the General Shareholders Meeting, along with replies to such queries

This practice will not be implemented by the Company. The Company's position is that since minutes of the General Shareholders Meeting are taken by a notary public, the Company deems it unnecessary to maintain a detailed record of the General Shareholders Meeting including all shareholders' statements and queries. Publication of individual matters in the minutes of the General Shareholders Meeting is each time decided on by the Chairman of the General Shareholders Meeting based on the applicable laws and circumstances of a given case, considering best interests of the shareholders. Under the Commercial Companies Code, attendees of the General Shareholders Meeting have the right to submit statements in writing, which are annexed to the minutes. The Company is also under an obligation to publish resolutions adopted by the General Shareholders Meeting. The Company's position is that the above requirements fully ensure transparency of the General Shareholders Meeting.

The WSE Rules and resolutions of the WSE Management Board and Supervisory Board specify the method of provision by stock exchange-listed companies of information on their compliance with corporate governance principles and the scope of information to be provided. If a specific principle is not permanently applied by a listed company or there has been an isolated case of infringement thereon, the listed company is required to publish information on this fact in a current report. A listed company is also required to annex to its annual report a report on the scope of application of the Best Practices in a given financial year.

The Articles of Association provide that candidates to the Supervisory Board or members of the Supervisory Board are obliged to submit, immediately after appointment, a written statement to the Company to the effect

that they meet the independence criteria under Annex II to the Recommendation on the role of non-executive directors, and advise the Company promptly if their status changes during their term of office.

If the implemented corporate governance principles require amendments to corporate documents of the Company (Articles of Association, Rules of Procedure of the Management Board, Rules of Procedure of the Supervisory Board, Rules of Procedure of the General Shareholders Meeting), the Management Board will take the necessary action to ensure such amendments are made. The Management Board also intends to recommend to the Supervisory Board, and the General Shareholders Meeting, compliance with all Best Practices of WSE Listed Companies, except as specified above. Importantly, the decision concerning compliance with certain principles stipulated in the Best Practices of WSE Listed Companies will be taken by shareholders of the Company and its Supervisory Board.

MAJOR SHAREHOLDERS

Major shareholders

Major shareholders as at the Prospectus Date were as follows:

- Polish Enterprise Fund IV, LP (the Selling Shareholder), holding 12,396,550 Existing Shares, (including 11,366,600 Series AA shares and 1,029,950 Series B shares of the Company), accounting for 78.5% of the Company's share capital and carrying the right to 78.5% of the total vote at the General Shareholders Meeting; and
- Piotr Krupa, holding 2,655,790 Existing Shares, (including 2,435,740 Series A shares and 220,050 Series B shares of the Company), accounting for 16.8% of the Company's share capital and carrying the right to 16.8% of the total vote at the General Shareholders Meeting.

Other shareholders of the Company (except Piotr Krupa) granted to Polish Enterprise Fund IV, LP powers of proxy to exercise their voting right attaching to a total of 748,000 Existing Shares, as a result of which, as at the Prospectus Date, the Selling Shareholder was authorised to exercise voting rights attaching to 13,144,550 Existing Shares, accounting for 83.2% of the total vote.

As at the Prospectus Date, all Existing Shares held by shareholders indicated above are registered shares, each of which entitles the holder to one vote at the General Shareholders Meeting. Shareholders indicated above do not hold any voting rights at the General Shareholders Meeting.

Control over the Company

Polish Enterprise Fund IV, LP (the Selling Shareholder) and Piotr Krupa, as major shareholders, exercise shareholder rights provided for in the Commercial Companies Code and the Articles of Association.

As at the Prospectus Date, Polish Enterprise Fund IV, LP (the Selling Shareholder) holds corporate control over the Company. Holding a majority of votes at the General Shareholders Meeting, it can have a material impact on decisions concerning corporate matters which, under the Commercial Companies Code, require an absolute or simple majority of votes at the General Shareholders Meeting. Under those corporate entitlements, Polish Enterprise Fund IV, LP (the Selling Shareholder) is able to control the Company's business.

Furthermore, under Art. 11 of the Articles of Association, from the date on which all Series A, AA and B shares of the Company are converted into book-entry form pursuant to Art. 5.1 of the Act on Trading in Financial Instruments, Polish Enterprise Fund IV, LP (the Selling Shareholder), or its legal successor, and Piotr Krupa will hold personal rights to appoint and remove from office a specific number of members of the Supervisory Board. A detailed description of these rights is provided in section *“Management and corporate governance” – “Supervisory Board” – “Composition of the Supervisory Board”* above.

As at the Prospectus Date, Polish Enterprise Fund IV, LP (the Selling Shareholder) and Piotr Krupa did not intend to participate in the Offering and subscribe for more than 5% of the Offer Shares.

Polish Enterprise Fund IV, LP (the Selling Shareholder) and Piotr Krupa are not entities acting in concert within the meaning of the Act on Public Offering.

In addition to complying with the mandatory provisions of law, in terms of mechanisms which prevent abuse of control over the Company by major shareholders the Management Board intends to apply corporate governance principles stipulated in the Best Practices of WSE Listed Companies (with exceptions as specified in detail in section *“Management and Corporate governance” – “Corporate governance and Best Practices of WSE Listed Companies”*) from the time of admission of the Shares to trading on the main market of the WSE.

The Articles of Association do not contain any special provisions concerning abuse of control by the Company's major shareholders.

Shareholder structure on completion of the Offering

The table below presents the Company's shareholder structure as at the Prospectus Date and the expected shareholder structure upon completion of the Offering:

	As at the Prospectus Date		Upon completion of the Offering**	
	Number of Shares	% votes at GM	Number of Shares	% votes at GM
Polish Enterprise Fund IV, LP (the Selling Shareholder)	12,396,550	78.5	4,196,550	24.8
Piotr Krupa	2,655,790	16.8	2,655,790	15.7
Other*	748,000	4.7	10,048,000	59.5
Total	15,800,340	100.0%	16,900,340	100.0

Source: the Company

* Includes shareholders of the Company who granted to the Selling Shareholder powers of proxy to exercise voting rights attaching to all their shares at the General Shareholders Meeting, that is (i) employees of the Company, persons who provide services to the Company on a legal basis other than an employment contract (e.g. under managerial contracts), and an entity controlled by a member of the Management Board, holding Series A shares of the Company, and (ii) employees and managers of the Company who hold Series C shares of the Company.

** On the assumption that the Selling Shareholder sells all the Sale Shares and the Company issues all offered Series D shares.

RELATED-PARTY TRANSACTIONS

The Company concluded in the past and intends to conclude in the future transactions with related parties, as defined in IAS 24 – *Related Party Disclosures* (appendix to Commission Regulation (EC) No. 1126/2008 of November 3rd 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as amended with Commission Regulation (EC) No. 1274/2008 of December 17th 2008 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1).

The following related-party transactions are concluded within the Group:

- transactions between the Group's entities, including without limitation transactions concluded by the Company with the Subsidiaries and Non-Standard Closed-End Securitization Investment Funds; such transactions are eliminated on consolidation, pursuant to Section 4 of IAS 24;
- transactions between the Company and members of the Management Board and the Supervisory Board;
- transactions with related parties of members of the Management Board and the Supervisory Board, and
- transactions between the Group's entities and the Company's shareholders.

Except for the above transactions, no other related-party transactions, as defined in IAS 24, were concluded within the Group. In particular, in the period under review, neither the Company nor any other company of the Group transacted with the Selling Shareholder, save for the subscription for shares in the Company by the Selling Shareholder in connection with an increase in the Company's share capital.

In the opinion of the Company, the terms and conditions of related-party transactions do not differ from the terms and conditions of similar transactions which are or may be carried out on market terms with non-related parties.

On account of the financial reporting systems applied by the Group, the data presented in this section is the data available as at a date closest to the Prospectus Date. In the opinion of the Company, the data does not differ materially from the data as at the Prospectus Date.

Any reference in this section to “debt collection services” should be understood as collection of debt under own portfolios by the Group entities and outsourced debt collection.

Transactions concluded by the Company with the Subsidiaries and Non-Standard Closed-End Securitization Investment Funds

The entities listed in the tables below are controlled by the Company, as defined in IAS 24; therefore, they are the Company's related parties.

Below is presented information on the total value of transactions concluded by the Company with its Subsidiaries, Non-Standard Closed-End Securitization Investment Funds, and other entities in the period from January 1st 2008 to February 28th 2011.

Total value of transactions concluded by the Company with its Subsidiaries and Non-Standard Closed-End Securitization Investment Funds

Balance of liabilities, receivables and loans as at the balance-sheet date

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	9,644	9,791	4,535	6,916
Receivables	20,566	23,153	25,835	7,048
Loans advanced	1,591	4,565	4,159	2,895
Interest accrued on loans advanced	22	11	764	496

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	2,932	16,477	11,011	7,498
Revenue from sales of goods for resale and services	196	1,401	130	786
Revenue from sale of debt portfolio	-	-	27,612	-
Interest and dividends	3,011	30,363	7,961	36,428
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	2,859	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	503	4,216	4,966	5,288

Source: the Company.

Other transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Share capital increase/retirement	7,000	80,588	(8,799)	1,808

Source: the Company.

Information on transactions between the Company and its Subsidiaries has been presented separately for each Subsidiary. The description preceding the financial data concerning transactions concluded between the Company and a given Subsidiary contains an explanation of the types of executed transactions.

Information on the transactions between the Company and a Subsidiary has been presented in this Prospectus in a manner fully consistent with the classification of the transactions used for the purposes of the Group's financial reporting and with the Company's accounting books. This means that for instance the revenue from mutual transactions covers exactly the categories listed in this Prospectus.

The revenue from sales of goods for resale and services includes revenue from transactions which are auxiliary to the Company's core business, consisting in debt purchasing and collection. These services are auxiliary to the Company's core business or they are provided in order to enable servicing of transactions. Therefore, in the opinion of the Company, they are homogenous and may be aggregated and presented jointly. Moreover, their value is considered immaterial. They are presented in the accounting books in the same manner (as transactions generating revenue for the Company, other than the revenue from debt collection services, the revenue from sale of debt portfolios, and interest and dividends).

As provision of detective services is considered auxiliary to the Group's core business, the revenue generated from such services is deemed by the Company as revenue arising on transactions homogenous with other transactions relating to debt collection services, and is therefore aggregated and presented under revenue from debt collection services, which is consistent with its presentation in the Company's accounting books. The Company does not disclose the revenue generated on detective services as a separate item of revenue as its value is considered insignificant and the services are performed on a small scale in comparison with other Group's operations.

Secapital Luksemburg

Transactions concluded between the Company and Secapital Luksemburg related to: (i) sale of debt portfolios previously purchased by the Company and (ii) debt collection services provided by the Company with relation to debt portfolios held by Secapital Luksemburg under a framework agreement for debt portfolio management. Furthermore, in the period under analysis the Company subscribed for Secapital Luksemburg shares and received compensation in connection with retirement of a part of the shares.

The tables below set forth financial data on the transactions concluded between the Company and Secapital Luksemburg in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	7,737	7,225	4,029	6,238
Receivables	-	-	-	-
Loans advanced	-	-	-	-
Interest accrued on loans advanced	-	-	-	-

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	208	1,050	925	964
Revenue from sales of goods for resale and services	-	-	-	-
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	3,000	28,074	6,138	32,290
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	-	-	-	-

Source: the Company

Other transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Share capital increase/retirement	7,000	74,998	(8,799)	1,808

Source: the Company.

KRUK Corporate

Transactions concluded between the Company and KRUK Corporate related to: (i) debt collection services provided by KRUK Corporate or the Company, as applicable, in relation to debt portfolios held by the Company or KRUK Corporate, as applicable, under agreements for collection of Company's debts or credit management agreements, (ii) revenue from sales of goods for resale and services, including the Company's revenue from sublease of office space to KRUK Corporate, and revenue related to re-invoicing of telephone call costs by the Company, and (iii) income from interest and dividends.

The tables below set forth financial data on the transactions concluded between the Company and Kruk Corporate in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	113	39	43	35
Receivables	-	1	-	-
Loans advanced	-	-	-	-
Interest accrued on loans advanced	-	-	-	-

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	-	-	14	-
Revenue from sales of goods for resale and services	3	16	-	19
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	-	-	-	1
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	74	431	398	403

Source: the Company

Polski Rynek Długów

Transactions concluded between the Company and Polski Rynek Długów related to: (i) debt collection services provided by the Company or Polski Rynek Długów, as applicable, in relation to debt portfolios held by Polski Rynek Długów or the Company, as applicable, under credit management agreements, (ii) revenue from sales of goods for resale and services, including the Company's revenue from sublease of office space to Polski Rynek Długów, and revenue related to re-invoicing of telephone call costs by the Company, and (iii) income from interest accrued on loans advanced and dividends.

The tables below set forth financial data on the transactions concluded between the Company and Polski Rynek Długów in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	-	-	-	-
Receivables	286	155	291	422
Loans advanced	-	-	-	300
Interest accrued on loans advanced	-	-	273	259

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	-	-	9	481
Revenue from sales of goods for resale and services	2	10	-	9
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	-	-	14	245
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	-	-	-	11

Source: the Company

Secapital Polska

Transactions concluded between the Company and Secapital Polska related to: (i) debt collection services provided by the Company or Secapital Polska, as applicable, under debt collection or credit management agreements, and (ii) revenue from sales of goods for resale and services, including the Company's revenue from sublease of office space to Secapital Polska, and revenue related to re-invoicing of telephone call costs by the Company.

The tables below set forth financial data on the transactions concluded between the Company and Secapital Polska in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	-	3	6	13
Receivables	8	4	9	6
Loans advanced	-	-	-	-
Interest accrued on loans advanced	-	-	-	-

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
(PLN '000) (unaudited)				
Revenue from mutual transactions				
Revenue from sales of debt collection services	-	-	35	749
Revenue from sales of goods for resale and services	3	32	-	9
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	-	-	-	-
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	-	-	-	-

Source: the Company

On February 17th 2010, the Company repurchased its shares from Secapital Polska, for the price of PLN 4.8m, with a view to their retirement. At the same time, the following amounts were set-off: (i) the amount of PLN 4.8m due to Secapital Polska from the Company for the shares, payable under the share purchase agreement of

February 17th 2010, (ii) the amount of PLN 4.8m due to Secapital Luxembourg from the Company for redemption of bonds acquired by Secapital Luxembourg, and (iii) the amount due to the Company from Secapital Luxembourg on account of dividend on the profits of Secapital Luxembourg disclosed in the financial statements for 2009.

Kancelaria Prawna RAVEN

Transactions concluded between the Company and Kancelaria Prawna RAVEN related to: (i) debt collection services provided by Kancelaria Prawna RAVEN to the Company under an agreement for collection of purchased debt and debts managed on a fee basis through court actions and a legal assistance agreement, (ii) revenue from sales of goods for resale and services, including the Company's revenue from the provision of HR, marketing and logistics services to Kancelaria Prawna RAVEN, sublease of office space to Kancelaria Prawna RAVEN, and revenue related to re-invoicing of telephone call costs by the Company, and (iii) income from dividends.

The tables below set forth financial data on the transactions concluded between the Company and Kancelaria Prawna RAVEN in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	126	314	203	602
Receivables	1,405	4,735	1,579	3,983
Loans advanced	-	-	-	-
Interest accrued on loans advanced	-	-	-	-

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	-	-	122	79
Revenue from sales of goods for resale and services	142	895	3	413
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	-	2,016	1,556	3,690
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	329	2,499	2,871	3,050

Source: the Company

Kruk International

Transactions concluded between the Company and Kruk International related to: (i) debt collection services provided by the Company or Kruk International, as applicable, to the other party under a framework agreement for collection of own debt, (ii) revenue from sales of goods for resale and services, including the Company's revenue from sale of telecommunications equipment (telephone sets) and telecommunications services and (iii) income from dividends and interest on loans and from cancelled loans. Furthermore, in the period under analysis the Company subscribed for Kruk International shares.

The tables below set forth financial data on the transactions concluded between the Company and Kruk International in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	54	-	81	1
Receivables	1,420	1,793	1,438	1,117
Loans advanced	1,591	4,565	3,959	2,295
Interest accrued on loans advanced	22	11	453	219

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
(PLN '000) (unaudited)				
Revenue from mutual transactions				
Revenue from sales of debt collection services	-	-	3	-
Revenue from sales of goods for resale and services	16	326	127	306
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	11	262	234	184
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	2,859	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	55	326	616	1,222

Source: the Company

Other transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Share capital increase/retirement	-	5,590	-	-

Source: the Company.

ERIF

Transactions concluded between the Company and ERIF related to: (i) debt collection services provided by the Company or ERIF, as applicable, to the other party – services provided by ERIF under a framework agreement for the provision of business information, (ii) revenue from sales of goods for resale and services, including the Company's revenue from the provision of marketing services, sublease of office space, and revenue related to re-invoicing of telephone call costs by the Company, and (iii) income from dividends and interest on loans.

The tables below set forth financial data on the transactions concluded between the Company and ERIF in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	45	92	45	27
Receivables	5	7	13	44
Loans advanced	-	-	200	300
Interest accrued on loans advanced	-	-	38	18

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
(PLN '000) (unaudited)				
Revenue from mutual transactions				
Revenue from sales of debt collection services	-	-	87	94
Revenue from sales of goods for resale and services	30	122	-	30
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	-	11	19	18
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	45	960	1,081	602

Source: the Company

Prokura NS FIZ

Transactions concluded between the Company and Prokura NS FIZ related to: (i) sale of debt portfolios previously acquired by the Company and (ii) debt collection services provided by the Company in relation to debt portfolios held by Prokura NS FIZ.

The tables below set forth financial data on the transactions concluded between the Company and Prokura NS FIZ in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	1,569	2,118	128	-
Receivables	17,435	16,450	22,502	1,473
Loans advanced	-	-	-	-
Interest accrued on loans advanced	-	-	-	-

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	2,724	15,427	9,814	5,099
Revenue from sales of goods for resale and services	-	-	-	-
Revenue from sale of debt portfolio	-	-	27,612	-
Interest and dividends	-	-	-	-
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	-	-	-	-

Source: the Company

Prokulus NS FIZ

Transactions concluded between the Company and Prokulus NS FIZ related to debt collection services provided by the Company in relation to debt portfolios held by Prokulus NS FIZ.

The tables below set forth financial data on the transactions concluded between the Company and Prokulus NS FIZ in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	-	-	-	-
Receivables	7	8	-	3
Loans advanced	-	-	-	-
Interest accrued on loans advanced	-	-	-	-

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	8	61	-	10
Revenue from sales of goods for resale and services	-	-	-	-
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	-	-	-	-
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	-	-	-	-

Source: the Company

Sekura NS FIZ

Transactions concluded between the Company and Sekura NS FIZ related to debt collection services provided by the Company.

The tables below set forth financial data on the transactions concluded between the Company and Sekura NS FIZ in the periods and as at the dates indicated.

Balance of liabilities, receivables and loans as at the balance-sheet date

	As at Feb 28 2011	As at Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Liabilities	-	-	-	-
Receivables	-	-	-	-
Loans advanced	-	-	-	-
Interest accrued on loans advanced	-	-	-	-

Source: the Company.

Revenue from and costs of mutual transactions

	Two months ended Feb 28 2011	Period ended Dec 31		
		2010	2009	2008
		(PLN '000) (unaudited)		
Revenue from mutual transactions				
Revenue from sales of debt collection services	-	-	-	22
Revenue from sales of goods for resale and services	-	-	-	-
Revenue from sale of debt portfolio	-	-	-	-
Interest and dividends	-	-	-	-
Costs of mutual transactions				
Cancelled loans and liabilities.....	-	-	-	-
Other costs	-	-	-	-
Purchase of debt collection services.....	-	-	-	-

Source: the Company

Loans advanced by the Company to its Subsidiaries

In the discussed period, the Company, as the lender, entered into six loan agreements with Subsidiaries.

- On April 17th 2007, the Company concluded a EUR 425 thousand loan agreement with KRUK International (as at the date of the agreement: CORBUL Capital S.R.L). The loan amount was disbursed in 15 tranches, in accordance with the schedule set forth in the agreement. The loan bore interest at a fixed rate of 6.7% *pa* as at the date of the agreement (changed to 6.79% *pa* under an annex of January 2nd 2009). The principal and interest were payable in accordance with the schedule set forth in the agreement. The last principal payment was due on December 31st 2010. The debt under the loan was cancelled in full.
- On December 12th 2007, the Company concluded a PLN 4.6 million loan agreement with Polski Rynek Długów. The loan bore interest at a fixed rate of 8.2% *pa* as at the date of the agreement (changed to 8.28% *pa* under an annex of January 2nd 2009). The principal and interest were payable in accordance with the schedule set forth in the agreement. The last principal payment and interest payments were due on September 30th 2009 and December 31st 2010, respectively. The loan was repaid in full.
- On January 22nd 2008, the Company concluded a EUR 125 thousand loan agreement with KRUK International. The loan amount was disbursed in three tranches, in accordance with the schedule set forth in the agreement. The loan bore interest at a fixed rate of 7.4% *pa*. The principal and interest were payable in accordance with the schedule set forth in the agreement. The last principal payment was due on December 31st 2010. The debt under the loan was cancelled in full.
- On March 20th 2008, the Company concluded a PLN 300 thousand loan agreement with ERIF. The loan bore interest at a fixed rate of 8.04% *pa* as at the date of the agreement (changed to 6.27% *pa* under an annex of December 31st 2009 and to 5.86% *pa* under an annex of June 30th 2010). The principal and interest were payable in accordance with the schedule set forth in the agreement. The last principal and interest payments were due on November 30th 2010. The loan was repaid in full.
- On February 6th 2009, the Company concluded a PLN 300 thousand loan agreement with KRUK International. The loan amount was increased under successive annexes to the agreement and the final amount was PLN 1.7 million. The loan bore interest at a fixed rate of 7.4% *pa*. The repayment date was December 31st 2010. The loan was fully converted into shares in the share capital of KRUK International.
- On May 25th 2010, the Company concluded a PLN 400 thousand loan agreement with KRUK International. The loan bore interest at a fixed rate of 5.85% *pa*. The repayment date had been set at May 23rd 2011. The loan was fully converted into shares in the share capital of KRUK International.
- On December 10th 2010, the Company concluded a RON 4,930 thousand loan agreement with KRUK International. The loan bore interest at a fixed rate of 5.91% *pa*. The repayment date was January 31st 2011. As the loan has not been repaid, the parties to the agreement intend to sign an annex to the agreement postponing the loan repayment date.

Transactions between the Company and members of the Management Board and the Supervisory Board

Members of the Management Board and Supervisory Board are members of the Company's key management personnel, as defined in IAS 24.

Below is presented information on remuneration, bonuses and other benefits paid to the members of the Management Board and Supervisory Board in the period from January 1st 2008 to December 31st 2010. Information on the rules of remuneration of members of the Management Board and the Supervisory Board is contained in section “*Management and corporate governance*” – “*Remuneration and terms of employment contracts executed with the Management and Supervisory Board members*”.

Except for the transactions described below, the Company did not conclude any other transactions with members of the Management Board or the Supervisory Board in the period indicated.

Members of the Management Board

Two months ended February 28th 2011 and financial years ended December 31st 2010, December 31st 2009 and December 31st 2008

	Two months ended Feb 28 2011 (PLN '000) unaudited	Year ended Dec 31		
		2010	2009	2008
		(PLN '000) unaudited		
Base salary/ managerial contract	398	2,251	1,464	1,560
Bonuses*	-	484	1,327	940
Award	1	-	-	-
Other - medical services and other	6	31	11	2
Compensation on account of the right to share in appreciation of the Company's stock	-	257	-	91
Total	405	3,022	2,802	2,593

Source: data for the years 2008–2010 – Annual Consolidated Financial Statements; other data – the Company.

* Inclusive of bonuses paid in a given year.

In addition, in 2011, members of the Management Board will be paid the bonus for 2010. A provision for the bonus payment has been established in the amount of PLN 2,135,000.

Members of the Supervisory Board

Two months ended February 28th 2011 and financial years ended December 31st 2010, December 31st 2009 and December 31st 2008

	Two months ended Feb 28 2011 (PLN '000) unaudited	Year ended Dec 31		
		2010	2009	2008
		(PLN '000) unaudited		
Remuneration of members of the Supervisory Board	20	119.9	83.7	62.6

Source: the Company

Transactions with close family members and related parties of members of the Management Board and the Supervisory Board

Transactions between the Company or its Subsidiaries and related parties of members of the Management Board, including: (i) a sister of Piotr Krupa, being a close family member, as defined in IAS 24; and (ii) companies over which members of the Management Board (Mr Piotr Krupa and Mr Rafał Janiak) have significant influence, as defined in IAS 24, are concluded in relation to the Group's operations, and include, without limitation: (i) legal advisory services under an employment contract (in the period from December 1st 2008 to November 30th 2009) and a cooperation agreement, related to court proceedings and other legal matters related primarily to debt collection, concluded with Kancelaria Prawna RAVEN, (ii) advisory and consulting services provided to the Group under an agreement for the provision of advisory services to Secapital Luksemburg; (iii) detective services (see section “*Provision of detective services by Biroul de Detectivi Particulari Corbul S.R.L. to Kruk*”).

International” below) provided to KRUK International; (iv) costs of printing of documents related to the Group's activities for the benefit of KRUK International, and (v) purchase of goods by the Company, i.e. Christmas gifts for the Group's employees.

Below is presented information on transactions concluded with close family members and related parties of members of the Management Board (i.e. Mr Piotr Krupa and Mr Rafał Janiak) in the period January 1st 2008 – February 28th 2011.

Two months ended February 28th 2011 and financial years ended December 31st 2010, December 31st 2009 and December 31st 2008

	Name of related party/ close family member of the Management Board's member	Two months ended Feb 28 2011 (PLN '000) (unaudited)	Period ended Dec 31		
			2010	2009	2008
			(PLN '000) (unaudited)	(PLN '000) (unaudited)	(PLN '000) (unaudited)
The Group's costs		64.2	492.2	454.4	587.8
Purchase of goods for resale and materials.....	SKLEP "BOS" B. W. KRUPA, S. A. KRUPA - SPÓŁKA JAWNA (a company in which Piotr Krupa's father is a partner)	-	108.4	128.4	85.7
Purchase of detective services...	BIROUL DE DETECTIVI PARTICULARI CORBUL (Piotr Krupa's subsidiary)	37.1	383.8	213.8	-
Purchase of advisory services ...	Riojanas Investment Limited (a company in which Rafał Janiak is a member of the board of directors)	-	-	65.0	452.5
Remuneration	Piotr Krupa's sister	27.2	-	47.2	49.6
Revenue of the Group.....		24.1	306.7	200.0	-
Revenue from sales of services (printing services).....	BIROUL DE DETECTIVI PARTICULARI CORBUL (Piotr Krupa's subsidiary)	24.1	306.7	200.0	-

Source: aggregate data for the years 2008–2009 – Annual Consolidated Financial Statements; other data (unaudited) – the Company.

Moreover, in 2010 Julia Krupa, representing Kancelaria Prawna Meritum Julia Krupa (a sole trader), received from Kancelaria Prawna RAVEN remuneration under a commissioned work contract totaling PLN 100,981.15.

Provision of detective services by Biroul de Detectivi Particulari Corbul S.R.L. to Kruk International

Biroul de Detectivi Particulari Corbul S.R.L. of Romania, a company which provides detective services to the Group, is wholly owned by Piotr Krupa. Under Romanian laws, detective services may be provided exclusively by indicated companies, which do not conduct any other business. Therefore, Biroul de Detectivi Particulari Corbul S.R.L. provides services to Kruk International as a separate legal entity. The services are provided under a service agreement of January 12th 2009. The value of transactions carried out with Biroul de Detectivi Particulari Corbul S.R.L. has been taken into account in the above table.

Transactions of the Company and other Group companies with the Company's shareholders

CDZ 7 Sp. z o.o., a shareholder in the Company, wholly owned by Mr Piotr Krupa, is a related party of the Company.

On May 28th 2007, CDZ 7 Sp. z o.o. issued six unsecured bonds with the par value of PLN 1m per bond and the issue price of PLN 6m, which were acquired by Secapital Luksemburg. The bonds bore interest at a rate equivalent to 16% of the amount of profits received by the issuer from the companies whose shares the issuer acquired with the bond issue proceeds. The final redemption date for the bonds was set at June 5th 2010. All the bonds issued were redeemed or set off by June 18th 2010 (see “*Transactions concluded by the Company with the Subsidiaries and Non-Standard Closed-End Securitization Investment Funds*” – „*Secapital Polska*” above). In the period under review, bond-related interest income amounted to PLN 0.

Below is presented information on outstanding balances related to purchased debt securities issued by CDZ 7 sp. z o.o., as at the dates indicated.

December 31st 2009, December 31st 2008, December 31st 2007

	<i>As at Feb 28</i>	<i>As at Dec 31</i>		
	2011	2010	2009	2008
	<i>(PLN '000) unaudited</i>		<i>(PLN '000) audited</i>	
Purchased debt securities issued by CDZ 7 sp. z o.o.....	-	-	5,000	4,250

Source: data for the years 2008–2010 – Annual Consolidated Financial Statements; other data – the Company.

Information on benefits paid to Mr Piotr Krupa, a major shareholder in the Company and President of the Management Board, is contained in section “*Transactions between the Company and members of the Management Board and the Supervisory Board*” above. Some shareholders, including members of the Management Board, who are not major shareholders are in an employment relation or a similar relation with the Company or its Subsidiaries. Nevertheless, none of such shareholders holds a number of Shares which would give them significant influence over the Company; therefore, they do not meet the criteria to be deemed a related party, as defined in IAS 24, on the sole basis of holding a certain number of Shares.

RIGHTS AND OBLIGATIONS ATTACHING TO THE SHARES AND THE GENERAL SHAREHOLDERS MEETINGS

The information contained in this section is of a general nature and was prepared pursuant to the laws and regulations as at the Prospectus Date as well as the Company's the Articles of Associations. Therefore, investors should read carefully the Articles of Associations and seek advice of their legal advisors to obtain detailed information on the rights and obligations attaching to the Shares and the General Shareholders Meeting. Moreover, whenever reference is made in this section to a period expressed as a certain number of business days in the context of rights exercisable through the Polish NDS, such period shall be counted pursuant to Par. 5 of the Rules of the Polish NDS, i.e. exclusive of Saturdays and statutory holidays; however, if so required by the depository and clearing system, the Management Board of the Polish NDS may resolve on additional business days to be excluded from the counting of such periods, and specify additional holidays and Saturdays to be taken into consideration when counting such periods. The Management Board of the Polish NDS is required to give the Polish NDS participants a one-month notice of any such resolution.

Rights and obligations attaching to the Shares

The rights and obligations attaching to the Shares are set forth in particular in the Polish Commercial Companies Code, the Act on Trading in Financial Instruments, the Act on Public Offering, and the Articles of Association.

Right to dispose of the Shares

The Company shareholders hold the right to dispose of the Shares through, *inter alia*, sale (transfer of title), pledge, establishment of usufruct rights over, and lease of the Shares.

For restrictions on transferability of the Shares, see “General information about the Company” – “Share capital” – “Restrictions on transferability of the Shares”.

For obligations relating to the acquisition and sale of shares of Polish companies listed on the WSE, see “Capital market in Poland. Obligations relating to the acquisition and disposal of shares”.

Dividend

Right to dividend

The shareholders hold the right to share in the Company's profit as disclosed in the audited separate annual financial statements, which is allocated for distribution to the Shareholders by way of resolution of the General Shareholders Meeting (right to dividend).

The body authorised to take a decision to distribute the Company's profit and pay dividend is the Annual General Shareholders Meeting. The Annual General Shareholders Meeting resolves on whether or not, and what part of, the profit stated in the audited financial statements is to be allocated to dividend payments. The Annual General Shareholders Meeting should be held within six months after the end of the financial year (corresponding to the calendar year), i.e. by the end of June.

The Annual General Shareholders Meeting also determines the dividend record date and the dividend payment date. The dividend record date may be set for the date of the relevant resolution or within three months from that date.

The amount allocated for distribution among the shareholders may not be higher than the profit for the last financial year, increased by the amount of any undistributed profit from previous years and amounts transferred from distributable statutory reserve funds and capital reserves created from profit. However, the amount for distribution must be decreased by the amount of uncovered losses, treasury shares and the amount of profit for the last year which, pursuant to the Polish Commercial Companies Code and the Articles of Association, should be allocated to statutory reserve funds or capital reserves.

The Management Board may pay interim dividend to the shareholders, provided that the Company holds sufficient funds for such payment. Payment of interim dividend requires approval by the Supervisory Board. The Company may pay interim dividend if the approved financial statements for the previous financial year show a profit. The interim dividend amount may not be higher than half of the profit made from the end of the previous financial year as stated in the audited financial statements, increased by the amount of capital reserves created from profit, which the Management Board may allocate to payment of interim dividend, and decreased by the amount of uncovered losses and treasury shares.

The right to dividend accrues to the persons in whose securities accounts (bearer) Shares in book-entry form are registered as at the dividend record date.

A shareholder's claim against the Company for the payment of dividend may be satisfied within ten years from the date on which the Annual General Shareholders Meeting passes a resolution to allocate profit, in whole or in part, for distribution to the shareholders. After this time limit, the Company may avoid payment of dividend on the grounds of the statute of limitation.

Terms and conditions of dividend collection

The terms and conditions of dividend collection by the Company shareholders correspond to the rules adopted for public companies. A resolution approving the payment of dividend should indicate the date as at which the right to dividend is determined (the dividend record date) and the date of dividend payment. Subject to the provisions of the Rules of the Polish NDS, the dividend record date may be set for the date of the relevant resolution or within three months from that date. Dividends are paid on the date set forth in the resolution of the General Shareholders Meeting or, if such date is not specified in the resolution, on the date determined by the Supervisory Board.

The Management Board announces a planned payment of interim dividend in *Monitor Sądowy i Gospodarczy* at least four weeks before the commencement of payments, specifying the date as at which the financial statements were prepared, the amount allocated for payment, and the date as at which eligibility for the receipt of the interim dividend is determined. Such date should fall within seven days before the commencement of payments.

Pursuant to Par. 9, Chapter XIII, Book 3 of the Detailed Trading Rules, the Company is required to promptly notify the WSE of the adoption of a resolution on allocation of profit for payment of dividend, dividend amount, dividend per Share, dividend record date, and dividend payment date. Moreover, pursuant to Par. 124 of the Detailed Rules of the Polish NDS, the Company is required to notify the Polish NDS of the dividend amount, dividend record date and dividend payment date at least ten business days before the dividend record date. Pursuant to Par. 124.2 of the Detailed Rules of the Polish NDS, the dividend payment date must fall at least ten business days after the dividend record date. The above regulations apply accordingly to payments of interim dividend, subject to the provisions of Par. 133 of the Detailed Rules of the Polish NDS, with the reservation that the date of interim dividend payment may not be sooner than on the fifth business day after the date of determining eligibility for the receipt of the interim dividend.

Dividends and interim dividends to the holders of the Company shares in book-entry form are paid through the Polish NDS depository system. The Polish NDS transfers interim dividend amounts to the accounts of the Polish NDS participants, who then transfer the funds to cash accounts of the Company shareholders maintained by brokerage houses.

Pre-emptive rights

The shareholders hold the right to subscribe for the Company new shares in proportion to the number of Shares they hold (pre-emptive right). The pre-emptive right applies also with respect to an issue of convertible securities or securities incorporating subscription rights. The day as at which the shareholders holding pre-emptive rights to subscribe for new shares are established (the pre-emptive right date) should be set forth in the resolution on an increase in the Company's share capital. The pre-emptive right date may be determined no later than within six months of the resolution date. The agenda of the General Shareholders Meeting which is to pass the resolution on a share capital increase should include the proposed pre-emptive right date.

The Shareholders' pre-emptive rights to new shares may be waived exclusively in the interest of the Company and provided that such waiver has been included in the agenda of the General Shareholders Meeting. The Management Board presents to the General Shareholders Meeting an opinion in writing specifying the reasons for such waiver and the proposed issue price of new shares or a manner of its determination. A majority of at least four-fifths of the votes is required to pass a resolution waiving the shareholders' pre-emptive rights.

A majority of at least four-fifths of the votes is not required to pass a resolution waiving the shareholders' pre-emptive rights if:

- pursuant to the resolution on a share capital increase, the Company new shares are to be subscribed for by a financial institution (underwriter) which is obliged to offer them to the shareholders in order for them to exercise their pre-emptive rights pursuant to the resolution,
- pursuant to the resolution, the new shares are to be subscribed for by an underwriter in the event the shareholders holding pre-emptive rights do not subscribe for some or all of the shares offered to them.

Right to a share in assets in case of liquidation

In the event of liquidation of the Company, each Share carries the right to a pro rata share in the Company's assets left after satisfying or securing creditors' claims.

Rights and obligations relating to the General Shareholders Meeting

Right to attend and vote at the General Shareholders Meeting

Voting rights

The shareholders exercise their voting rights at the General Shareholders Meeting. Pursuant to the Polish Commercial Companies Code, a General Shareholders Meeting may be ordinary (Annual General Shareholders Meetings) or extraordinary (Extraordinary General Shareholders Meetings).

Participation in the General Shareholders Meeting and exercising the voting right

The Company shareholders may attend the General Shareholders Meeting and vote in person or by proxy. A shareholder who intends to participate in a General Shareholders Meeting by proxy must authorise the proxy in writing or in the electronic format. A form of powers of proxy is included in the notice convening the General Shareholders Meeting. Moreover, the grant of powers of proxy in the electronic format must be notified to the Company using electronic means of communication specified in the notice convening the General Shareholders Meeting. The Company checks the identity of the shareholder and the proxy to verify the validity of the power of proxy granted in the electronic format. A detailed procedure for verification of the validity of powers of proxy granted in the electronic format is included in the notice convening the General Shareholders Meeting.

The shareholders holding Shares registered in more than one securities account may appoint separate proxies to exercise the voting rights attached to the Shares registered in each account.

If a member of the Management Board, member of the Supervisory Board, liquidator, employee of the Company, or member of the governing bodies or employee of a subsidiary company or subsidiary cooperative of the Company acts as a shareholder's proxy at the General Shareholders Meeting, the relevant powers of proxy may apply to one General Shareholders Meeting only. The proxy is obliged to disclose to the shareholder any circumstances which cause or may cause a conflict of interests. In such a case, it is prohibited to grant further powers of proxy. The proxy votes according to the instructions of the shareholder.

Pursuant to Art. 16.2 of the Articles of Association, each Share carries the right to one vote at the General Shareholders Meeting.

Resolutions of the General Shareholders Meeting are passed with an absolute majority of votes, unless the Commercial Companies Code and the Articles of Association provide otherwise.

Shareholders may vote each of their Shares in a different manner. A proxy may represent more than one shareholder of the Company and vote the Shares of each shareholder in a different manner.

A shareholder may not vote, in person or by proxy, on resolutions concerning their liability towards the Company on any account, including, without limitation, the grant of discharge in respect of duties, release from liability towards the Company, or a dispute between the shareholder and the Company. The above restriction does not apply if the shareholder votes on the abovementioned resolutions in the capacity of proxy of another shareholder.

The corporate documents do not provide for the possibility of voting by letter at the General Shareholders Meeting or holding of a General Shareholders Meeting with the use of electronic means of communication.

Persons authorised to attend the General Shareholders Meeting and exercise voting rights

The General Shareholders Meeting may be attended only by the persons who were the Company shareholders sixteen days before the date of the Meeting (the date of registration of attendance for the General Shareholders Meeting).

To attend a General Shareholders Meeting, entitled holders of bearer Shares in book-entry form should request the entity maintaining their securities account to issue a personal certificate of the right to attend the General Shareholders Meeting. Such request should be made no sooner than after the notice convening the General Shareholders Meeting and no later than on the first weekday after the date of registration of attendance for the General Shareholders Meeting.

Holders of rights under registered shares and temporary certificates, as well as pledgees and usufructuaries who have the right to vote, may attend the General Shareholders Meeting, provided that they are entered in the share register as at the date of registration of attendance for the General Shareholders Meeting.

The Company determines a list of persons entitled to attend the General Shareholders Meeting based on a list drawn up by the entity operating the depository for securities pursuant to the Act on Trading in Financial Instruments, and based on the records in the Company's share register as at the date of registration of attendance

for the General Shareholders Meeting. The above list is made available to the public at the Company's registered office for three weekdays preceding the General Shareholders Meeting date and at the place of and during the General Shareholders Meeting. A shareholder may request to be sent a list of shareholders entitled to attend the General Shareholders Meeting by email, free of charge, to the email address provided for that purpose.

A shareholder may transfer the Shares in the period from the date of registration of attendance for the General Shareholders Meeting to the date of closing the General Shareholders Meeting.

Convening of the General Shareholders Meeting

Entities entitled to convene the General Shareholders Meeting

The General Shareholders Meeting is convened by the Management Board. The Supervisory Board may convene an Annual General Shareholders Meeting if the Management Board fails to do so in due time, or an Extraordinary General Shareholders Meeting if the Supervisory Board deems it advisable. Shareholders representing at least a half of the Company's share capital or at least a half of the total vote in the Company are also entitled to convene an Extraordinary General Shareholders Meeting. Should it be the case, the Shareholders appoint the chairman of the General Shareholders Meeting.

Moreover, a shareholder or shareholders representing at least one-twentieth of the Company's share capital may demand that an Extraordinary General Shareholders Meeting should be held and specific matters should be put on its agenda. Such demand should be submitted to the Management Board in writing or in the electronic format. If an Extraordinary General Shareholders Meeting is not convened within two weeks of the date of such demand, the registry court may authorise the shareholders who have filed such demand to convene an Extraordinary General Shareholders Meeting. The registry court appoints the chairman of such General Shareholders Meeting.

Right to put matters on the agenda of a General Shareholders Meeting

A shareholder or shareholders representing at least one-twentieth of the Company's share capital may demand that specific matters should be put on the agenda of the next General Shareholders Meeting. Such demand should be submitted to the Management Board no later than twenty one days prior to the scheduled date of the General Shareholders Meeting, and may be made in the electronic format. The Management Board is obliged to promptly, however no later than eighteen days before the scheduled date of the General Shareholders Meeting, announce changes to the agenda made at the demand of the shareholders. The changes are announced in the manner provided for the notice convening the General Shareholders Meeting.

Manner of convening the General Shareholders Meeting

The General Shareholders Meeting is convened by way of notice on the Company's website and in the manner required for the publication of current information pursuant to the Act on Public Offering. The notice should be made at least twenty six days before the date of the General Shareholders Meeting. A notice convening the General Shareholders Meeting should include, without limitation: (i) the date, time and place of the General Shareholders Meeting and a detailed agenda, (ii) a precise description of the procedures relating to the attendance of the General Shareholders Meeting and the exercising of voting rights, (iii) the date of registration of attendance for the General Shareholders Meeting, (iv) information that only persons being the Company shareholders as at the date of registration of attendance for the General Shareholders Meeting may attend the General Shareholders Meeting, (v) information on where and how a person entitled to attend the General Shareholders Meeting may obtain a complete copy of the documentation to be presented to the General Shareholders Meeting, as well as draft resolutions or, where no resolutions are to be passed, comments by the Management Board or the Supervisory Board on the matters put on the agenda or matters to be put on the agenda before the date of the General Shareholders Meeting, and (vi) address of the website on which information on the General Shareholders Meeting will be made available.

Pursuant to the Regulation on current and periodic information, the Company is required to publish, in the form of a current report, such information as the date, time and place of the General Shareholders Meeting and the a detailed agenda. Moreover, if any changes are intended to be made to the Articles of Association, the provisions of the Articles of Association in the current wording, the proposed changes, and, where due to the scope of the changes the Company takes a decision to draw up a new consolidated text, the new consolidated text of the Articles of Association and a list of its new provisions, are all required to be published in the form of a current report. Draft resolutions and appendices to the draft resolutions which are to be discussed at the General Shareholders Meeting, material to the resolutions to be passed, must also be published in the form of a current report.

Right to submit draft resolutions

Prior to the date of the General Shareholders Meeting a shareholder or shareholders representing at least one-twentieth of the Company's share capital may submit to the Company draft resolutions on the matters included in the agenda or matters to be put on the agenda, in writing or with the use of electronic means of communication. The Company promptly publishes such draft resolutions on its website.

Right to demand a copy of proposals

Each shareholder may request to be provided with a copy of proposals concerning the matters included in the agenda of the next General Shareholders Meeting. Such request must be submitted to the Management Board. The copies of proposals should be provided at least one week before the date of the General Shareholders Meeting.

Right to obtain information

The Management Board is obliged to provide during a General Shareholders Meeting, upon demand by a shareholder, information on the Company, where this is reasonably required for the assessment of a matter included on the agenda. For a good reason, the Management Board may provide such information in writing outside the General Shareholders Meeting. In such a case, the Management Board is obliged to provide such information within two weeks of the date of demand submitted by the Shareholder during the General Shareholders Meeting.

The Management Board refuses to provide information where its provision could be harmful to the interests of the Company, an associated company, a subsidiary company or subsidiary cooperative, including without limitation through disclosure of technical, commercial or organisational trade secrets. A member of the Management Board may refuse to provide information where its provision could make such member of the Management Board liable under criminal, civil or administrative laws.

The information provided to the Company shareholder should be made available to the public in the form of a current report.

Powers and responsibilities of the General Shareholders Meeting

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

- review and approval of the Directors' Report on the Company's operations and the financial statements for the previous financial;
- distribution of profit or coverage of loss;
- granting discharge to members of the Management Board and the Supervisory Board in respect of their duties;
- decisions concerning claims for compensation for damage caused at the incorporation of the Company or in the management and supervision of the Company;
- disposal or lease of the Company's business or its organised part and establishment of limited property rights thereon;
- changes to the Articles of Association,
- an increase or decrease in the share capital;
- merger, demerger or reorganization of the Company;
- dissolution of the Company and opening of its liquidation;
- passing resolutions approving the Rules of Procedure of the General Shareholders 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 Shareholders Meeting under the provisions of the Articles of Association or the applicable laws.

Right to request that the Supervisory Board should be appointed by block voting

Upon request of shareholders representing at least one-fifth of the Company's share capital, members of the Supervisory Board should be appointed at the next General Shareholders Meeting by way of block voting, even if the Articles of Association provide for another procedure for the appointment of the Supervisory Board.

Right to appeal against resolutions of the General Shareholders Meeting

The Company shareholders may appeal against resolutions passed by the General Shareholders Meeting by way of a petition for a resolution to be revoked or declared invalid.

Petition for a resolution to be revoked

A resolution of the General Shareholders Meeting which is in conflict with the Articles of Association or good practice or is harmful to the company's interests or intended to harm a shareholder, may be appealed against by way of action against the Company for revoking of the resolution.

An action for revoking of a General Shareholders Meeting's resolution should be brought within one month of the date of receiving information on the resolution, however, no later than within three months of the resolution date.

Petition for a resolution to be declared invalid

A resolution of the General Shareholders Meeting which is in conflict with the statute may be appealed against by way of an action against the Company for declaring the resolution invalid.

An action for declaring a General Shareholders Meeting's resolution invalid should be brought within thirty days of the date of announcement of the resolution, however, no later than within three months of the resolution date.

Entitles entitled to appeal against resolutions of the General Shareholders Meeting

An action for revoking a General Shareholders Meeting's resolution or declaring a General Shareholders Meeting's resolution invalid may be brought by:

- the Management Board, the Supervisory Board or any of their members,
- a shareholder who voted against the resolution and upon its adoption demanded that their objection be noted down in the minutes of the Meeting,
- a shareholder who has been illegitimately refused the right to attend the General Shareholders Meeting,
- the Company shareholders who did not attend the General Shareholders Meeting, exclusively in the event the Meeting was convened in a defective manner or the resolution was adopted on a matter not included in the agenda.

Changes to the shareholder rights

Any changes to the rights of holders of the Shares must be made by way of a resolution of the General Shareholders Meeting passed with a majority of three-quarters of the votes, as well as an entry in the register of entrepreneurs of the National Court Register. Moreover, a resolution on an amendment to the Articles of Association, an increase in the shareholders' obligations or a limitation of personal rights vested in the shareholders requires approval by all the shareholders concerned.

Pursuant to the Articles of Association, Series A, AA and B registered shares will be converted into bearer shares upon conversion of the shares of the respective series, i.e. Series A, AA and B shares, into book-entry form pursuant to Art. 5.1 of the Act on Trading in Financial Instruments (see also "*General information about the Company*" – "*Share capital*" – "*Changes in the share capital*"). Conversion of bearer shares into registered shares is impermissible.

Retirement of Shares

The Shares may be retired by way of reducing the Company's share capital. Retirement of the Shares requires a resolution of the General Shareholders Meeting. The resolution should specify in particular the legal basis for the retirement, the amount of consideration payable to the holder of the shares to be retired, or a justification of retirement of the Shares without consideration, and the manner of reduction in the Company's share capital.

Right to request that a special purpose auditor should be appointed

Pursuant to Art. 84 of the Act on Public Offering, upon request of a shareholder or shareholders holding at least 5% of the total number of votes, the General Shareholders Meeting may resolve on a review of a specific matter relating to the incorporation of the Company or the management of its affairs, at the cost of the Company. The shareholders may request that an Extraordinary General Shareholders Meeting should be convened for that purpose or such resolution be included in the agenda of the next General Shareholders Meeting. The request should be filed with the Management Board, in writing, at least one month before the proposed date of the General Shareholders Meeting. If within two weeks of the date of such request an Extraordinary General Shareholders Meeting is not convened, the registry court may, after calling upon the Management Board to make a relevant representation, authorise the shareholders who have filed such request to convene the Extraordinary General Shareholders Meeting. The registry court appoints the chairman of that General Shareholders Meeting.

A resolution of the General Shareholders Meeting on the appointment of a special purpose auditor should include, without limitation:

- identification of the special purpose auditor whom the requesting party has approved in writing;
- the object and scope of the review, according to the request, unless the requesting party has approved in writing a change to the object and scope of the review;
- the types of documents the Company should make available to the auditor; and
- the date of commencement of the review, falling within three months of the date of the relevant resolution.

If the General Shareholders Meeting fails to pass a resolution according to the request, or passes such resolution in breach of Art. 84.4 of the Act on Public Offering, the requesting parties may, within 14 days of the resolution date, file a petition with the registry court to have a specific entity appointed a special purpose auditor.

Only an entity with expertise and qualifications necessary to review the matter set forth in the resolution of the General Shareholders Meeting, which enable preparation of a reliable and objective report on the review, may be appointed as a special purpose auditor. An entity which provided services to the Company during the period covered by the review, the parent company of such entity, a subsidiary of such entity or such subsidiary's parent company, or a major investor, as defined in the Accountancy Act, may not be appointed as special purpose auditor. Neither may an entity of the same group of companies as the entity which provided the above services during the period covered by the review be appointed a special purpose auditor.

The Management Board and the Supervisory Board are obliged to make available to the special purpose auditor any documents referred to in the resolution of the General Shareholders Meeting on the appointment of the special purpose auditor or in the court decision to appoint the special purpose auditor, and to provide any explanations necessary for the review.

The special purpose auditor is obliged to submit to the Management Board and the Supervisory Board a written report on the results of the review. The Management Board is required to publish the report in the form of a current report. The special purpose auditor's report may not disclose any technical, commercial or organisational secrets of the Company, unless such disclosure is necessary to justify the opinion presented in the report.

At the next General Shareholders Meeting the Management Board is obliged to report on how the review results have been followed.

TERMS AND CONDITIONS OF THE OFFERING

Essential information about terms and conditions of the Public Offering

This Prospectus forms a basis for a public offering of from 1 to 1,100,000 Series D ordinary bearer shares (“**New Shares**”) and from 3,300,000 to 8,200,000 Series AA shares (“**Sale Shares**”), with a par value of PLN 1 per share.

This Prospectus has also been prepared in connection with the Company seeking admission and introduction to trading on the WSE regulated market (main market) of 2,692,220 Series A shares, 11,366,600 Series AA shares, 1,250,000 Series B shares, 491,520 Series C shares, from 1 to 1,100,000 New Shares, and up to 1,100,000 Allotment Certificates for New Shares (“**Allotment Certificates**”).

Series A, AA and B shares, including the Sale Shares, are currently ordinary registered shares, whereas Series C and D shares are ordinary bearer shares. On November 24th 2010, the Extraordinary General Shareholders Meeting adopted a resolution whereunder Series A, AA and B registered shares were converted into bearer shares, with a provision that the conversion would become effective upon conversion of shares of a given series, i.e. Series A, AA and B shares, into book-entry form pursuant to Art. 5.1 of the Act on Trading in Financial Instruments.

The New Shares shall be allotted in the first place, which means that the Sale Shares shall be allotted by the Selling Shareholder only if all New Shares have been subscribed for under the Offering. In addition, the Sale Shares Offering shall be successful if all New Shares and at least 3,300,000 Sale Shares are subscribed for and allotted.

The Offer Shares are offered in the territory of the Republic of Poland by way of a public offering. In addition, as part of the Offering certain limited promotional activities may be carried out to distribute information on the Offering exclusively to selected qualified institutional buyers outside the United States of America (excluding Poland) in accordance with Regulation S issued under the U.S. Securities Act. Such limited promotional activities shall be conducted, in each case in compliance with the applicable laws of each relevant jurisdiction, on the basis of a marketing document which is a translation of this Prospectus into the English language and which shall not be subject to approval by the PFSA or any other regulator under any jurisdiction. This Prospectus shall not be subject to approval by any regulator other than the PFSA, nor shall it be registered or notified with any regulator in a country other than Poland.

The offering under this Prospectus is a public offering carried out with the existing Shareholders’ pre-emptive rights waived. Pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting dated December 9th 2010, preemptive rights of the existing Shareholders have been waived in their entirety.

The Offer Shares shall be offered under the Retail Offering and the Institutional Offering. It is the intention of the Company and the Selling Shareholder that about 80% of the Offer Shares should be allotted under the Institutional Offering and about 20% of the Offer Shares should be allotted under the Retail Offering, and that only one type of shares should be allotted under the Retail Offering, i.e. only New Shares or only Sale Shares. Detailed information concerning determination of the final number of the Offer Shares, including the number of issued New Shares, under the Public Offering is provided in section “*Detailed rules of the Public Offering*” - “*Institutional and Retail Offerings*”.

Detailed information concerning allotment of the Offer Shares is provided in section “*Terms and conditions of allotment*”.

The Offering schedule, including subscription periods for the Offer Shares under the Retail Offering and the Institutional Offering, is indicated in section “*Public Offering schedule*”.

The maximum price of the Offer Shares (“**Maximum Price**”), shall be determined jointly by the Company and the Selling Shareholder on the basis of a recommendation from the Offeror and the Joint Bookrunners, and shall be published in a Supplement hereto in the same manner as this Prospectus. The Maximum Price shall be the same for the New Shares and the Sale Shares. The final price of the Offer Shares (“**Share Price**”), the final number of the Offer Shares under the Offering, and subdivision of the Offer Shares into Retail and Institutional Offerings shall be determined jointly by the Company and the Selling Shareholder on the basis of a recommendation from the Offeror and the Joint Bookrunners upon completion of the bookbuilding among selected Institutional Investors (“**Bookbuilding**”). The Share Price shall be the same for the New Shares and the Sale Shares. Detailed information concerning the Maximum Price and the Share Price is provided in section “*Share Price determination process*”.

Information on the results of the Offering shall be published in a current report within two weeks from the closing of subscription for the Offer Shares. Information on unsuccessful issue of the Offer Shares shall be published as a supplement to this Prospectus, pursuant to Art. 51 of the Act on Public Offering and, to the extent required by the applicable laws, in a current report.

As at the Prospectus Date, neither the Offeror nor the Joint Bookrunner acted as underwriters for the issue and sale of the Offer Shares, or planned to take any steps designed to stabilise the stock exchange price of the Shares or the Allotment Certificates.

Detailed information about cancellation of the Offering, abandonment of the Offering or its suspension, is provided in section *“Announcement of suspension or cancellation of the Public Offering or the Public Offering being unsuccessful”*.

Detailed rules of the Public Offering

Persons to whom the Offering is addressed

The Public Offering is addressed to the following investor groups:

- the Retail Offering – (i) natural persons, (ii) legal persons and organisational units without legal personality; both residents and non-residents within the meaning of the Foreign Currency Act, except U.S. persons within the meaning of Regulation S, holding at the time of subscription for the Offer Shares an investment account with an investment firm accepting subscription orders for the Offer Shares.
- the Institutional Offering – investors eligible to participate in the Bookbuilding and subscribe for the Offer Shares, i.e. (i) legal persons and organisational units without legal personality that are Polish residents within the meaning of the Foreign Currency Act, (ii) entities managing securities portfolios on a discretionary basis, acting on behalf of persons whose accounts they manage and for whom they intend to acquire the Offer Shares, (iii) institutional investors with a registered office outside the Republic of Poland (except in the United States of America) who are not U.S. persons within the meaning of Regulation S.

Furthermore, those of institutional investors referred to above that receive an invitation ("the Invitation") to participate in the Bookbuilding from the Offeror and the Joint Bookrunners shall be eligible to participate in the Bookbuilding process.

The Offer Shares are offered exclusively in the territory of the Republic of Poland. Non-residents interested in acquiring the Offer Shares are advised to familiarise themselves with the relevant laws of their country of residence/registered office or registration.

Institutional and Retail Offering

The Offering shall be subdivided into the Retail Offering and the Institutional Offering. It is the Company's intention that about 80% of the final number of the Offer Shares should be allotted under the Institutional Offering and about 20% of the final number of the Offer Shares should be allotted under the Retail Offering, and that only one type of the Offer Shares should be allotted under the Retail Offering, i.e. only the New Shares or only the Sale Shares.

Upon receipt of the results of the Bookbuilding regarding the demand for the Offer Shares from Institutional Investors, the Company and the Selling Shareholder shall jointly decide – on the basis of a recommendation from the Offeror and the Joint Bookrunners – on the final number of the Offer Shares under the Offering, and the final number of the Offer Shares under the Retail Offering and the Institutional Offering. By that date investors shall also be informed either that a resolution has been passed by the Supervisory Board under the authorisation vested in it under Art. 432.4 of the Commercial Companies Code or that no such resolution has been passed and that the maximum number of the New Shares as defined only by a resolution of the Extraordinary General Shareholders Meeting shall be offered.

Information about the final number of the Offer Shares under the Offering and the final number of the Offer Shares, including the New Shares, under the Institutional or Retail Offering shall be published pursuant to Art. 54.3 of the Act on Public Offering upon completion of the Bookbuilding, and in no case later than before the commencement of subscription for the Offer Shares under the Institutional Offering.

Investors are advised that, because this Prospectus does not contain information on the final number of the Offer Shares and their subdivision into the Retail and Institutional Offerings, persons who have placed subscription orders prior to the publication of information about the final number of the Offer Shares may avoid the legal consequences of the subscription. To this end, a relevant representation in writing should be submitted to a

Client Service Office of an investment firm accepting subscription orders within two business days of publication of the information about the final number of the Offer Shares, pursuant to Art. 54.1.3 of the Act on Public Offering. The Company and the Selling Shareholder reserve the right to transfer the Offer Shares between the Institutional and Retail Offerings after the subscription process in the Institutional and Retail Offerings is completed, on the basis of the recommendation from the Offeror and the Joint Bookrunners, with a provision that only Offer Shares which have not been subscribed for under the Institutional or Retail Offering may be transferred and that the demand for the Offer Shares in the Offering to which such shares are transferred exceeded the supply.

Public Offering schedule

April 7th 2011	Opening of the Public Offering (publication of this Prospectus)
April 13th 2011	Publication of the Maximum Price
April 14th–18th 2011	Subscription for the Offer Shares under the Retail Offering
April 7th– 3:00 pm (CET) on April 18th 2011	Bookbuilding among Institutional Investors
By 8:00 am on April 19th 2011	Publication of information on the Share Price, the final number of the Offer Shares, and the final number and type of the Offer Shares under the Institutional and Retail Offering
April 19th-21st 2011	Acceptance of subscription orders for the Offer Shares under the Institutional Offering
April 22nd 2011	In the event that any Offer Shares under the Institutional Offering have not been subscribed for or in the event that any Offer Shares are transferred from the Retail Offering to the Institutional Offering in accordance with this Prospectus – possible sending by the Company or the Selling Shareholder of invitations to Institutional Investors to place subscription orders, and receiving subscriptions for the Offer Shares in response to such invitations.
By April 26th 2011	Allotment of the Offer Shares under the Retail Offering and the Institutional Offering
On or around May 5th 2011	First listing of the Existing Shares and the Allotment Certificates on the WSE regulated market.

The Company and the Selling Shareholder may jointly decide, on the basis of a recommendation from the Offeror and the Joint Bookrunners, to change the Offering dates, including subscription periods. Information about a change to the above dates or periods shall be published prior to the lapse of the period or date to which such change applies, as required under Art. 52.2 of the Act on Public Offering, i.e. as an update announcement, in the same manner as this Prospectus.

Changes to the opening and closing dates of the subscription period and publication of information on such changes shall take place no later than on the last day before the original opening or closing date, as applicable, of the subscription period for the Offer Shares. New dates for other events indicated in the schedule shall be published no later than on the day preceding the lapse of a given period.

Share Price determination process

Maximum Price

Immediately upon publication of this Prospectus and prior to commencement of the subscription for the Offer Shares under the Retail Offering, the Company and the Selling Shareholder shall jointly decide, on the basis of a recommendation from the Offeror and the Joint Bookrunners, on the Maximum Price. The Maximum Price shall be the same for the New Shares and the Sale Shares.

Immediately upon the Maximum Price determination, the Company shall apply to the PFSA for approval of a Supplement to this Prospectus containing information about the Maximum Price. In pursuance of Art. 51.3 of the

Act on Public Offering, the Supplement is subject to approval by the PFSA under Art. 31, Art. 32 and Art. 33.2 of the Act on Public Offering, such approval to be issued within seven business days of the date of filing a relevant application. Pursuant to Art. 32.4 of the Act on Public Offering, if the Supplement fails to meet statutory requirements, or if the filings are incomplete, or it is necessary to provide additional information or add additional information to the Supplement as required under Regulation 809/2004, the period referred to above shall begin on the date of adding additional information to the Supplement, or providing the required information to the PFSA.

The price of the Offer Shares shall be determined jointly by the Company and the Selling Shareholder, on the basis of a recommendation from the Offeror and the Joint Bookrunners, and shall not be higher than the Maximum Price. The price shall be determined prior to the commencement of subscription under the Institutional Offering, The price of the Offer Shares shall be the same for the Institutional and Retail Offerings. The Share Price shall be the same for the New Shares and the Sale Shares.

Share Price determination method (Bookbuilding)

The price of the Offer Shares shall be determined jointly by the Company and the Selling Shareholder on the basis of a recommendation from the Offeror and the Joint Bookrunners, issued on the basis of results of the Bookbuilding described below.

The Bookbuilding shall be carried out prior to the commencement of subscription for the Offer Shares under the Institutional Offering, among investors eligible to subscribe for the Offer Shares under the Institutional Offering. As part of the Bookbuilding, investors may submit subscription declarations with respect to the Offer Shares ("the Declarations"), where they shall indicate in particular the number of shares they are ready to subscribe for at different price levels, not higher than the Maximum Price.

Declarations which indicate a price that is higher than the Maximum Price shall be deemed valid and construed as indicating the Maximum Price. In the Declarations investors may not make the proposed price level dependent on the final number of the Offer Shares which may be allotted to them. On the basis of the results of the Bookbuilding, the Company and the Selling Shareholder shall determine, upon recommendation from the Offeror and the Joint Bookrunners, the final Share Price, and shall select the investors to whom invitations will be sent concerning subscription and payment for a specific number of the Offer Shares under the Institutional Offering. The invitations may be sent only to those investors that indicate in their Declarations prices not lower than the final Share Price. If an Invitation is sent to an investor, it shall indicate a number of the Offer Shares not greater than the number the investor specified in the Declaration. Submission of a Declaration shall not be construed as an obligation binding on the Company or the Selling Shareholder, or the Offeror or a Joint Bookrunner, to send an Invitation to the investor that submitted the Declaration.

However, if an Invitation is sent to an investor, such investor shall be required to subscribe for the number of the Offer Shares indicated in the Invitation, which shall not be greater than the number the investor specified in the Declaration, and to make a payment for the Offer Shares as required under section "Payments for shares". Subscription orders submitted and fully paid up by investors in response to Invitations shall be preferred in the course of allotment of the Offer Shares in that such investors shall be allotted the Offer Shares they subscribed for in response to the Invitation.

Institutional Investors that are interested in participating in the Bookbuilding are advised to contact the Offeror (Dom Inwestycyjny BRE Banku S.A., ul. Wspólna 47/49, 00-684 Warsaw) or the Joint Bookrunners (Dom Maklerski BZ WBK SA, ul. Grzybowska 5a, 00-132 Warsaw and Wood & Company Financial Services, A.S. S.A., Spółka Akcyjna, Polish Branch, with a registered office in Warsaw at ul. Złota 59, 00-120 Warsaw). Detailed information on the Bookbuilding and rules of participation in the process shall be available at the offices of the Offeror and the Joint Bookrunners.

The Order Book shall not be published or otherwise made available to general public.

Information about the Share Price shall be published by the Company as required under Art. 54.3 of the Act on Public Offering, i.e. in the same manner as this Prospectus, and in a current report.

Information on the difference between the share price in the Public Offering and the actual cost of acquisition of the securities in transactions carried out in the previous year or of securities with respect to which subscription or acquisition rights are held

On December 9th 2010, the Extraordinary General Shareholders Meeting resolved to increase the Company's share capital through an issue of up to 491,520 Series C ordinary bearer shares with a par value of PLN 1 per share, with the existing shareholders' preemptive rights to acquire Series C shares waived in their entirety. The issue of Series C shares was addressed to the Company's employees and management and was related to the closing of an incentive scheme. The acquisition price was set at PLN 1 per share. A description of the share issue

is provided in section *“General information about the Company” – “Share capital” – “Changes in the share capital”*, whereas a description of restrictions on the transferability of Series C shares can be found in section *“General information about the Company” – “Share capital” – “Restrictions on transferability of the shares”*.

Information concerning the members of the Management Board and the Supervisory Board who subscribed for Series C shares is provided in section *„Other information about members of the Management Board and the Supervisory Board” – “Existing Shares or Allotment Certificates held by the members of the Management and Supervisory Boards”*.

Rules for placing subscription orders

Retail Offering

Subscription orders for the Offer Shares under the Retail Offering shall be accepted at Client Service Offices of the brokerage houses the list of which shall be published as an update announcement, pursuant to Art. 52 of the Act on Public Offering, in the same manner as this Prospectus, no later than before the commencement of subscription under the Retail Offering. Since the Offer Shares shall be allotted under the Retail Offering with the use of WSE's IT system, investors are required to have an investment account with the brokerage house where they place subscription orders for the Offer Shares. The price indicated in subscription orders placed under the Retail Offering must be the Maximum Price.

Investors who subscribe for the Offer Shares under the Retail Offering should produce appropriate identification documents when placing the subscription order, in line with the investor identification requirements applicable at the Client Service Offices of the Distribution Consortium members.

An investor may submit any number of subscription orders, provided that a single subscription order must be for at least 5 Offer Shares, and all subscription orders placed by a single investor with one entity accepting subscription orders may not be for more than 1,860,000 Offer Shares. If a single investor places subscription orders for more than 1,860,000 Offer Shares with one entity accepting subscription orders, the orders shall be deemed to have been placed for a total of 1,860,000 Offer Shares. Each investment firm accepting subscription orders is responsible for correct verification of the minimum and maximum number of the Offer Shares in the subscription orders placed by investors with one entity, and for reduction, if any, of the number of shares.

The subscription period for the Retail Offering is specified in section *“Public Offering schedule”* of this Prospectus. Information about amounts and methods of payment in respect of the subscription orders is provided in section *“Payments for shares”*.

Institutional Offering

After the end of the Bookbuilding period, the Company and the Selling Shareholder shall select, on the basis of a recommendation from the Offeror and the Joint Bookrunners, Institutional Investors to whom the Offeror shall send Invitations to subscribe for a specific number of the Offer Shares at the Share Price. The Invitations shall be sent only to those investors that indicated in their Declarations a price not lower than the Share Price. The price indicated in the subscription orders of Institutional Investors shall be the Share Price.

Submission of a Declaration shall not be construed as an obligation binding on the Company, the Selling Shareholder, or the Offeror or a Joint Bookrunner, to send an Invitation to the Institutional investor that submitted the Declaration. If an Invitation is sent to an Institutional Investor, such investor shall be entitled to subscribe for the number of the Offer Shares indicated in the Invitation, which shall not be greater than the number specified by the investor in the Declaration (an Institutional Investor may submit any number of subscription orders, provided that all subscription orders placed by an investor may not be for a larger number of the Offer Shares than the number the investor specified in the Declaration.)

Subscription orders for the Offer Shares under the Institutional Offering shall be accepted by the Offeror at its registered offices at ul. Wspólna 47/49, 00-684 Warsaw, Poland and the Joint Bookrunners (Dom Maklerski BZ WBK S.A., ul. Grzybowska 5a, 00-132 Warsaw, and Wood & Company Financial Services, A.S. S.A., Spółka Akcyjna, Polish Branch, with a registered office at ul. Złota 59, 00-120 Warsaw). An Institutional Investor that received an Invitation as a result of participating in the Bookbuilding, should subscribe for a number of the Offer Shares which is not smaller than the number of shares indicated in the Invitation sent to such Institutional Investor.

If a subscription order is placed for a smaller number of the Offer Shares than indicated in the Invitation, the subscription order shall be deemed valid, with a provision that the Company and the Selling Shareholder are at liberty not to allot the Offer Shares, or allot such number of the Offer Shares as corresponds to the payment made, in compliance with the allotment rules described in section *“Terms and conditions of allotment”*.

Investors that did not participate in the Bookbuilding, or investors that participated in the process but did not receive an Invitation, may place a subscription order on general terms, for at least 10,000 Offer Shares and not more than the number of the Offer Shares available in the Institutional Offering.

Investors that participated in the Bookbuilding and received an Invitation but submitted a subscription order in the Institutional Offering on general terms, are advised to read the rules for allotment of the Offer Shares described in section “*Terms and conditions of allotment*”.

When placing a subscription order an Institutional Investor should produce documents identifying its legal status and rules of representation.

Firms managing securities portfolios on a discretionary basis shall place subscription orders for the Offer Shares by submitting the subscription order form along with a list of investors on whose behalf the subscription order is placed. The list must include details required to be included in the subscription order form with respect to each investor listed, and must be signed by persons authorised to represent the firm.

The Company and the Selling Shareholder may, through the intermediation of the Offeror or the Joint Bookrunners, send additional invitations to selected Institutional Investors if not all Offer Shares available in the Institutional Offering have been subscribed for in the subscription period, or if any Offer Shares are transferred from the Retail Offering to the Institutional Offering in accordance with this Prospectus. Subscription orders, if any, in response to the invitation from the Company or the Selling Shareholder in connection with non-subscription for the Offer Shares by eligible investors, shall be submitted at the place specified above for acceptance of subscription orders under the Institutional Offering.

The subscription period for the Institutional Offering is specified in section “*Public Offering schedule*“ in this Prospectus. Information about amounts and methods of payment in respect of the subscription orders is provided in section “*Payments for shares*”.

Subscription orders, if any, placed in response to an invitation from the Company or the Selling Shareholder sent after any Offer Shares remained unsubscribed for by eligible investors in the Institutional Offering, should be submitted at the place specified above for acceptance of subscription orders under the Institutional Offering.

Additional information about the Institutional Offering and the Retail Offering

A subscription order for the Offer Shares shall be unconditional, irrevocable and may not contain any reservations or qualifications, and it shall be binding on the person submitting the order from the date of its placement until the shares are registered in the securities account, save for the case referred to in Art. 51a of the Act on Public Offering, and save when the Offering was previously announced to be unsuccessful.

Subscription orders for the Offer Shares shall be submitted as three identical counterparts of the subscription order form. The forms shall be available at the places where the orders are accepted. As a proof of submission, the person placing the subscription order shall receive one copy of the submitted and filled subscription order form, countersigned by an employee of the investment firm accepting the order. Any consequences of submitting incorrectly filled or incomplete forms shall be borne by the subscriber.

A computer printout signed by the investor and containing all items required in a subscription order form shall also be deemed a duly submitted subscription order form.

On submission of the subscription order, the subscribing investor shall sign a representation to the effect that:

- the investor has read this Prospectus and accepts its contents, including terms and conditions of the Offering, and agrees to the allotment of the Offer Shares in accordance with the terms and conditions of allotment specified in this Prospectus;
- the investor has read the Company's Articles and Association and accepts their contents;
- the investor consents to the processing of the investor's personal data in accordance with the Act on Personal Data Protection of August 29th 1997 (consolidated text: Dz. U. of 2002, No. 101, item 926) to the extent necessary to carry out the Offering, represents that the investor's personal data was provided voluntarily, and acknowledges the right to review and rectify the personal data.

As a proof of submission of the subscription order, the investor subscribing for the Offer Shares shall receive one copy of the submitted subscription order form, countersigned by the entity accepting the order. One copy of the subscription order form shall be submitted to the Company, and one shall be retained by the entity accepting the order. Any consequences of placing an incorrectly filled subscription order form for the Offer Shares shall be borne by the subscriber.

The Offer Shares acquired under the Retail Offering shall be deposited into the investor's investment account from which the subscription order has been submitted. Under the Institutional Offering, along with the subscription order form for the Offer Shares, an investor may submit an instruction that all shares be deposited in the investment account maintained for such investor by a brokerage house (or, as the case may be, a bank authorised to maintain investment accounts). Submission of an instruction to deposit the Offer Shares is equivalent to submission of an instruction to deposit the Allotment Certificates. Along with the deposit instruction, the investor shall indicate the number of the relevant account, name of the entity maintaining the account, and shall undertake to notify the entity accepting the subscription order of any changes to such account. The deposit instruction shall be unconditional, irrevocable and may not contain any reservations or qualifications. The deposit instruction is included in the subscription order form.

Subscription orders may be submitted using means of remote communication (such as telephone, fax or Internet), unless regulations of the brokerage house accepting the order provide otherwise.

An investor may submit a subscription order through a proxy. Detailed terms of submitting subscription orders which have not been provided for in this Prospectus, including the terms of placing subscription orders through a proxy, should be compliant with regulations of the investment firms which are members of the Distribution Consortium accepting subscription orders for the Offer Shares.

Placing a subscription order for the Offer Shares does not entail any extra costs. However, investors are advised that other indirect costs may be involved in subscription for the Offer Shares, in particular brokerage fees for submission of the subscription order, opening or maintenance of the investment account, as well as other banking costs involved in making payments for the Offer Shares, including the cost of exchange of foreign currencies into the Polish zloty, etc. Investors are also advised that payments for the Offer Shares shall not bear interest and if any payment is refunded, in whole or in part, the investor shall not be entitled to any interest or compensation. Information about taxation of income from holding and trading in securities is provided in section "*Taxation*" of this Prospectus.

Conditions of and period allowed for avoiding the legal consequences of subscription

If a Supplement to this Prospectus is published after the commencement of subscription for the Offer Shares, a person who has subscribed for the Offer Shares prior to the publication of the Supplement in the same manner as this Prospectus, may avoid the legal consequences of such subscription by filing a relevant representation in writing with one of the Client Service Offices of an investment firm accepting subscription orders within two business days of the publication of the Supplement, pursuant to Art. 51a of the Act on Public Offering. The right to avoid the legal consequences of subscription shall not apply if the Supplement is published in connection with mistakes in this Prospectus which came to the attention of the Company or the Selling Shareholder after the securities had already been allotted, or if there are other factors or circumstances which emerged or came to the attention of the Company or the Selling Shareholder after the securities had already been allotted.

Persons who have submitted a subscription order prior to the publication of information about the final number and price of the Offer Shares as well as their subdivision into Retail and Institutional Offerings are also entitled to avoid the legal consequences of such subscription. The relevant representation in writing should be filed with one of the Client Service Offices of an investment firm accepting subscription orders within two business days of the publication, pursuant to Art. 54.1.3 of the Act on Public Offering. Form of the relevant representation shall be available at Client Service Offices of the Distribution Consortium members.

Payments for shares

Retail Offering

Since the Offer Shares will be allotted in the Retail Offering with the use of the WSE's IT system, when placing a subscription order the investor is required to have funds available in the investment account, in the amount equal to the product of the number of the Offer Shares subscribed for and the Maximum Price, increased by any additional fees or costs of the investment firm being a member of the Distribution Consortium.

If the final Share Price is lower than the Maximum Price, the difference shall be refunded to investors. Detailed information on refunds is provided in section "*Terms of refund of payments to investors in the case of overpayments or if the Offering is unsuccessful*". Payments for the Offer Shares may be effected in PLN only.

Payment for the Offer Shares subscribed for may be covered with receivables under transactions which have been concluded but not yet cleared, on condition that the clearing date for such transactions falls no later than on the date of clearing of the WSE trading session on which the Offer Shares will be allotted, and provided that this payment method is acceptable to the entity accepting the subscription order.

Payment for the Offer Shares in the Retail Offering should be blocked when the subscription order is submitted.

If an investor fails to make a full payment for the Offer Shares in the Retail Offering, the subscription order shall be deemed null and void. Payments for the Offer Shares do not bear interest.

Institutional Offering

Payment for the Offer Shares subscribed for in the Institutional Offering must be made in full at such time as to ensure that it is credited to the Offeror's account no later than on the last day of subscription for the Offer Shares in the Institutional Offering. In the case of a subscription order submitted in response to an Invitation from the Company or the Selling Shareholder sent after any Offer Shares remained unsubscribed for by eligible investors, the payment should be made on the subscription date at the latest.

Number of the account into which the payment for the Offer Shares must be made shall be available at the Offeror's registered office. Payments for the Offer Shares may be effected in PLN only, by wire transfer to the said account. Payment in full means payment of the amount equal to the product of the number of the Offer Shares subscribed for and the Share Price.

If a partial payment is effected in the Institutional Offering, the underlying subscription order for the Offer Shares shall be deemed valid and submitted for the number of shares corresponding to the amount of the payment, with a provision that the Company and the Selling Shareholder, on the basis of a recommendation from the Offeror and the Joint Bookrunners, shall be at liberty not to allot any Offer Shares or allot a number of shares at their discretion, in compliance with the terms of allotment described in section “*Terms and conditions of allotment*”.

Terms and conditions of allotment

Retail Offering

The Offer Shares in the Retail Offering shall be allotted to those investors who duly placed subscription orders and paid for the shares at the Share Price, with a provision that the subscription orders shall be accepted at the Maximum Price. Allotment of the Offer Shares shall take place at a trading session on the WSE, no later than within three business days of closing of the subscription in the Offering. The closing date for the subscription and the end date of the subscription period are specified in section “*Public Offering schedule*”.

If the number of the Offer Shares for which subscription orders have been placed in the Retail Offering does not exceed the number of the Offer Shares available in the Retail Offering, Retail Investors shall be allotted the number of the Offer Shares which corresponds to their duly submitted and paid up subscription orders. If the number of the Offer Shares for which subscription orders have been placed in the Retail Offering exceeds the number of the Offer Shares available in the Retail Offering, allotment of the Offer Shares shall follow the principle of proportional reduction. No fractional parts of the Offer Shares shall be allotted. The Offer Shares which have not been allotted due to rounding-off shall be allotted to investors based on the rules of allotment in place on the WSE.

Institutional Offering

The basis for allotment of the Offer Shares to Institutional Investors shall be a duly submitted and paid up subscription order for the Offer Shares, which complies with the rules set forth in this Prospectus.

The Offer Shares in the Institutional Offering shall be allotted at the discretion of the Company and the Selling Shareholder, on the basis of a recommendation from the Offeror and the Joint Bookrunners, in the first place to those Institutional Investors that participated in the Bookbuilding and duly submitted and paid up their subscription orders for the Offer Shares in response to the Invitation received. The Offer Shares shall be allotted to such Institutional Investors in correspondence with their subscription orders.

The remaining Offer Shares shall be allotted at the discretion of the Company and the Selling Shareholder, on the basis of a recommendation from the Offeror and the Joint Bookrunners, to all other Institutional Investors that duly subscribed and paid for the Offer Shares, i.e. (a) investors that subscribed for the shares on general terms in the Institutional Offering, (b) investors that made partial payments or placed subscription orders for a different number of the Offer Shares than indicated in the Invitation (if the Company and the Selling Shareholder decide, on the basis of a recommendation from the Offeror and the Joint Bookrunners, to allot the Offer Shares to such investors), and (c) investors that submitted a subscription order in response to an Invitation from the Company or the Selling Shareholder sent after any Offer Shares remained unsubscribed for by eligible Institutional Investors in the Institutional Offering, or any Offer Shares were transferred from the Retail Offering to the Institutional Offering in accordance with this Prospectus. If, upon allotment of the Offer Shares based on the above procedure, not all Offer Shares available in the Institutional Offering have been allotted, the Company

and the Selling Shareholder reserve the right to transfer, on the basis of a recommendation from the Offeror and the Joint Bookrunners, the remaining Offer Shares to the Retail Offering, provided that the demand from Retail Investors in the Retail Offering exceeds the supply.

If an investor makes a partial payment or subscribes for a different number of the Offer Shares than indicated in the Invitation, notwithstanding such subscription being deemed valid, the Company and the Selling Shareholder, acting on the basis of a recommendation from the Offeror and the Joint Bookrunners, shall be entitled to allot such shares at their sole discretion or not to allot them at all.

Additional information on the Institutional Offering and the Retail Offering

Information about the type of the Offer Shares allotted in the Institutional and Retail Offering shall be published along with the information about the final number of the Offer Shares.

Information on the results of the Offering shall be published in a current report within two weeks from the closing of subscription for the Offer Shares. Information on the issue of the Offer Shares being unsuccessful shall be published in the form of a supplement, pursuant to Art. 51 of the Act on Public Offering and, to the extent required by the applicable laws, in a current report.

The Company and the Selling Shareholder shall not notify investors individually of the number of allotted Offer Shares. Information about the number of the Offer Shares allotted to a given investor can be obtained by the investor from the Client Service Office of the member of the Distribution Consortium which accepted the subscription order for the Offer Shares. Investors are advised that the start of trading in the Offer Shares (or the Allotment Certificates) is not dependent on the investor obtaining information about the number of the Offer Shares allotted to such investor.

Settlement

Overview

The Allotment Certificates and Sale Shares shall be registered in the investors' investment accounts immediately upon allotment of the Offer Shares.

Promptly upon allotment of the Offer Shares, the Company shall apply to the registry court for registration of an increase in its share capital through the issue of the New Shares. Upon registration of the New Shares with the court, the New Shares shall be registered in the investment accounts of the investors holding the Allotment Certificates. Investors shall receive one New Share for each Allotment Certificate.

Terms of refund of payments to investors in the case of overpayments or if the Offering is unsuccessful

Settlement of the Retail Offering shall be carried out through the Polish NDS upon completion of the allotment at a special trading session on the WSE. Refund of payments to investors in the case of overpayments or if no Offer Shares have been allotted to an investor or an investor's subscription has been reduced, or if the Share Price is lower than the Maximum Price, shall take place by releasing the amount of overpayment in the account from which the investor subscribed for the Offer Shares, no later than on the date of clearing by the Polish NDS of the WSE session in which such allotment was made.

Settlement of the Retail Offering shall take place through the intermediation of the Offeror. Refund of any overpayments or funds paid by investors that have been allotted no Offer Shares or whose subscriptions have been reduced, shall take place within seven business days of the date of allotment of the Offer Shares. The funds shall be transferred to the accounts specified in the subscription order forms.

If the issue of the Offer Shares is declared unsuccessful prior to registering the Allotment Certificates in the investors' accounts, payments shall be refunded to the accounts of the Institutional Investors indicated in the subscription order forms, and to the accounts of Retail Investors from which the subscription orders for the Offer Shares were submitted, within seven business days of publication of information about the issue being unsuccessful.

If the issue proves unsuccessful after the Allotment Certificates are registered in the investors' accounts, the payments for the Offer Shares shall be refunded to those investors in whose accounts the Allotment Certificates were registered as at the date of clearing of the transactions effected on the last day of trading in the Allotment Certificates. An amount equivalent to the Share Price shall be refunded for each Allotment Certificate.

If the Public Offering is cancelled after the opening of subscription or is suspended, the payments shall be refunded to the accounts of Institutional Investors indicated in the subscription order forms and to the accounts of Retail Investors from which the subscription orders for the Offer Shares were submitted, within seven business days of publication of information about the issue being unsuccessful or suspended.

Investors are advised that payments for the Offer Shares shall not bear interest and refunds shall be made without any interest or compensation. Investors shall not be entitled to reimbursement of any other costs.

Announcement of suspension or cancellation of the Public Offering or the Public Offering being unsuccessful

Upon recommendation from the Offeror and the Joint Bookrunners, the Company and the Selling Shareholder may decide to suspend the Public Offering while it is in progress, if any events or circumstances occur which might adversely affect its success or pose increased investment risk to investors in the Offer Shares.

The Company shall announce suspension, if any, of the Public Offering pursuant to Art. 51 of the Act on Public Offering, i.e. in the form of a supplement to this Prospectus, published in the same manner as this Prospectus.

The Public Offering may be suspended without specifying a new timeframe for its completion. Such timeframe may be determined and announced later, by way of an update announcement pursuant to Art. 52.2 of the Act on Public Offering.

If a decision to suspend the Public Offering is taken after the commencement of the Bookbuilding and prior to the beginning of the subscription period, any declarations to acquire Offer Shares submitted by investors shall be deemed invalid.

If a decision to suspend the Public Offering is taken during the subscription period, any declarations to acquire Offer Shares and subscription orders submitted by investors, as well as any payments thereunder, shall be deemed valid, however the investors may avoid the legal consequences of the subscription by filing a relevant representation with the Client Service Office of the investment firm accepting subscription orders, within two business days of publication of the relevant supplement to this Prospectus. In such an event payments made by investors shall be refunded, without any interest or compensation, no later than within seven business days of the submission of the representation.

Until the opening date of subscription in the Retail Offering, the Company and the Selling Shareholder, upon recommendation from the Offeror and the Joint Bookrunners, may cancel the Public Offering without stating the reason for such cancellation.

If the Public Offering is cancelled after the commencement of subscription in the Retail Offering, any subscription orders placed by investors shall be deemed invalid, and any payments made by investors shall be refunded, without any interest or compensation, no later than within seven business days of the announcement of the cancellation.

After the commencement of subscription in the Retail Offering, the Company and the Selling Shareholder, upon recommendation from the Offeror and the Joint Bookrunners, may abandon the Public Offering exclusively for a good reason.

Such good reason shall include, without limitation:

- a sudden change in the economic or political situation in Poland, in the region, or in the world, which may have a material adverse effect on financial markets, the Polish economy or the Company's business;
- a sudden change in the situation of the Group, which may have a material adverse effect on its business;
- a sudden change in the Group's environment, which directly affects the Group's operations;
- insufficient interest in the Offering on the part of high-quality investors, including, without limitation, recognized financial institutions operating on the capital market;
- no possibility of achieving appropriate dispersion of the Offer Shares as a result of the Public Offering;
- a situation in which the expected Share Price is found unsatisfactory by the Company or the Selling Shareholder;
- any other unexpected circumstances in which the Public Offering and allotment of the Offer Shares would be impossible or harmful to the interest of the Company or the Selling Shareholder.

A possible decision of the Company and the Selling Shareholder to cancel the Public Offering shall be announced in the form of a supplement pursuant to Art. 51 of the Act on Public Offering, and where the Company's Shares are conditionally admitted to trading on the WSE — also by way of a current report as required under the applicable laws.

Unsuccessful Offering

The issue of New Shares may be unsuccessful if:

- no New Shares are properly subscribed for within the time limit set forth in this Prospectus or — if the Supervisory Board exercises the authorisation vested in it under Art. 432.4 of the Commercial Companies Code — a lower number of the Shares are subscribed for within the time limit set forth in this Prospectus than the number resulting from the relevant resolution of the Supervisory Board on the number of shares to be issued;
- the Management Board does not file a resolution to increase the share capital through the issue of the New Shares with the registry court within 12 months of the date of approval of this Prospectus by the PFSA and within one month of the date of allotment of the Offer Shares;
- the registry court issues a decision refusing to register the share capital increase through the issue of the New Shares, and such decision becomes final and binding.

Moreover, pursuant to the Issue Resolution under Art. 432.4 of the Commercial Companies Code, the Supervisory Board is authorized to determine the final amount by which the Company's share capital is to be increased; such amount may not be lower than PLN 1 or higher than PLN 1,100,000. In practice, there are divergent interpretations of Art. 432.4 of the Commercial Companies Code. In particular, according to one of them, the issue of New Shares shall not become successful if the Supervisory Board exercises the authorisation vested in it under Art. 432.4 of the Commercial Companies Code and investors do not subscribe for a number of New Shares corresponding to the final amount by which the Company's share capital is to be increased. Considering the above, there can be no assurance that successful issue of the New Shares will not be challenged if the Supervisory Board exercises the abovementioned authorisation and investors do not subscribe for a number of the New Shares corresponding to the final amount of the increase in the Company's share capital, as determined by the Supervisory Board.

If the Public Offering proves unsuccessful after it is commenced, is cancelled after the opening of the subscription period, or is suspended, any payments made by investors shall be refunded within the time limit and in accordance with the principles set forth in section *"Terms of refund of payments to investors in the case of overpayments or if the Offering is unsuccessful"*.

The Sale Shares Offering shall be successful if all New Shares and at least 3,300,000 Sale Shares are subscribed for and allotted. Cancellation of the Public Offering is tantamount to the cancellation of both the Sale Shares Offering and the New Shares Offering.

Offering and underwriting of the issue

Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland (phone: +48 22 697 47 10, fax: +48 22 697 48 20, www.dibre.pl) acts as the Offeror for the Offer Shares and accepts subscription orders in the Institutional Offering and the Retail Offering.

Dom Maklerski BZ WBK SA, registered office at Pl. Wolności 15, Poznań, Poland (phone: +48 61 856 4880, fax: +48 61 856 4770, www.bzwbk.pl) acts as a Joint Bookrunner and accepts subscription orders in the Retail Offering.

Wood & Company Financial Services, A.S. S.A., Spółka Akcyjna, Polish Branch, with a registered office at ul. Złota 59, Warsaw, Poland (phone: +48 22 222 1530, fax: +48 22 222 1531, www.wood.com) acts as a Joint Bookrunner for the Offering.

As at the Prospectus Date, the Company did not intend to execute any firm commitment underwriting or standby underwriting agreements with respect to the issue of the Offer Shares. As at the Prospectus Date, neither the Offeror nor the Joint Bookrunner acted as underwriters for the issue of the Offer Shares.

Fees of the Offeror and Joint Bookrunners

The Offeror has undertaken to carry out activities necessary to prepare the Company for the Offering, to draw up those sections of this Prospectus which pertain to the distribution of the Offer Shares, and to conduct the Offering for the Offer Shares, i.e. place the Offer Shares with investors without a firm commitment.

The Joint Bookrunners have undertaken to conduct the Offering of the Offer Shares, i.e. place the Offer Shares with investors without a firm commitment.

Placement fees shall depend on the value of the Offering. As at the Prospectus Date, the final number of shares to be subscribed for under the Offering and the price of the Offer Shares were unknown.

The total fee due to the Offeror and the Joint Bookrunners in consideration of placement of the Offering shall be approx. 2.4% of the Offering value. Information about the actual costs of the Offering shall be published after the subscription for the Offer Shares is closed, in a current report, pursuant to Art. 56.1 of the Act on Public Offering. The fee for the sale of Sale Shares shall be paid by the Selling Shareholder.

Intentions of Major Shareholders or members of management and supervisory bodies with respect to participation in the Offering

Information about intentions of the Major Shareholders, members of management and other supervisory bodies with respect to their participation in the Offering is provided in section “*Management and corporate governance*” – “*Other information about members of the Management Board and the Supervisory Board*” – “*Participation of the Management and Supervisory Board members in the Offering*” and “*Major shareholders*” – “*Control over the Company*”.

Lock-up arrangements

The Company

On or before the publication date of this Prospectus (including that day), the Company intends to make an undertaking to the Offeror and the Joint Bookrunners, concerning restriction on issuance and transferability of the Company shares, as customarily undertaken by the issuers in transactions similar to the Offering (lock-up agreement). In the lock-up agreement, the Company intends to undertake to the Offeror and the Joint Bookrunners that without the Offeror’s prior written consent (which must not be unreasonably withheld by the Offeror), over the period of 180 days from the allotment of the Company shares under the Offering, the Company will not issue, offer, sell, agree to sell, encumber or otherwise dispose of (and will not announce an issue, offer, sale or disposal of) any of the Company shares, financial instruments convertible into or exchangeable for the Company shares, warrants or other rights to acquire the Company shares, any other financial instruments or products whose value is determined, whether directly or indirectly, by reference to the price of the underlying financial instruments, including swaps, forwards and options, except where (a) the Company issues shares in connection with the exercise of rights under an option or warrant, or conversion of a financial instrument into the Company shares, where such option, warrant or conversion right existed as at the date of the lock-up agreement; (b) the Company issues shares, or rights under warrants or options (or similar instruments) carrying the right to acquire the Company shares are exercised, in connection with the execution of an incentive scheme in place at the Company; (c) the Company shares are sold, directly or indirectly, in connection with a tender offer announced for the Company shares, or an obligation is assumed to respond to a tender offer for the Company shares; (d) the Company shares are issued or disposed of in performance of a ruling of a court, decision of a public authority, or in order to comply with mandatory provisions of law; or (e) the Company shares are issued or sold, directly or indirectly, to a trade or financial investor.

The above restrictions concerning the disposal of the Company shares shall not apply to any pledges or blocks on the shares, including, without limitation, those established to secure obligations under loan agreements concluded by the Company, its subsidiaries or related companies, which exist on the date of the lock-up agreement. Any shares released from such pledge or block shall be subject to the restrictions referred to above.

The undertaking restricting the issuance and transferability of the shares is subject to allotment of any Company shares under the Public Offering.

Selling Shareholder

On or before the publication date of this Prospectus (including that day), the Selling Shareholder intends to make an undertaking to the Offeror and the Joint Bookrunners, concerning restriction on issuance and transferability of the Company shares, as customarily undertaken by the selling shareholders in transactions similar to the Offering (lock-up agreement). In the lock-up agreement, the Selling Shareholder intends to undertake to the Offeror and the Joint Bookrunners that without the Offeror’s prior written consent (which must not be unreasonably withheld by the Offeror, including in particular when the issue/selling price of the Company shares is in a given case higher by at least 5% than the issue price of the Company shares in the Public Offering), over the period of 270 days from the allotment of the Company shares under the Offering, the Selling Shareholder (i) will not issue, offer, sell, agree to sell, encumber or otherwise dispose of (and will not announce an issue, offer, sale or disposal of) any of the Company shares, financial instruments convertible into or exchangeable for the Company shares, warrants or other rights to acquire the Company shares, any other financial instruments or products whose value is determined, whether directly or indirectly, by reference to the price of the underlying financial instruments, including swaps, forwards and options, and (ii) will not submit any proposal for convening the General Shareholders Meeting or vote in favour of any of General Shareholders Meeting’s resolutions concerning the

actions referred to above, except where (a) the Company shares are sold, directly or indirectly, in connection with a tender offer announced for the Company shares, or an obligation is assumed to respond to a tender offer for the Company shares; (b) the Company shares are sold, directly or indirectly, to a trade or financial investor; (c) the Company shares are disposed of in performance of a ruling of a court, decision of a public authority, or in order to comply with mandatory provisions of law; or (d) the Company shares are disposed of to any of the Selling Shareholder's subsidiary or related entities, provided that such entity has concluded with the Offeror and the Joint Bookrunners an agreement analogous to the lock-up agreement.

The above restrictions concerning the disposal of the Company shares shall not apply to any pledges or blocks on the shares, including, without limitation, those established to secure obligations under loan agreements concluded by the Selling Shareholder, which exist on the date of the lock-up agreement. Any shares released from such pledge or block shall be subject to the restrictions referred to above.

The undertaking restricting the issuance and transferability of the shares is subject to allotment of any Sale Shares under the Public Offering.

Mr Piotr Krupa

On or before the publication date of this Prospectus (including that day), Mr Piotr Krupa intends to make an undertaking to the Offeror and the Joint Bookrunners, concerning restriction on issuance and transferability of the Company shares (lock-up agreement). In the lock-up agreement, Mr. Krupa intends to undertake to the Offeror and the Joint Bookrunners that without the Offeror's prior written consent (which must not be unreasonably withheld by the Offeror), over the period of 360 days from the allotment of the Company shares under the Offering, Mr Krupa (i) will not issue, offer, sell, agree to sell, encumber or otherwise dispose of (and will not announce an issue, offer, sale or disposal of) any of the Company shares, financial instruments convertible into or exchangeable for the Company shares, warrants or other rights to acquire the Company shares, any other financial instruments or products whose value is determined, whether directly or indirectly, by reference to the price of the underlying financial instruments, including swaps, forwards and options, and (ii) will not submit any proposal for convening the General Shareholders Meeting or vote in favour of any of General Shareholders Meeting's resolutions concerning the actions referred to above, except where (a) the relevant transaction involving the Company shares is carried out in connection with the execution of an incentive scheme in place at the Company; (b) the Company shares are sold, directly or indirectly, in connection with a tender offer announced for the Company shares, or an obligation is assumed to respond to a tender offer for the Company shares; (c) the Company shares are sold, directly or indirectly, to a trade or financial investor; (d) the Company shares are disposed of in performance of a ruling of a court, decision of a public authority, or in order to comply with mandatory provisions of law; or (e) the Company shares are disposed of to any of Mr Krupa's subsidiary or related entities, provided that such entity has concluded with the Offeror and the Joint Bookrunners an agreement analogous to the lock-up agreement.

The above restrictions concerning the disposal of the Company shares shall not apply to any pledges or blocks on the shares, including, without limitation, those established to secure obligations under loan agreements concluded by Mr Krupa, which exist on the date of the lock-up agreement. Any shares released from such pledge or block shall be subject to the restrictions referred to above.

The undertaking restricting the issuance and transferability of the shares is subject to allotment of any Sale Shares under the Public Offering.

If lock-up agreements are signed by the Company, the Selling Shareholder or Mr Piotr Krupa, information on their signing shall be communicated to the public in the form of an update announcement, in accordance with Art. 52.2 of the Act on Public Offering. However, if the Company believes that the terms of such agreements or changed expiry date of the Company's, Selling Shareholder's or Mr Piotr Krupa's undertaking deviate from those described above to the extent which might render them a material factor in the assessment of the Offer Shares, the information shall be communicated to the public in the form of a supplement to this Prospectus, in accordance with Art. 51 of the Act on Public Offering, if so required under the law. In such a case, persons who have submitted subscription orders shall be able to avoid the consequences of the subscription by filing a relevant representation within two business days from the date on which the supplement to the Prospectus is made available in accordance with Art. 51a of the Act on Public Offering.

Agreement with a market maker

The Company intends to conclude a market making agreement with the Offeror. As at the Prospectus Date, no such agreement was executed.

Conversion of the Shares into book-entry form, admission to trading on a regulated market, and listing

The Company shall apply for the admission and then introduction of the Existing Shares to trading on the WSE's regulated market. It is also the Company's intention to have the Allotment Certificates admitted and subsequently introduced to trading on the WSE's regulated market. The Company shall make every effort to have the Existing Shares and the Allotment Certificates admitted and introduced to trading on the WSE regulated market, if the Company so decides, as quickly as practicable after the allotment of the Offer Shares in the Public Offering.

On approval of this Prospectus, the Company intends to apply to the Polish NDS for registration of the Sale Shares with the depository for securities. Upon allotment of the Offer Shares, the Company intends to apply to the Polish NDS for registration of the remaining Existing Shares, and if the Company so decides, of the Allotment Certificates. Upon registration of the New Shares by the registry court, the Company shall apply to the Polish NDS for their registration with the depository for securities.

Admission of the shares to trading on the WSE largely depends on whether the Company meets the requirements stipulated in the WSE regulations. Admission of the New Shares and their introduction to trading on the WSE is subject to prior registration of the increase in the Company's share capital through the issue of Series D Shares. Series D shares shall be registered in investors' accounts in exchange for the Allotment Certificates held by such investors. Investors shall be entitled to one Series D Share for each Allotment Certificate. The expiry date of the Allotment Certificates shall be the last day of trading in the same on the WSE. From the next trading day, Series D Shares shall be listed. It is the Company's intention that the Existing Shares and the Allotment Certificates are introduced to trading concurrently, the New Shares are introduced to trading immediately upon registration of the share capital increase, and then the New Shares are assimilated with the Existing Shares.

If the Existing Shares are not introduced to trading on the WSE concurrently with the Allotment Certificates, they shall be introduced to trading on the WSE only upon registration of the Company's share capital increase through the issue of New Shares by the registry court, and concurrently with the introduction of the New Shares to trading on the WSE.

The Company believes that admission and introduction of the Existing Shares and the Allotment Certificates to trading on the WSE's main market may take place in May 2011.

The Company can give no assurance that the above requirements will be met and that the Shares will be admitted and introduced to trading on the WSE's main market. If the requirements are not met, the Company shall apply for admission and introduction of the Shares and the Allotment Certificates to trading on the parallel market. However, if the Shares or the Allotment Certificates are not admitted to trading on the regulated market, the Company does not intend to seek their admission to trading outside the regulated market.

Furthermore, if the issue of Series D shares is declared unsuccessful, the Company shall not seek admission and introduction of the Existing Shares to trading on the regulated market.

If the Company's intentions with respect to admission and introduction of the Shares and Allotment Certificates to stock exchange trading change, relevant information shall be published pursuant to Art. 51 of the Act on Public Offering, i.e. as in the form of a supplement to this Prospectus, in the same manner as this Prospectus. If such supplement is published before the allotment of the shares, the allotment date shall be changed accordingly.

Investors are advised to consider the risk factor described in section *"Risk that the Shares and the Allotment Certificates will not be admitted to trading on the stock exchange"*.

The Company Shares have not been traded on a regulated market to date.

The process of applying for admission and introduction of the Shares to trading on the WSE shall be carried out on the basis of this Prospectus.

The Polish NDS is the entity which provides depository services. No paying agents are involved in the Offering.

Stabilisation option

As at the Prospectus Date, the Company did not intend to execute a stabilisation agreement in connection with the Public Offering.

No over-allotment or greenshoe options are contemplated as part of the Public Offering.

LIMITATIONS ON ACQUISITION OF THE OFFER SHARES

Public Offering for the Offer Shares in Poland

This Prospectus has been prepared solely for the purpose of the Offering conducted as a public offering within the meaning of Art. 3.3 of the Act on Public Offering, exclusively in the territory of the Republic of Poland. In addition, as part of the Offering certain limited promotional activities may be carried out to distribute information on the Offering exclusively to selected qualified institutional buyers outside the United States of America (excluding Poland) in accordance with Regulation S issued under the U.S. Securities Act. Such limited promotional activities shall be conducted, in each case in compliance with the applicable laws of each relevant jurisdiction, on the basis of a marketing document which is a translation of this Prospectus into the English language and which shall not be subject to approval by the PFSA or any other regulator under any jurisdiction. This Prospectus shall not be subject to approval by any regulator other than the PFSA, nor shall it be registered or notified with any regulator in a country other than Poland.

Neither the Company nor the Offeror have undertaken, or shall undertake actions to conduct a public offering of the Offer Shares, or make available or disseminate this Prospectus, or any other offering material concerning the Company and the Offer Shares, in any jurisdiction where such actions are required. Therefore, the Offer Shares may not be sold, whether directly or indirectly, and this Prospectus may not be disseminated or published in or from any territory of any country or jurisdiction, other than in compliance with all rules and regulations in place for such country or jurisdiction.

Distribution of this Prospectus and promotion of the Offering may be subject to legal limitations in certain jurisdictions. Persons who hold this Prospectus are advised to familiarise themselves with any such limitations, comply with the same as well as comply with rules of conducting limited promotion in connection with the Offering, considering the limitations specified below. Failure to comply with such limitations may represent an infringement on the regulations governing the trade in securities in certain jurisdictions.

This Prospectus is not to be construed as an offer to subscribe for or acquire any securities described herein, addressed to any person in any jurisdiction, unless placement of such offer or solicitation to purchase securities is lawful in such jurisdiction.

European Economic Area

This Prospectus has been approved by the PFSA, which is a supervisory authority for the capital market in Poland. The Offeror and the Joint Bookrunners have warranted and represented that they have not, and will not conduct a public offering of the Offer Shares in any country of the EEA which implemented the provisions of the Prospectus Directive (hereinafter referred to separately as “**the Relevant Member State**”). The Offeror and the Joint Bookrunners may however promote the Offering in the Relevant Member State pursuant to the following exemptions granted by the Prospectus Directive, provided that such exemptions are implemented in such Relevant Member State:

- promotion of the Offering is addressed to legal entities which are authorised or regulated to operate in the financial markets, and entities which are not authorised or regulated to operate in the financial markets, whose corporate purpose is solely to invest in securities,
- promotion of the offering is addressed to legal entities which, based on their most recent annual or consolidated financial statements, meet at least two of the criteria below: (i) average number of employees in the previous financial year was at least 250 persons, (ii) the total balance sheet was in excess of EUR 43,000,000, (iii) annual net turnover was in excess of EUR 50,000,000,
- promotion of the Offering is addressed to fewer than 100 natural or legal persons in the Relevant Member State, or fewer than 100 natural or legal persons in all Member States, depending on the calculation method contemplated by laws and regulations of such Relevant Member State, and
- promotion of the Offering will be carried out in all other circumstances subject to Art. 3(2) of the Prospectus Directive,

on the condition that, (i) such promotion of the Offering does not entail a requirement on the Company or the Offeror to publish this Prospectus pursuant to Art. 3 of the Prospectus Directive, and (ii) each such natural or legal person (“**Qualified Investor**”) acquires such Offer Shares in the Offering conducted solely in the territory of Poland in compliance with the rules set forth in this Prospectus for such person's own account, without the intent to resell the Offer Shares or place them in any Relevant Member State (unless to other Qualified Investors), or for the account of other Qualified Investors, and (iii) the Qualified Investor acquires such Offer

Shares in the Offering conducted solely in the territory of Poland in compliance with the rules set forth in this Prospectus for the account of other persons or entities, for and on behalf of which the Qualified Investor takes investment decisions as a contracted manager of securities.

Submission of the subscription for the Offer Shares by any investor from the Relevant Member State in compliance with the rules set forth in this Prospectus in the Offering conducted solely in the territory of Poland, shall be deemed to imply a submission of warranties and representations to the Company and the Offeror that such investor is a Qualified Investor, and complies with any other limitations in place at the Relevant Member State, and that the subscription made by such investor complies with the rules of the Offering as set forth in this Prospectus.

This Prospectus has not been, and will not be submitted for approval to the Financial Services Authority in the United Kingdom. In addition, this Prospectus may be distributed in the United Kingdom and addressed solely to (a) investment professionals, referred to in Article 19(5) of the Financial Promotion Order 2005, issued under the British *Financial Services and Markets Act* of 2000, as amended (“**the Order**”) or (b) high net worth companies, referred to in Art. 49(2)(a)-(d) of the Order, or (c) persons to whom this Prospectus can be legally provided (all such persons are hereinafter jointly referred to as “**Relevant Persons**”). Entities which are not Relevant Persons may not take any decisions based on this Prospectus. Any investment or investment activity covered by this Prospectus is available in the United Kingdom to the Relevant Persons only, and such investment activities shall be carried out only with the participation of such persons.

Other rules or regulations may be in place for Member States other than the United Kingdom (as adopted by such state or jurisdiction within the EEA), which apply to limited promotion with respect to the Offer Shares, or distribution, or publication of this Prospectus. Persons who are in possession of this Prospectus are advised to familiarise themselves with any such limitations on the dissemination of this document and limited promotion with respect to the Offer Shares as may apply in such Member States, and comply with them.

United States of America

Neither the Offer Shares nor any other securities of the Company covered by this Prospectus have been, and will be registered under the U.S. Securities Act, or by any other regulatory body overseeing trading in securities in any other state or jurisdiction in the United States of America and, excluding few exceptions, they may not be offered or sold in the United States of America, unless under an exemption from the registration requirement under the U.S. Securities Act. Promotion of the offering shall be addressed solely to investors outside the United States of America under Regulation S. No public offering of the Offer Shares shall be carried out in the United States of America. Without prejudice to the foregoing, the Company is authorised to place the Offer Shares by offering them to selected investors in a private offering, in compliance with the relevant exemption from registration requirements under the U.S. Securities Act.

CAPITAL MARKET IN POLAND. OBLIGATIONS RELATING TO THE ACQUISITION AND DISPOSAL OF SHARES

This section provides an overview of the legal environment in force as at the Prospectus Date. Investors should familiarise themselves with applicable regulations and consult their own legal advisers on laws governing the acquisition, holding and disposal of the Offer Shares and Allotment Certificates.

Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)

The Polish stock exchange market is operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange, WSE). The WSE operates on the basis of applicable laws, including the Act on Trading in Financial Instruments, and its internal regulations, including the Articles of Association and the WSE Rules.

The exchange market operated by the WSE is a regulated market within the meaning of applicable EU laws and the Act on Trading in Financial Instruments. Moreover, the WSE organises and operates a multilateral trading facility, which is a non-regulated market. The exchange market operated by the WSE comprises the main market (i.e. the official listing market) and the parallel market.

According to the WSE data available at the WSE website (www.gpw.pl), as at March 30th 2011 the WSE was the listing market for 402 companies (including 29 foreign businesses). The aggregate market capitalisation of the listed companies amounted to approximately PLN 848.9bn.

Conversion of Securities into Book-Entry Form

Generally, securities which are offered in a public offering in Poland or which are to be admitted to trading on a regulated market in Poland exist in an uncertificated form as of the date of their registration under the agreement with the National Depository for Securities, the Polish clearing and settlement institution, i.e. until they are converted into the book-entry form. Rights attached to book-entry securities arise as of their first-time registration in the securities account and inure to the benefit of the holder of the securities account. The agreement on transfer of book-entry securities transfers the securities as of the moment an appropriate entry is made in the securities account.

The operator of the securities account, i.e. a brokerage house or custodian bank, issues, at the request of the account holder, a deposit certificate in the name of the holder, separate for each type of securities registered in the account. Such a certificate confirms the entitlement to exercise the rights attached to the securities specified therein, which are not or cannot be exercised based solely on entries in the securities account, excluding the right to participate in the general shareholders meeting. Deposit certificates may be issued by a brokerage house, bank licensed to conduct brokerage activities, custodian bank, foreign investment firms and foreign legal persons licensed to conduct brokerage activities in Poland through a branch office, the Polish NDS or the National Bank of Poland (NBP) – if the designation of a given account enables the identification of the persons vested with the rights attached to the securities.

As of the date the certificate is issued, the number of securities specified in the certificate cannot be traded until the expiry of the certificate's validity period or its surrender to the certificate issuer. The certificate issuer blocks the relevant number of securities in the account for the duration of the certificate validity period. The same securities may be indicated in several certificates, provided that the purpose of issuing each certificate is different. In such a case, a note is made in subsequent certificates that the securities have been blocked as other certificates had been issued before.

Settlement

In line with applicable laws, all transactions on the regulated market of the WSE are executed on a *delivery vs. payment* basis, and rights are transferred three days after the transaction date. As a rule, each investor must have a securities account and a cash account with an investment firm or an entity offering custodian services in Poland, and each investment firm and entity offering custodian services must hold appropriate accounts with the Polish NDS and a cash account with a clearing bank.

In accordance with the regulations in force at the WSE and Polish NDS, the Polish NDS is obliged to make, on the basis of a transaction list (after-trading lists) provided by the WSE, settlements of transactions executed by WSE members. WSE members, in turn, coordinate settlements with clients on whose accounts transactions were executed.

Organisation of securities trading

As at the Prospectus Date, trading sessions on the WSE are held regularly from Monday to Friday between 8.30 a.m. and 4:35 p.m., unless the WSE Management Board decides otherwise.

Depending on the listing market for particular securities, offers are submitted in the continuous trading system (main market) or in the single price auction system with one auction or two auctions (parallel market). In the case of large blocks of shares it is possible to carry out block transactions outside the continuous trading system or the single price auction system.

Information on share prices, trading volumes as well as any special rights (pre-emptive rights, dividend right) related to particular equities is available at the official website of the WSE (www.gpw.pl).

Brokerage fees in Poland are not set by the WSE or any regulatory body. Their amounts depend on the general value of transaction and the brokerage house through which it is performed.

Legislation governing the capital market

There are three key laws governing the Polish securities market, all dated July 29th 2005: (i) the Act on Public Offering, (ii) the Act on Trading in Financial Instruments, and (iii) the Act on Capital Market Supervision. Since September 19th 2006, supervision over the capital market has also been regulated by the Act on Financial Supervision. Moreover, the Polish capital market operates in accordance with the regulations issued under the above-mentioned Acts and the community regulations, which – just like the UE regulations – apply directly in Poland.

The regulatory body overseeing the Polish capital market is the PFSA.

Act on Public Offering – rights and obligations related to the acquisition and disposal of significant blocks of shares

The Company is a public company within the meaning of Art. 4.20 of the Act on Public Offering. Accordingly, acquisition and disposal of the Shares is in particular subject to the obligations specified below.

Obligation to notify the PFSA of acquisition or disposal of shares

Pursuant to the Act on Public Offering, any shareholder who:

- has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33¹/₃%, 50%, 75% or 90% of the total vote in a public company, or
- held at least 5%, 10%, 15%, 20%, 25%, 33¹/₃%, 50%, 75% or 90% of the total vote in a public company, and as a result of a reduction of its shareholding, holds 5%, 10%, 15%, 20%, 25%, 33%, 33¹/₃%, 50%, 75% or 90% or less of the total vote, respectively,

– is required to promptly notify the Polish Financial Supervision Authority and the public company of the fact within four business days from the date on which the shareholder becomes, or by exercising due care could have become, aware of such change, and if the change results from the acquisition of shares in a public company effected in a transaction concluded on a regulated market – within six trading days of the transaction date. Trading days are defined by the company operating the regulated market (the WSE in the Company's case) in its rules, pursuant to the Act on Trading in Financial Instruments, and announced by the PFSA on the web page.

The requirement to notify the PFSA and the public company also arises if:

- a shareholder's holding of over 10% of the total vote has changed by at least:
 - (i) 2% of the total vote – in the case of a public company whose shares have been admitted to trading on the official stock-exchange market (as at the Prospectus Date it was the main market of the WSE),
 - (ii) 5% of the total vote – in the case of a public company whose shares have been admitted to trading on another regulated market,
- a shareholder's holding of over 33% of the total vote has changed by at least 1% of the total vote.

The notification requirement does not arise if, upon the settlement by the depository for securities of a series of transactions executed on a regulated market on a single day, the change in the share of the total vote in a public company as at the end of the settlement date does not result in reaching or exceeding any shareholding threshold which triggers the notification requirement.

The notification may be prepared in English.

Having received such notification, the public company is obliged to immediately make the information contained therein available to the public, the PFSA and the company operating the regulated market on which its shares are listed.

The PFSA may exempt the public company from the obligation to make the information available to the public if this could:

- compromise the public interest, or
- cause a material damage to the company's interests – unless absence of appropriate information causes an incorrect assessment of the securities' value by investors.

Tender offers

Acquisition of shares representing more than 5% or 10% of total vote in a given period

Acquisition of shares in a public company in a number which increases a shareholder's share in the total vote by more than:

- 10% within a period shorter than 60 days by a shareholder holding less than 33% of the total vote at the company,
- 5% within a period shorter than 12 days by a shareholder holding at least 33% of the total vote at the company,

– may be effected only by way of a tender offer to acquire or exchange the shares in a number of not less than 10% or 5% of the total vote, respectively.

Exceeding of 33% of total vote in a public company

A shareholder may exceed 33% of the total vote in a public company only as a result of a tender offer to acquire or exchange shares in such company, concerning a number of shares which confers the right to at least 66% of the total vote, unless a shareholder exceeds the 33% threshold as a result of a tender offer to acquire or exchange shares.

If a shareholder exceeds the threshold of 33% of the total vote as a result of an indirect acquisition of shares, subscription for new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder, or the entity which has indirectly acquired the shares, is required, within three months from exceeding the 33% threshold, to:

- announce a tender offer to acquire or exchange the company shares, concerning a number of shares conferring the right to 66% of the total vote, or
- dispose of a sufficient number of shares so as to hold shares conferring the right to not more than 33% of the total vote,

– unless within that period the share of such shareholder or the entity which has indirectly acquired the shares in the total vote decreases to or below 33% of the total vote as a result of a share capital increase, amendments to the company's articles of association, or expiry of preference rights attached to shares held.

If a shareholder exceeds the 33% threshold as a result of inheritance, the obligation referred to above applies only if following such acquisition the shareholder's share in the total vote increases further. The time to perform the obligation commences on the day of the event leading to an increase in the shareholder's share in the total vote.

Exceeding of 66% of total vote in a public company

A shareholder may exceed 66% of the total vote in a public company only as a result of a tender offer to acquire or exchange the residual shares in the company.

If a shareholder exceeds the 66% threshold as a result of an indirect acquisition of shares, subscription for new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder, or the entity which has indirectly acquired the shares, is required, within three months from

exceeding the 66% threshold, to announce a tender offer to acquire or exchange the remaining shares in the company unless within that period the share of such a shareholder, or the entity which has indirectly acquired the shares, in the total vote decreases below 66% as a result of a share capital increase, amendments to the company's articles of association, or expiry of preference rights attached to such shareholder's shares.

Rules of tender offer announcement

A tender offer is announced and carried out through the agency of an entity conducting brokerage activities in the Republic of Poland, which is obliged, no later than 14 business days before the opening of the subscription period, to simultaneously notify the PFSA and the company operating the regulated market on which given shares are listed, of the intent to announce the tender offer, attaching a copy of the tender offer to the notification. Then the tender offer is announced in at least one daily newspaper with nationwide circulation.

A tender offer is announced after collateral is created for not less than 100% of the value of the shares covered by the tender offer. The collateral should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the collateral.

A tender offer may not be abandoned, unless another entity announces a tender offer for the same shares after the first tender offer is announced. A tender offer for residual shares in a given company may be abandoned only if another entity announces a tender offer for residual shares in the company at a price not lower than the price of the first tender offer.

Upon receipt of the notification, the PFSA may, not later than three business days before the opening of the subscription period, request that within a specified period of not less than two days, the tender offer be amended or supplemented as necessary or that clarifications on its wording be provided.

The opening of the subscription period is suspended until the activities specified in the request are performed by the entity obliged to announce a tender.

After the tender offer is closed, the entity which announced the tender is obliged to make a notification pursuant to Art. 69 of the Public Offering Act of the number of shares acquired in the notification and their percentage in the total vote achieved as a result of the tender offer.

In the period between the notification referred to above and the closing of the tender offer, the entity obliged to announce the tender offer and its subsidiaries or parent undertakings, or entities with which it concluded the agreement on acquisition of shares in a public company or on voting in concert at the general shareholders meeting or on conducting a fixed policy with respect to the company:

- may acquire shares in the company whose shares are covered by the tender offer only as part of the tender offer and in a manner defined therein,
- may not dispose of shares in the company whose shares are covered by the tender offer, or enter into any agreement whereby they would be obliged to dispose of the shares, during the tender offer,
- may not indirectly acquire shares in the public company whose shares are covered by the tender offer.

Share price offered in the tender offer

If any of the company shares are traded on the regulated market, the share price offered in the tender offer may not be lower than:

- the average market price from the six months preceding the announcement of the tender offer in which the shares were traded on the main market, or
- average market price from a shorter period if the shares were traded on the main market for a period shorter than six months.

In addition, the share price proposed in the tender offer may not be lower than:

- the highest price paid for the shares covered by the tender offer by the entity obliged to announce the tender offer, its subsidiaries or parent undertakings, or entities with which it concluded the agreement on acquisition of shares in a public company or on voting in concert at the general shareholders meeting or on conducting a fixed policy with respect to the company, within 12 months preceding the announcement of the tender offer, or

- the highest value of assets or rights which the entity obliged to announce the tender offer or entities referred to in item 1 above delivered in exchange for the shares covered by the tender offer within 12 months preceding the announcement of the tender offer.

The share price offered in the tender offer may not be lower than the average market price from the three months preceding the announcement of the tender offer in which the shares were traded on the regulated market.

If the average market price of the shares, determined as specified above, significantly diverges from the fair value of those shares due to:

- granting to the shareholders pre-emptive right, right to dividend, right to acquire shares of the acquirer in connection with demerger of a public company through allotment, or other property rights related to their holding of shares in a public company,
- considerable deterioration of the financial condition or assets of the company due to events or circumstances that could not have been foreseen or prevented by the company,
- threat of permanent insolvency of the company

– the entity announcing the tender offer may apply to the PFSA for consent to propose a price that does not meet the criteria specified above. The PFSA may grant its consent, provided that the proposed price is not lower than the fair value of those shares and the announcement of such tender offer does not breach the legitimate interest of the shareholders.

If the price cannot be determined in accordance with item 1 above and in the case of a company in relation to which arrangement or bankruptcy proceedings have been instigated, the price may not be lower than the fair value of the shares.

The share price proposed in the tender offer referred to in Art. 72–74 of the Act on Public Offering may be lower than the price determined as specified above with respect to shares representing 5% or more of all company shares which are to be acquired in the tender offer from a designated person responding to the tender offer if the entity obliged to announce the tender offer and the person so decide.

Squeeze out (mandatory buyout)

A shareholder in a public company, who individually or jointly with its subsidiaries or parent undertakings, or entities with which it concluded the agreement on acquisition of shares in a public company or on voting in concert at the general shareholders meeting or on conducting a fixed policy with respect to the company, has reached or exceeded 90% of the total vote in the company, has the right to demand, within three months of reaching or exceeding the threshold, that the other shareholders sell all the shares held in the company.

The share price in a mandatory buy-out is determined pursuant to Art. 79.1–79.3 of the Act on Public Offering, concerning the determination of share price in a tender offer, provided that if reaching or exceeding the 90% threshold occurred due to the announced tender offer for sale or exchange of all the remaining shares in a company, the price in mandatory buy-out cannot be lower than the price proposed in the tender offer.

A mandatory buy-out is announced and carried out through the agency of an entity conducting brokerage activities in the Republic of Poland, which is obliged, not later than 14 business days prior to the commencement of the mandatory buy-out, to simultaneously notify the PFSA and the company operating the regulated market on which given shares are listed, or if the company shares are listed on more than one regulated market – all such companies, of the intent to announce the mandatory buy-out, attaching information on the mandatory buy-out to the notification.

An announced mandatory buy-out may not be abandoned.

Mandatory sell-out

A shareholder in a public company may demand that their shares be acquired by another shareholder who reaches or exceeds 90% of the total vote in the company. Such a demand is made in writing within three months from the day on which the threshold has been reached or exceeded by such other shareholder. If information about the fact that 90% of the total vote has been reached or exceeded has not been made available to the public as specified in the Act on Public Offering, the period for submitting the demand starts on the day when the shareholder of a public company who can demand the buy-out of shares learnt or, acting with due diligence, could have learnt of reaching or exceeding the threshold by another shareholder.

The obligation to respond, within 30 days from the date of the demand, rests, jointly and severally, on the shareholder who reaches or exceeds 90% of the total vote and on its subsidiaries and parent undertakings. The obligation to acquire the shares from the shareholder rests also jointly and severally on every party to the

agreement on acquisition of shares in a public company or on voting in concert at the general shareholders meeting or on conducting a fixed policy with respect to the company if the parties to the agreement jointly hold, together with their subsidiaries and parent undertakings, at least 90% of the total vote.

The share price in a mandatory sell-out is determined pursuant to Art. 79.1–79.3 of the Act on Public Offering, concerning the determination of share price in a tender offer, provided that if reaching or exceeding the 90% threshold occurred due to the announced tender offer for sale or exchange of all the remaining shares in a company, the price in mandatory buy-out cannot be lower than the price proposed in the tender offer.

Entities subject to the obligations related to significant blocks of shares

The obligations specified in the provisions on the requirement to notify the PFSA of reaching/exceeding a specified threshold of the number of votes in a public company, tender offers, mandatory buy-out or sell-out also apply to:

- any shareholder who reaches or exceeds a threshold of the total vote defined in the Act on Public Offering as a result of acquisition or disposal of depository receipts issued in connection with shares in a public company,
- an investment fund – also if it reaches or exceeds a given threshold of the total vote defined therein in connection with shares held jointly by other investment funds managed by the same investment fund company, and by other investment funds established outside of the territory of the Republic of Poland, managed by the same company,
- a shareholder who reaches or exceeds a given threshold of the total vote specified in the Act on Public Offering in connection with shares held (i) by a third party in its own name but upon instruction or for the benefit of the shareholder, except shares acquired in performance of the activities consisting in the execution of orders to acquire or dispose of broker-traded financial instruments, for the account of the client, (ii) in performance of the activities consisting in management of portfolios including one or more broker-traded financial instruments, in accordance with the provisions of the Act on Trading in Financial Instruments and the Act on Investment Funds, in relation to shares in a managed securities portfolio, under which the shareholder, as the manager, may exercise voting rights at the general shareholders meeting on behalf of the principals, (iii) by a third party with which the shareholder entered into an agreement on the transfer of right to exercise voting rights,
- a proxy who, in its capacity as a representative of a shareholder at the general shareholders meeting, has been authorised to exercise voting rights conferred by shares in a public company, unless the shareholder provided binding written instructions on how the proxy is to vote,
- jointly all entities bound by a written or oral agreement on acquisition of shares in a public company or on voting in concert at the general shareholders meeting or on conducting a fixed policy with respect to the company, even if only one of the entities has taken or has intended to take actions giving rise to such obligations,
- entities which enter into the agreement referred to above, holding shares in a public company whose aggregate number confers the right to such a number of votes which results in reaching or exceeding a given threshold of the total vote defined in those regulations. In the last two cases the obligations defined in the provisions on significant blocks of shares in public companies may be performed by one of the parties to the agreement, designated by the other parties thereto.

The obligations defined in the provisions on the requirement to notify the PFSA of reaching or exceeding specified thresholds of the total vote in a public company, tender offers, mandatory buy-out or sell-out arise also if the voting rights are attached to securities deposited or registered with an entity which may dispose of them at its own discretion.

Act on Trading in Financial Instruments

Insider trading

Inside information is any information of a precise nature, relating, whether directly or indirectly, to one or more issuers of financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Anyone who gains inside information by virtue of membership in the governing bodies of the company, by virtue of an interest in the equity of the company, or as a result of having access to inside information in connection with employment, practised profession, or a mandate contract or any other contract of a similar nature is prohibited from using such information. Actions defined as insider trading include:

- acquisition or disposal, for one's own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares;
- recommending or inducing another person on the basis of inside information to acquire or dispose of financial instruments to which such information relates;
- enabling an unauthorised person to gain, or facilitating the gaining by such person of, inside information relating to one or more issuers of such financial instruments.

Anyone who, in violation of legal regulations, uses inside information is liable to a penalty of imprisonment or a fine, or to both these penalties jointly. The maximum amount of a fine is PLN 5,000,000, and the period of imprisonment depends on the type of offence and varies in the range from three months to eight years.

Acquisition or disposal of shares during restricted periods

Another restriction under the Act on Trading in Financial Instruments refers exclusively to the members of the management board, supervisory board, proxies or attorneys-in-fact of the issuer, its employees, qualified auditors or other persons related to the issuer under any mandate contract or any legal relation of a similar nature (persons having access to first-level inside information), who, during restricted periods, may not acquire or dispose of, for their own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, and may not take for their own account or for the account of a third party any other legal transactions which lead or might lead to the disposal of such financial instruments.

Moreover, the persons having access to first-level inside information may not, during restricted periods, acting as a governing body of a legal entity, take transactions whose objective is to effect this legal entity's acquisition or disposal, for its own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, and may not take for their own account or for the account of a third party any transactions which lead or might lead to the disposal of such financial instruments.

The restrictions described above do not apply to transactions carried out: (i) by an entity conducting brokerage activities and commissioned by such person to manage such person's portfolio of financial instruments in a manner which excludes such person's influence on the decisions made for its account or (ii) to discharge an obligation to dispose of or acquire any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, where such obligation results from a written agreement with the date certified by a notary public, concluded before a given restricted period starts, or (iii) following the submission, by a person having access to first-level inside information, of a subscription order in response to an announced tender offer for the sale or exchange of shares, in accordance with the provisions of the Act on Public Offering, or (iv) in connection with the performance, by a person having access to first-level inside information, of their obligation to announce a tender offer for the sale or exchange of shares, in accordance with the provisions of the Act on Public Offering, or (v) in connection with the exercise, by an existing shareholder of the issuer, of their pre-emptive rights, or (vi) in connection with an offering addressed to employees or members of the issuer governing bodies provided for in the articles of association, provided that the information on such offering has been publicly available before a given restricted period starts.

A restricted period is defined as: (i) the period between the time when a natural person having access to first-level inside information gains inside information concerning the issuer or the financial instruments and the time when such information is made public; (ii) in the case of an annual report – the period of two months preceding the publication of such report or, if shorter, the period between the end of a given financial year and the publication of such report; (iii) in the case of a semi-annual report – the period of one month preceding the publication of such report or, if shorter, the period between the end of a given half year and the publication of such report; (iv) in the case of a quarterly report – the period of two weeks preceding the publication of such report or, if shorter, the period between the end of a given quarter and the publication of such report.

Each natural person having access to first-level inside information who violates the prohibition referred to above during a restricted period is liable to a pecuniary penalty of up to PLN 200,000 imposed by way of the PFSA's decision.

Additionally, persons who are members of the issuer's management and supervisory bodies or who are the issuer's proxies, as well as persons who hold management posts within the organisational structure of the issuer

and have permanent access to inside information related to the issuer are obliged to notify the PFSA and the issuer of any transactions executed by them for their own account, whereby they acquire or dispose of any issuer shares or other financial instruments related to the issuer shares. The obligation also refers to transactions executed by persons related to the persons referred to above, within the meaning of the definition stipulated in Art. 160.2 of the Act on Trading in Financial Instruments. A person violating the obligations referred to above is liable to a pecuniary penalty of up to PLN 100,000.

The Commercial Companies Code – obligation to notify the company on reaching the status of the parent company

A parent company, within the meaning of Art. 4.1.4) of the Commercial Companies Code, is obliged to notify its subsidiary on the notifying party's becoming or ceasing to be the parent company, within two weeks as from becoming the parent company, under the pain of suspending the voting rights held by the parent company and representing more than 33% of the subsidiary's share capital.

A resolution adopted by the general shareholders meeting in violation of the obligation to notify is void, unless it meets the quorum and majority requirements with invalid voices excluded.

EC Merger Regulation

Requirements concerning the control of concentrations are stipulated in the Council Regulation (EC) on the control of concentrations between undertakings (the EC Merger Regulation). The Council's EC Merger Regulation is applicable to all "concentrations" with a "Community dimension" and to enterprises and their related parties exceeding specified thresholds of sales revenue. The EC Merger Regulation is exclusively applicable to concentrations leading to a lasting change in the shareholding structure of a given undertaking. Concentrations with a Community dimension must be notified to the European Commission prior to their implementation.

A concentration acquires a "Community dimension", where:

- the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 5,000,000,000 and
- the aggregate turnover in the EU of each of at least two of the undertakings concerned is more than EUR 250,000,000,

unless each of the undertakings concerned generates more than two thirds of its aggregate EU-wide turnover within a single Member State.

If the specified thresholds are not reached, a concentration nevertheless has a Community dimension if:

- the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 2,500,000,000;
- in each of at least three Member States, the combined aggregate turnover of all the undertakings concerned is more than EUR 100,000,000;
- in each of at least three Member States considered for the purposes specified in item (ii) above, the aggregate turnover of each of at least two of the undertakings concerned is more than EUR 25,000,000; and
- the aggregate turnover in the EU of each of at least two of the undertakings concerned is more than EUR 100,000,000,

– unless each of the undertakings concerned generates more than two thirds of its aggregate EU-wide turnover within a single Member State.

Act on Competition and Consumer Protection

The Act on Competition and Consumer Protection provides for special obligations connected, *inter alia*, with the acquisition of shares.

Control of concentrations

An intended concentration of undertakings is subject to notification to the UOKiK President, where the combined aggregate worldwide turnover of all the undertakings concerned in the financial year directly preceding the year of notification is more than the equivalent of EUR 1,000,000,000 or where the combined

aggregate turnover of all the undertakings concerned in the territory of Poland in the financial year directly preceding the year of notification is more than the equivalent of EUR 50,000,000. The turnover referred to above includes both all of the undertakings concerned and the other undertakings-members of the groups to which the undertakings concerned belong.

The UOKiK President gives his consent to the concentration if upon the implementation of the concentration the competition on the relevant market is not limited materially, including through the creation or strengthening of the dominant market position.

The provisions of the Act on Competition and Consumer Protection related to the control of concentrations are applicable to undertakings which, within the meaning of the Act on Competition and Consumer Protection, are entities deemed undertakings within the meaning of the Freedom of Business Activity Act, and also other entities, including but not limited to natural persons exercising control over at least one undertaking through, in particular, holding, whether directly or indirectly, the majority of votes at the general meeting, including as a pledgee or usufructuary, or in the management board of another undertaking (subsidiary), also under agreements with other entities, where such persons take further actions subject to the control of concentrations pursuant to the provisions of the Act on Competition and Consumer Protection, even if such natural persons do not conduct business activity within the meaning of the Freedom of Business Activity Act.

The obligation to notify an intended concentration to the UOKiK President applies to the intention of:

- merging two or more independent undertakings,
- taking over – by way of purchase or acquisition of shares, other securities, all or part of the assets or in any other way – direct or indirect control over one or more undertakings by one or more undertakings,
- establishing a joint undertaking by one or more undertakings,
- acquiring by an undertaking a part of the assets of another undertaking (the entire or a part of enterprise), where the turnover generated by the assets acquired in the territory of the Republic of Poland exceeded the equivalent of EUR 10,000,000 in any of the two financial years directly preceding the notification.

Within the meaning of the Act on Competition and Consumer Protection, taking over control includes any form of an undertaking's direct or indirect acquisition of powers which, severally or jointly, all legal or factual circumstance having been taken into consideration, enable the acquiring undertaking to exert decisive influence upon another undertaking or undertakings.

The Act on Competition and Consumer Protection does not require an intended concentration to be notified, where the aggregate turnover of the undertaking the control of which is to be taken over and its subsidiary undertakings in the territory of the Republic of Poland did not exceed the equivalent of EUR 10,000,000 in any of the two financial years directly preceding the notification.

Further, pursuant to Art. 14 of the Act on Competition and Consumer Protection, an intended concentration is not subject to notification if it: (a) consists in temporary purchase or acquisition of shares by a financial institution with a view to reselling them, where the business profile of such institution provides for making, for its own account or for the account of a third party, investments in shares in other undertakings, provided that reselling takes place within a year from the purchase or acquisition date and that (i) such institution does not exercise rights incorporated in those shares, other than the right to dividend or (ii) it exercises those rights exclusively with a view to preparing reselling the entire or a part of enterprise, its assets or the shares so purchased or acquired; (b) consists in temporary purchase or acquisition of shares by an undertaking with a view to securing its claims, provided that such undertaking does not exercise rights incorporated in those shares, other than the right to dispose of them; (c) involves undertakings belonging to the same group; (d) is effected in the course of bankruptcy proceedings, with the exclusion of instances, where the undertaking intending to take over the control is a competitor or a member of a group including competitors of the undertaking being acquired.

Pursuant to Art. 97 of the Act on Competition and Consumer Protection, the undertakings involved in concentration subject to notification are obliged to postpone the implementation of such concentration until the UOKiK President has issued a decision giving consent to the concentration or until the deadline has lapsed for issuing such decision. The execution of a public offering of purchase or exchange of shares, notified to the UOKiK President, is not a violation of the statutory obligation to postpone the concentration until the President has issued a decision giving consent to the concentration or until the deadline has lapsed for issuing such decision if the purchaser does not exercise the voting rights incorporated into the purchased shares or exercises it exclusively in order to maintain the full value of the purchaser's capital investment or prevent a serious loss which might be incurred at the undertakings involved in the concentration.

Administrative sanctions for violation of legal provisions

In an undertaking has effected concentration without the required consent of the UOKiK President, the President may, *inter alia*, by way of his decision, impose on such undertaking pecuniary penalty of up to 10% of the revenue recorded by such undertaking in the financial year directly preceding the year in which the penalty is imposed.

TAXATION

The information contained in this section is of general nature and is not a comprehensive analysis of tax consequences, under the Polish law, of the acquisition, holding and disposal of the Shares by investors. therefore, investors are advised to consult their tax, financial and legal advisors for the tax consequences in their particular situation.

Overview of income tax regime

Tax on income from sale of securities by natural persons domiciled in the Republic of Poland (i.e., subject to unlimited tax liability in Poland)

Pursuant to Art. 3.1 of the Personal Income Tax Act, natural persons domiciled in the Republic of Poland are subject to tax on their entire income (gains), regardless of where such income is earned (unlimited tax obligation). A natural person is assumed to be domiciled in the Republic of Poland if he/she: (i) has the centre of his/her personal or business interests (a life interest centre) in the Republic of Poland or (ii) spends in the Republic of Poland more than 183 days during a fiscal year.

Pursuant to Art. 30a.1 of the Personal Income Tax Act, income earned in the Republic of Poland from the sale of securities (including shares) for consideration is taxed at the rate of 19%. Income from sale of securities for a consideration is understood as a surplus of revenue from the transaction (the value of the securities represented by their selling price set down in the sale agreement) over the tax-deductible costs incurred to generate that revenue (expenditures incurred to acquire the securities) during a fiscal year. However, it should be noted that if the contractual selling price of the securities deviates without legitimate reason from their market value, then the relevant tax authority will determine the amount of such income as the market value of the securities. Income from sale of securities for a consideration is not aggregated with incomes from other sources. During a fiscal year, natural persons earning income from sale of securities for a consideration are not required to pay any income tax prepayments. Tax on income from sale of securities (or prepayments for such tax) is not withheld by tax remitters, either. However, after the end of a fiscal year (which in the case of natural persons mirrors the calendar year), taxpayers who earned income from sale of shares for a consideration are required to disclose it in their annual tax returns, calculate the income tax payable in respect of that income and transfer the resulting amount to the relevant tax authority.

If a taxpayer records a loss on the sale of securities incurred in a given fiscal year, the loss may reduce the taxpayer's income from sale of securities in the next five consecutive fiscal years, with the provision that in any of these years the amount of reduction must not exceed 50% of the total loss. Loss from sale of securities is not aggregated with losses from other sources of income.

Taxpayers should prepare their annual tax returns by the end of April in the year following the fiscal year in which the income was earned on the basis of information stating the amount of income earned by a given taxpayer (identified by name), delivered to them by the end of February in the year following the fiscal year in which the income was earned by natural persons conducting business activity, legal persons or their organisational units or by unincorporated organisations.

The above provisions do not, however, apply if securities are sold for a consideration within the framework of the taxpayer's business activity. In such a case, income from sale of securities is treated as operating income and taxed in accordance with rules applicable to income from a given source.

Tax on income from sale of securities by natural persons not domiciled in the Republic of Poland (i.e., subject to limited tax liability in Poland)

Pursuant to Art. 3.2a of the Personal Income Tax Act, natural persons not domiciled in the Republic of Poland are subject to tax exclusively on the part of their income (gains) earned in the territory of the Republic of Poland (limited tax obligation). Pursuant to Art. 4a of the Personal Income Tax Act, the above provision is applied with the consideration of double tax treaties to which the Republic of Poland is a party.

Persons subject to the limited tax obligation who earn income from sale of securities for a consideration in the Republic of Poland are subject to the same regime pertaining to taxation of income from sale of securities for a consideration as that described above, unless the applicable double tax treaty provides otherwise. Pursuant to Art. 30b.3 of the Personal Income Tax Act, the application of a tax rate following from the double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms his or her residence for tax purposes by submitting a certificate of tax residence.

Tax on dividend income and other income from profit distributions made by legal persons, gained by natural persons domiciled in the Republic of Poland (i.e., subject to unlimited tax liability in Poland)

Pursuant to Art. 30a.1.4 of the Personal Income Tax Act, the income of a natural person subject to the unlimited tax obligation in the Republic of Poland, in the form of dividend income and other income from profit distributions (e.g., retirement of shares or distribution of assets of a corporation upon its liquidation) made by legal persons with registered offices in the Republic of Poland, are subject to income tax at a flat rate of 19%. Pursuant to Art. 41.4 of the Personal Income Tax Act, entities making payments or placing cash or monetary assets (including dividend payments) at a taxpayer's disposal are obliged to collect and remit a flat-rate income tax on such amounts. Each tax remitter transfers the tax withheld to an account of the tax office relevant to the remitter's registered office by the twentieth day of the month directly following the month in which the tax was collected. By the end of January of the year directly following a given fiscal year, each tax remitter referred to in Art. 41 of the Personal Income Tax Act is obliged to submit annual tax returns in the prescribed form to the tax office relevant to the remitter's registered office. Dividend income and other income from profit distributions made by legal persons with registered offices in the Republic of Poland, on which withholding tax was remitted, are not combined with the taxpayer's income from other sources, nor are they disclosed in the annual tax return.

Tax on dividend income and other income from profit distributions made by legal persons, gained by natural persons not domiciled in the Republic of Poland (i.e., subject to limited tax liability in Poland)

Pursuant to Art. 30a.1.4 of the Personal Income Tax Act, income of a natural person subject to limited tax obligation in the Republic of Poland, in the form of dividend income and other income from profit distributions made by legal persons with registered offices in the Republic of Poland, is subject to income tax at a flat rate of 19%. However, fiscal regulations applicable to such taxpayers include double tax treaties to which the Republic of Poland is a party. Pursuant to Art. 41.4 of the Personal Income Tax Act, entities making payments or placing cash or monetary assets (including dividend payments) at a taxpayer's disposal are obliged to collect and remit a flat-rate income tax on such amounts. The application of a tax rate following from the double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms his or her residence for tax purposes by submitting a certificate of tax residence. Each tax remitter transfers the tax withheld to an account of the tax office relevant to the remitter's registered office by the twentieth day of the month directly following the month in which the tax was collected. By the end of January of the year directly following a given fiscal year, each tax remitter referred to in Art. 41 of the Personal Income Tax Act is obliged to submit annual tax returns in the prescribed form to the tax office relevant to the remitter's registered office. Additionally, by the end of February of the year directly following a given fiscal year, each tax remitter is obliged to submit personal information prepared in the prescribed form to the taxpayers and tax offices competent for the taxation of foreign residents. At a written request of the taxpayer, the tax remitter is obliged – within 14 days of the request submission – to prepare and deliver to the taxpayer and to the tax office competent for the taxation of foreign residents – personal information, prepared in the prescribed form, on the amount of income referred to in Art. 41.

Corporate income tax on income earned from the sale of securities by legal persons having their registered office or management in the Republic of Poland (i.e., subject to the unlimited tax obligation in Poland)

Pursuant to Art. 3.1 of the Corporate Income Tax Act, a taxpayer having their registered office or management in the Republic of Poland is subject to tax on their entire income, regardless of where such income is earned.

Income tax on income earned by legal persons having their registered office or management in the Republic of Poland from sale of securities for a consideration is levied in Poland in accordance with rules of general application. Income from sale of securities for a consideration is understood as a difference between revenue from the transaction (the value of the securities represented by their selling price set down in the sale agreement) and the tax-deductible costs incurred to generate that revenue (expenditures incurred to acquire the securities) during a fiscal year. However, it should be noted that if the contractual selling price of the securities deviates without legitimate reason from their market value, then the relevant tax authority will determine the amount of such income as the market value of the securities. Income from sale of securities for a consideration is aggregated with income from other sources to make up the tax base and – depending on the adopted model of income taxation during the fiscal year – the tax is included in the prepayment for corporate income tax during the fiscal year or only in the computation of tax payable after the end of the fiscal year. Pursuant to Art. 19.1 of the Corporate Income Tax Act, tax on income earned by payers of corporate income tax is paid at a rate of 19% of the tax base.

Corporate income tax on income earned from the sale of securities by legal persons not having their registered office or management in the Republic of Poland (i.e., subject to the limited tax obligation in Poland)

Pursuant to Art. 3.2 of the Corporate Income Tax Act, legal persons not having their registered office or management in the Republic of Poland are subject to tax exclusively on the part of their income earned in the Republic of Poland (limited tax obligation).

Payers of corporate income tax subject to the limited tax obligation who earn income from sale of securities for a consideration in the Republic of Poland are subject to the same regime pertaining to taxation of income from sale of securities for a consideration as that described above, unless the applicable double tax treaty provides otherwise.

Corporate income tax on dividend income and other income from profit distributions made by legal persons having registered offices or management in the Republic of Poland, gained by legal persons having their registered office or management in the Republic of Poland (i.e., subject to the unlimited tax obligation in Poland)

Pursuant to Art. 22.1 of the Corporate Income Tax Act, the income of a legal person having registered offices or management in the Republic of Poland, in the form of dividend income and other income from profit distributions (e.g., retirement of shares or distribution of assets of a corporation upon its liquidation) made by legal persons with registered offices in the Republic of Poland, are subject to income tax at a flat rate of 19%.

Pursuant to Art. 22.4 of the Corporate Income Tax Act, dividend income and other income from profit distributions made by legal persons is exempt from corporate income tax if all of the following conditions are met: (i) dividend or other profit distributions made by a legal person are paid out by an entity that is a corporate income taxpayer having their registered office or management in the Republic of Poland; (ii) income (gains) from dividend or other profit distributions referred to in item (i) above is earned by an entity that is in the Republic of Poland subject to taxation with corporate income tax on its entire income, regardless of where such income is earned; (iii) the entity referred to in item (ii) above holds directly not less than 10% of shares in the share capital of the entity paying out dividend; (iv) the entity referred to in item (ii) above does not use the exemption from taxation with corporate income tax on its entire income, regardless of where such income is earned.

The exemption is applicable: (a) if the shares referred to in item (iii) above are held under an ownership title; (b) with respect to income earned from shares held under: (A) an ownership title (B) another title, provided that the income (gains) would have been subject to exemption if the property right to such shares had not been transferred.

Additionally, the exemption referred to above is applied if an entity deriving income (gains) from dividends and other profit distributions made by a legal person having their registered office or management in the Republic of Poland holds the required number of shares in the entity that makes such distributions for an uninterrupted period of two years. Such exemption also applies if the uninterrupted period of two years for which the entity earning the income from profit distributions made by a legal person having their registered office or management in the Republic of Poland has continuously held shares in the amount specified above expires after the date such income has been earned. If the condition which requires the holding of shares in the amount specified above for an uninterrupted period of two years is not satisfied, the taxpayer is obliged to pay the tax plus default interest on the income (gains), at the rate of 19% of the income (gains), by the 20th day of the month following the month in which the entity lost its right to apply the exemption. Interest accrues from the day immediately following the date on which the entity used the exemption for the first time.

Pursuant to Art. 26.1c and 26.1f of the Corporate Income Tax Act, the exemption referred to above is exclusively applicable provided that the entity earning income (gains) has submitted a written statement to the effect that the necessary conditions for the application, as such conditions are stipulated in Art. 22.4.4 of the Corporate Income Tax Act, have been met, that is that the entity earning dividend does not use the exemption from taxation with corporate income tax on its entire income, regardless of where such income is earned.

Pursuant to Art. 26.1 and 26.3 of the Corporate Income Tax Act, legal persons specified therein and making payments of profit distributions are – as tax remitters – obliged to withhold corporate income tax on the date of payment. The withholding tax is transferred to a bank account of the tax office relevant to the tax remitter's registered office, by the seventh day of the month following the month in which tax was withheld. By the same date, the tax remitter is obliged to send information on tax withheld, prepared in the prescribed form, to the taxpayer. Additionally, pursuant to Art. 26a of the Corporate Income Tax Act, by the end of the first month of the year directly following the year in which the obligation to remit arose, each tax remitter referred to in Art. 26

of the Corporate Income Tax Act is obliged to submit annual tax returns in the prescribed form to the tax office relevant to the remitter's registered office.

Corporate income tax on dividend income and other income from profit distributions made by legal persons having registered offices or management in the Republic of Poland, gained by legal persons not having their registered office or management in the Republic of Poland (i.e., subject to the limited tax obligation in Poland)

Taxation of entities subject to the limited tax obligation with respect to dividend income and other income from profit distributions made by legal persons is governed by the same rules which apply to entities subject to the unlimited tax obligation, unless an appropriate double tax treaty provides otherwise.

Furthermore, pursuant to Art. 22.4 of the Corporate Income Tax Act, dividend income (gains) and other income from profit distributions made by legal persons are exempt from corporate income tax if all of the following conditions are met: (i) dividend or other profit distributions made by a legal person are paid out by an entity that is a corporate income taxpayer with a registered office or management in the Republic of Poland; (ii) income (gains) from dividend or other profit distributions referred to in item (i) above is earned by an entity that is subject to taxation with corporate income tax on its entire income, regardless of where such income is earned, in a Member State other than the Republic of Poland or another member state of the European Economic Area; (iii) the entity referred to in item (ii) above holds directly not less than 10% of shares in the share capital of the entity paying out dividend; (iv) the entity referred to in item (ii) above does not use the exemption from taxation with corporate income tax on its entire income, regardless of where such income is earned.

The exemption is applicable: (a) if the shares referred to in item (iii) above are held under an ownership title; (b) with respect to income earned from shares held under: (A) an ownership title (B) another title, provided that the income (gains) would have been subject to exemption if the property right to such shares had not been transferred.

Additionally, the exemption referred to above is applied if an entity deriving income (gains) from dividends and other profit distributions made by a legal person having their registered office or management in the Republic of Poland holds the required number of shares in the entity that makes such distributions for an uninterrupted period of two years. Such exemption also applies if the uninterrupted period of two years for which the entity earning the income from profit distributions made by a legal person having their registered office or management in the Republic of Poland has continuously held shares in the amount specified above expires after the date such income has been earned. If the condition which requires the holding of shares in the amount specified above for an uninterrupted period of two years is not satisfied, the taxpayer is obliged to pay the tax plus default interest on the income (gains), at the rate of 19% of the income (gains), by the 20th day of the month following the month in which the entity lost its right to apply the exemption. Interest accrues from the day immediately following the date on which the entity used the exemption for the first time.

The exemption referred to above also applies accordingly to cooperatives established under Regulation 1435/2003/EC on the Statute for the European Cooperative Society (SCE), dated July 22nd 2003 (Official Journal of the European Union L 207 of August 18th 2003), income paid out (ascribed) to a branch of the entity referred to in item (ii) above where such branch is located in a Member State of the European Union or another member state of the European Economic Area, or in the Swiss Confederation and if such entity satisfies the conditions stipulated in Art. 22.4–4b of the Corporate Income Tax Act, as well as to dividend income or other income (gains) from profit distributions made by legal persons to companies which are subject to income tax on their entire income in the Swiss Confederation, regardless of where such income is earned, with the reservation that the direct equity interest (referred to above) in the company is set at no less than 25%; as well as to the entities listed in Appendix 4 to the Corporate Income Tax Act, with the reservation that in the case of the Swiss Confederation the exemption applies to entities which are subject to income tax on their entire income in the Swiss Confederation, regardless of where such income is earned, and that the direct equity interest (referred to above) in the company paying dividend or other profit distribution is set at no less than 25%.

Pursuant to Art. 26.1c and 26.1f of the Corporate Income Tax Act, the exemption referred to above is exclusively applicable provided that the entity earning dividend income (gains) confirms its residence for tax purposes by submitting a certificate of tax residence and submits a written statement to the effect that the necessary conditions for the application, as such conditions are stipulated in Art. 22.4.4 of the Corporate Income Tax Act, have been satisfied, that is that the entity earning dividend does not use the exemption from taxation with corporate income tax on its entire income, regardless of where such income is earned.

If an entity earning dividend income is: (i) a collective investment undertaking with registered office in an EU Member State other than the Republic of Poland or another member state of the European Economic Area, satisfying the conditions stipulated in Art. 6.1.10a of the Corporate Income Tax Act; (ii) a taxpayer with

registered office in an EU Member State other than the Republic of Poland or another member state of the European Economic Area maintaining a pension plan in the scope of income connected with savings collected for retirement purposes and satisfying the conditions stipulated in Art. 6.1.11a of the Corporate Income Tax Act, then the exemption referred to above is exclusively applicable provided that such an entity confirms its residence for tax purposes by submitting a certificate of tax residence and submits a written statement to the effect that the entity is the actual owner of the dividend paid out by the remitter and satisfies the conditions stipulated in Art. 6.1.10a and 11a of the Corporate Income Tax Act.

Pursuant to Art. 26.1 and 26.3 of the Corporate Income Tax Act, legal persons specified therein and making payments of dividend and other profit distributions are – as tax remitters – obliged to withhold corporate income tax on the date of payment. However, the application of a tax rate following from the double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms its residence for tax purposes by submitting a certificate of tax residence.

The withholding tax is transferred to a bank account of the tax office competent for the taxation of foreign residents, by the seventh day of the month following the month in which tax was collected. Each remitter is obliged to send to taxpayers and tax office information on the payments made and tax collected, prepared in the prescribed form. The remitter is obliged to have sent this information by the end of the third month of the year directly following the fiscal year in which payments were made. Additionally, at a written request of the taxpayer, the tax remitter is obliged – within 14 days of the request submission – to prepare and deliver to the taxpayer and to the tax office competent for the taxation of foreign residents – information, prepared in the prescribed form, on the payments made and tax collected.

Pursuant to Art. 26a of the Corporate Income Tax Act, by the end of the first month of the year directly following the year in which the obligation to remit arose, each tax remitter referred to in Art. 26 of the Corporate Income Tax Act is obliged to submit annual tax returns in the prescribed form to the tax office competent for the taxation of foreign residents.

Duty on actions under civil law with respect to securities purchase agreements

Pursuant to Art. 1.1.1.a), in conjunction with Art. 1.4 of the Act on Duty on Actions under Civil Law, subject to the duty are agreements for the purchase and exchange of objects located in the Republic of Poland or property rights (including securities) exercisable in the Republic of Poland. Tax obligation arises upon the execution of an action under civil law and – in the event of a purchase agreement – rests with the purchaser. The tax base is the market value of an object or property right. The market value of the subject of an action under civil law is determined based on average prices paid in the trade in objects of the same type and kind, with the object location, condition and wear and tear, and in the trade of property rights of the same type, on the date of the action, without excluding debt and charges. With respect to purchases of property rights (including securities), the duty on actions under civil law is, as a rule, 1% of the tax base. Each taxpayer is obliged, without a call from a tax authority, to submit a tax return with respect to duty on actions under civil law, as well as compute and pay the duty within 14 days as from the date on which the tax liability arises. This does not apply to the instances where duty on actions under civil law is withheld by a remitter, who, in the event of actions executed in the form of a notary deed, is the notary public.

However, pursuant to Art. 9.9 of the Act on Duty on Actions under Civil Law, the sale of property rights in the form of financial instruments is exempt from duty on actions under civil law if: (i) instruments are sold to investment firms or foreign investment firms; or (ii) the transaction is executed with the intermediation of investment firms or foreign investment firms; or (iii) transaction is executed within organised trade; or (iv) transaction is executed out of organised trade by investment firms or foreign investment firms if the firms involved acquired relevant property rights in the course of organised trade; – within the meaning of the Act on Trading in Financial Instruments.

Inheritance and donation tax

Pursuant to Art. 1.1 of the Act on Inheritance and Donation Tax, subject to inheritance and donation tax is the acquisition, by a natural person, of the ownership of objects located in the Republic of Poland or property rights exercisable in the Republic of Poland, by way of, *inter alia*, succession, legacy, further legacy, testamentary instruction, donation or a donor's instruction. The tax liability rests with the acquirer of the ownership of objects and property rights. The tax base is the value of acquired objects and property rights, net of debt and charges (net succession), determined based on the condition of objects and property rights as on the acquisition date and market prices as on the date on which tax liability arises. The amount of tax depends on the inheritance tax bracket in which the acquirer is included. Inclusion in a tax bracket is based on the acquirer personal relation to the person from or after whom the objects and property rights have been acquired. The Act provides for

progressive rates of inheritance and donation tax, ranging from 3% to 20% of the tax base, depending of the tax bracket in which the acquirer is included. For each bracket, the tax-exempt amount is also defined. With the exception of cases where a tax remitter withholds the tax, a taxpayer is obliged to submit, to the relevant tax office, tax return concerning the acquisition of objects or property rights, prepared in the form prescribed, within a month as from the date on which tax liability arises. Documents necessary for the determination of the tax base should be attached to the tax return. Tax is payable within 14 days as from the receipt of the tax office's decision under which the amount of tax liability is determined.

Pursuant to Art. 4a.1 of the Act on Inheritance and Donation Tax, the acquisition of objects or property rights (including securities) is exempt from inheritance and donation tax if the acquirer is the spouse, a descendant, ancestor, stepchild, sibling or step-parent and if the acquirer has notified the relevant tax office of the acquisition of objects or property rights within six months as from the date on which tax liability arose and, in the case of acquisition by inheritance, within six months as from the date on which the court's decision confirming the acquisition became final. If the condition described above is not satisfied, the acquisition of objects or property rights is subject to inheritance and donation tax on the rules applicable to acquirers included in the first tax bracket.

The acquisition of objects or property rights is exempt from inheritance and donation tax if the acquired objects are located in the Republic of Poland and the property rights (including securities) are exercisable in the Republic of Poland, and if – on the acquisition date – neither the acquirer nor the testator or donor is a Polish citizen or has a permanent residence/registered offices in the Republic of Poland.

The Issuer's responsibility for withholding tax

The Issuer, as a remitter making payments of dividend and other profit distributions made by legal persons is – as a tax remitter – obliged to withhold corporate income tax on the date of payment.

Pursuant to Art. 30 of the Tax Law, a tax remitter who has failed to perform the obligation to compute, collect and pay tax to a tax authority is liable with all of their assets for the tax not collected or collected but not paid. However, the above provision is not applicable if separate regulations provide otherwise or if the tax has not been collected by the taxpayer's fault. In such a case, the tax authority issues a decision making the taxpayer liable.

ADDITIONAL INFORMATION

This Prospectus is a prospectus in the form of a single document within the meaning of Art. 21.1.1 of the Act on Public Offering, and has been prepared in accordance with the Act on Public Offering, Regulation 809/2004 and other applicable regulations and recommendations.

The Offering is carried out exclusively in the territory of the Republic of Poland. Outside the territory of the Republic of Poland this Prospectus may not be deemed as a recommendation, proposal or invitation to submit proposals of acquisition of any financial instruments. As part of the Offering certain limited promotional activities may be carried out to distribute information on the Offering exclusively to selected qualified institutional buyers outside the United States of America (excluding Poland) in accordance with Regulation S issued under the U.S. Securities Act. Such limited promotional activities shall be conducted, in each case in compliance with the applicable laws of each relevant jurisdiction, on the basis of a marketing document which is a translation of this Prospectus into the English language and which shall not be subject to approval by the PFSA or any other regulator under any jurisdiction.

Neither this Prospectus nor the securities offered under this Prospectus have been approved, registered or notified with any supervision authority or in any country other than the Republic of Poland, including, without limitation, under any regulations implementing the Prospectus Directive in the Member States or under the U.S. Securities Act.

The Offer Shares may not be offered outside the territory of Poland, unless such an offer may be carried out in a given country lawfully without the need to meet any additional legal requirements. Each investor domiciled or having their registered office outside the territory of Poland, who intends to participate in the Public Offering, should familiarise themselves with the provisions of Polish law as well as the laws of any other country which might apply to the investor in that respect.

It must be noted that for the purpose of the Offering this Prospectus is the only document containing legally binding information on the Company and the Offering. Prior to making a decision to invest in the Offer Shares investors should thoroughly analyse this Prospectus, including any supplements hereto approved by the PFSA and update announcements.

From the date of publishing of this Prospectus and throughout its validity term, this Prospectus as well as any supplements hereto and update announcements shall be available, without limitation, on the Company's website at (www.kruksa.pl).

Legal basis for the issue of the Existing Shares and New Shares; Currency of denomination

The legal basis for the issue of Series A registered shares is Resolution No. 2 of the Extraordinary General Shareholders Meeting of KRUK sp. z o.o. of June 28th 2005 on the transformation of KRUK sp. z o.o. (a limited liability company) into KRUK S.A. (a joint stock company), determination of the amount of share capital of the transformed company, determination of the amount allocated for payments to the shareholders who would not participate in the transformed company, determination of the manner of allotment of the shares in the transformed company not subscribed for by the shareholders who would not participate in the transformed company, appointment of the first members of the governing bodies of the transformed company, and approval of the wording of the articles of association of the transformed company.

The legal basis for the issue of Series B registered shares is Resolution No. 1 of the Extraordinary General Shareholders Meeting of August 7th 2008 on a share capital increase through the issue of 125,000 Series B registered shares with a par value of PLN 10 per share, with the existing shareholders holding pre-emptive rights to acquire Series B shares.

The legal basis for the separation of Series AA registered shares within the Company's share capital pursuant to Resolution No. 1 of the Extraordinary General Shareholders Meeting of November 24th 2010 on the separation of 1,136,660 Series AA registered shares with the par value of PLN 10 per share within the Company's share capital.

The legal basis for the conversion of Series A, AA and B registered shares into bearer shares and a split of the Company shares is Resolution No. 1 of the Extraordinary General Shareholders Meeting of November 24th 2010 on the separation of 1,136,660 Series AA registered shares with a par value of PLN 10 per share within the Company's share capital, conversion of the registered shares into bearer shares upon conversion of the shares of a given series (i.e. Series A, AA and B) into book-entry form pursuant to Art. 5.1 of the Act on Trading in Financial Instruments, and a split of the Company shares through a decrease in their par value from PLN 10 to PLN 1 and an increase in the number of shares, without decreasing the Company's share capital, through replacement of each 1 share with a par value of PLN 10 with 10 shares with a par value of PLN 1.

The legal basis for the issue of Series C ordinary bearer shares is Resolution No. 2 of the Extraordinary General Shareholders Meeting of December 9th 2010 on an increase of the Company's share capital through the issue of up to 491,520 Series C ordinary bearer shares with a par value of PLN 1 per share, with the existing shareholders' preemptive rights to acquire Series C shares waived in their entirety.

The legal basis for the issue of Series D ordinary bearer shares is Resolution No. 3 of the Extraordinary General Shareholders Meeting of December 9th 2010 on an increase of the Company's share capital through the issue of 1 to 1,100,000 Series D ordinary bearer shares with a par value of PLN 1 per share, with the existing shareholders' preemptive rights to acquire Series D shares waived in their entirety ("**Issue Resolution**") (see "*Appendices*" – "*Issue Resolution*").

The opinion of the Management Board stating the reasons for the waiver of preemptive rights and the manner of determination of the issue price of Series D shares is attached as an appendix to the Issue Resolution (see "*Appendices*" – "*Issue Resolution*"). The increase in the Company's share capital through the issue of Series D shares is expected to be registered with the registry court within approximately one month of the date of allotment of the Offer Shares.

Legal basis for the application for admission and introduction of the Existing Shares, New Shares and Allotment Certificates for Series D shares to trading on the main market of the WSE and for their registration with the Polish NDS

The Issue Resolution provides the legal basis for the application for admission and introduction of the Existing Shares, including the Series C shares and Sale Shares, New Shares and Allotment Certificates for Series D shares to trading on the main market of the WSE and for their registration with the depository for securities kept by the Polish NDS.

Documents available for inspection

The following documents shall be made available to the public for inspection on the Company's website during the validity term of this Prospectus: (i) the Articles of Association, (ii) the current copy of the Company's entry in the National Court Register, (iii) the Issue Resolution, and (iv) Consolidated Financial Statements.

Additionally, separate financial statements of the Company and financial statements of the Subsidiaries for the financial years ended on December 31st 2008, December 31st 2009 and December 31st 2010 shall be made available to the public during the validity term of this Prospectus at the Company's registered office in Wrocław at ul. Legnicka 56, in the Company's regular working hours, i.e. from 8.00 am to 4.00 pm.

Auditors

KPMG Audyt Sp. z o.o. with the registered office in Warsaw (00-867 Warszawa, ul. Chłodna 51) has audited the Group's Consolidated Financial Statements and issued an unqualified opinion thereon.

KPMG Audyt Sp. z o.o. is entered into the list of entities qualified to audit financial statements under entry number 458. Janusz Charytonowicz (qualified auditor No. 10615) and Karol Wolniakowski (qualified auditor No. 90100) audited the Consolidated Financial Statements on behalf of KPMG Audyt Sp. z o.o.

No resignation or dismissal of a qualified auditor authorised to audit the Company's and the Group's financial statements occurred in the period for which the Consolidated Financial Statements contained in this Prospectus had been prepared.

The entity authorised to audit the Company's financial statements and the Group's consolidated financial statements is appointed by the Supervisory Board.

The Supervisory Board has appointed KPMG Audyt Sp. z o.o. as the entity authorised to audit the Company's financial statements and the Group's annual consolidated financial statements for the years 2008-2010. The audit of the Consolidated Financial Statements has been carried out under an agreement on the audit of consolidated financial statements concluded on December 30th 2010.

Entities involved in the Offering:

Below are presented the entities involved in the Offering:

Offeror

Dom Inwestycyjny BRE Banku S.A., with registered office at ul. Wspólna 47/49, Warsaw, Poland, acts as the Offeror in the Offering. The Offeror's fees depend on the success of the Offering.

Joint Bookrunners

Dom Maklerski BZ WBK S.A., with registered office at Pl. Wolności 15, Poznań, Poland, and Wood & Company Financial Services, A.S., Spółka Akcyjna, Polish Branch, with registered office at ul. Złota 59, Warsaw, Poland, act as the Joint Bookrunners in the Offering. The Joint Bookrunners' fees depend on the success of the Offering.

The Company's Legal Advisor

The law firm Weil, Gotshal & Manges - Paweł Rymarz Spółka komandytowa, with registered office at ul. Emilii Plater 53, Warsaw, Poland, provides legal services to the Company in relation to the Offering. The Legal Advisor's fees are not related to the success of the Offering. The Company's Legal Advisor has provided legal services to the Selling Shareholder and in the future may provide legal services to the Selling Shareholder or the Company in relation to their business under relevant legal advisory agreements.

The Company's and the Selling Shareholder's Financial Advisor

CC Group Sp. z o.o., with registered office at ul. Zielna 41/43, Warsaw, Poland, provides financial advisory services to the Company and the Selling Shareholder in relation to the Offering. The Financial Advisor's fees are related to the success of the Offering.

The Company's and Selling Shareholder's Public Relations Advisor

CC Group Sp. z o.o., with registered office at ul. Zielna 41/43, Warsaw, Poland, provides public relations advisory services to the Company and the Selling Shareholder in relation to the Offering. The Public Relations Advisor's fees are not related to the success of the Offering.

Takeover bids

No third parties made takeover bids with respect to the Company's equity in the previous financial year and in 2011 to the Prospectus Date.

Information provided by experts

Except for the auditor's reports and opinion on the Consolidated Financial Statements no other experts' statements or reports have been used in this Prospectus.

REPRESENTATIONS BY ENTITIES RESPONSIBLE FOR INFORMATION CONTAINED IN THIS PROSPECTUS

Representation by the Company

KRUK S.A. of Wrocław, being responsible for information contained in this Prospectus, hereby represents that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge and belief, true, reliable and in accordance with the facts, and does not omit anything likely to affect the import of such information.

Piotr Krupa

President of the Management Board

Rafał Janiak

Member of the Management Board

Agnieszka Kulon

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

Representation by the Selling Shareholder

On behalf of Enterprise Investors Sp. z o.o., acting as a proxy for Polish Enterprise Fund IV, LP, with registered office at 1209 Orange Street, Wilmington, County of New Castle, State of Delaware, USA (the Selling Shareholder) we hereby represent that, having taken all reasonable care to ensure that such is the case, the information contained in the parts of this Prospectus for which Polish Enterprise Fund IV, LP, with registered office at 1209 Orange Street, Wilmington, County of New Castle, State of Delaware, USA (the Selling Shareholder), is responsible, is, to the best of our knowledge and belief, true, reliable and in accordance with the facts, and does not omit anything likely to affect the import of such information.

The responsibility of the Selling Shareholder as an entity responsible for the preparation of information contained in this Prospectus is limited to the information on the Selling Shareholder and its public sale of the Sale Shares contained in the following sections: “Summary” – “Company’s major shareholders”, “Summary” – “Summary of the terms and conditions, and schedule of the Offering”, sections from “Risk of the Public Offering being suspended, cancelled, or unsuccessful” to “Risk related to changes in the schedule of the Offering or an unexpected delay in the execution of the Offering in relation to the schedule” in section “Risk factors”, and sections “Major shareholders” and “Terms and conditions of the Offering”.

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Proxy

Representation by the Offeror

Dom Inwestycyjny BRE Banku S.A. of Warsaw, acting as the Offeror in the Offering, hereby represents that, having taken all reasonable care to ensure that such is the case, the information contained in the parts of this Prospectus for which Dom Inwestycyjny BRE Banku S.A. of Warsaw is responsible, i.e. in section “*Terms and conditions of the Offering*”, is, to the best of its knowledge and belief, true, reliable and in accordance with the facts, and does not omit anything likely to affect the import of such information.

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Representation by the Company's Legal Advisor

Acting on behalf of the law firm Weil, Gotshal & Manges – Paweł Rymarz Sp. k. of Warsaw, I hereby represent that, having taken all reasonable care to ensure that such is the case, the information contained in the parts of this Prospectus for which the law firm Weil, Gotshal & Manges – Paweł Rymarz Sp. k. is responsible, i.e. in sections “*Capital market in Poland. Obligations relating to the acquisition and disposal of shares*”, except for section “*Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)*”, and “*Taxation*”, is, to the best of my knowledge and belief, true, reliable and in accordance with the facts, and does not omit anything likely to affect the import of such information.

Marcin Chyliński
Commercial Proxy

ABBREVIATIONS AND DEFINITIONS

Unless the context requires otherwise, the capitalised terms which are not defined elsewhere in this Prospectus shall have the meanings specified below.

Shares	Existing Shares and New Shares
Existing Shares	15,800,340 shares with a par value of PLN 1 per share, including (i) 2,692,220 Series A shares, (ii) 11,366,600 Series AA shares, (iii) 1,250,000 Series B shares, and (iv) 491,520 Series C ordinary bearer shares in the Company's share capital issued as at the Prospectus Date
Offer Shares	From 3,300,001 to 9,300,000 New Shares and Sale Shares offered in the Offering
New Shares	From 1 to 1,100,000 Series D ordinary bearer shares issued by the Company in the Offering pursuant to the Issue Resolution
Sale Shares	From 3,300,000 to 8,200,000 Series AA shares offered in the Offering by the Selling Shareholder
Selling Shareholder	Polish Enterprise Fund IV, LP, with registered office at 1209 Orange Street, Wilmington, County of New Castle, State of Delaware, USA
U.S. Securities Act	The United States Securities Act of 1933, as amended
Supplement	Supplement to this Prospectus, as defined in Art. 51 of the Act on Public Offering
B2B	Business-to-Business relations
B2C	Business-to-Consumer relations
Auditor	KPMG Audyt Sp. z o.o., ul. Chłodna 51, 00-867 Warsaw, the Company's auditor
Share Price	The final issue price or selling price, as applicable, of one Offer Share under the Offering, as determined by the Company and the Selling Shareholder on the basis of a recommendation from the Offeror and the Joint Bookrunners upon completion of the book-building process
Maximum Price	The maximum price of the Offer Shares, as determined by the Company and the Selling Shareholder on the basis of a recommendation from the Offeror and the Joint Bookrunners
Prospectus Date	The date on which the PFSA approves this Prospectus
Declarations	Declarations of interest in acquiring the Offer Shares under the Offering submitted by Institutional Investors as part of the book-building process
Best Practices of WSE Listed Companies	"Best Practices of WSE Listed Companies", a set of corporate governance principles and recommendations applicable on the WSE
Admission	Admission and introduction of the Offer Shares and Allotment Certificates to trading on the main market of the WSE
The Company's Legal Advisor	Weil, Gotshal & Manges – Paweł Rymarz Sp. k.
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of November 4th 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC
EURO, EUR	The lawful currency of the Eurozone countries
FMCG	Fast Moving Consumer Goods
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
the Group, the KRUK Group	The Company as the parent along with its Subsidiaries and Non-Standard Closed-End Securitization Investment Funds

GUS	Polish Central Statistics Office
IBnGR	The Gdańsk Institute for Market Economics (Instytut Badań nad Gospodarką Rynkową)
Kancelaria Prawna RAVEN	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)
Polish Civil Code	Polish Civil Code of April 23rd 1964 (Dz.U. of 1964, No. 16, item 93, as amended)
Polish Criminal Code	Polish Criminal Code of June 6th 1997 (Dz.U. of 1997, No. 88, item 553, as amended)
Polish Commercial Companies Code	Polish Commercial Companies Code of September 15th 2000 (Dz. U. of 2000, No. 94, item 1037, as amended)
Distribution Consortium	Distribution consortium of Dom Inwestycyjny BRE Banku S.A. of Warsaw and Dom Maklerski BZWBK S.A. of Poznań
KRS	National Court Register
KRUK Corporate	KRUK Corporate Sp. z o.o. of Wrocław
KRUK International	KRUK International S.R.L. (Romania)
Order Book	The Order Book for the Offer Shares; the term Bookbuilding shall be construed accordingly
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 Closed-End Securitization Investment Funds	Prokura NS FIZ, Prokulus NS FIZ and Sekura NS FIZ, as applicable
the Offering, the Public Offering	The public offering of the Offer Shares in the territory of the Republic of Poland, carried out under this Prospectus
Offeror	Dom Inwestycyjny BRE Banku S.A. of Warsaw
Tax Legislation	Tax Legislation Act of August 29th 1997 (consolidated text, Dz. U. of 2005, No. 8, item 60, as amended)
Member State	A Member State of the European Economic Area
Allotment Certificates	Up to 1,000,000 allotment certificates for the Offer Shares
GDP	Gross Domestic Product
PLN	The Polish Złoty, the lawful currency in Poland
Client Service Office	A client service office accepting subscription orders for the Offer Shares in the Retail Offering
Polski Rynek Długów	Polski Rynek Długów sp. z o.o. of Wrocław
Banking Law	Banking Law of August 29th 1997 (consolidated text, Dz. U. of 2002, No. 72, item 665, as amended)
UOKiK President	President of the Office of Competition and Consumer Protection

Incentive Scheme	An incentive scheme for 2011-2014 implemented by the Company, addressed to the Management Board members, except for the President of the Management Board, selected employees of the Company and selected members of management boards and employees of the Subsidiaries, under which up to 845,016 registered subscription warrants will be issued free of charge, conferring the right to subscribe for a total of 845,016 ordinary bearer shares issued as part of a conditional share capital increase.
Prokura NS FIZ	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty
Prokulus NS FIZ	Prokulus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty
Prospectus	This Prospectus of the Company, being a prospectus as defined in the Act on Public Offering and in Regulation 809/2004, under which the Company will carry out the Offering and apply for the Admission
Supervisory Board	The Company's Supervisory Board
Monetary Policy Council (RPP)	The Monetary Policy Council, a body of the National Bank of Poland
Regulation S	Regulation S issued under the U.S. Securities Act
WSE Rules	Rules of the Warsaw Stock Exchange of January 4th 2006, as amended
Rules of Procedure of the Supervisory Board	Rules of Procedure of the Supervisory Board
Rules of Procedure of the General Shareholders Meeting	Rules of Procedure of the General Shareholders Meeting
Rules of Procedure of the Management Board	Rules of Procedure of the Management Board
ERIF	Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A. of Warsaw
RON	The Romanian Leu; the lawful currency in Romania
Regulation 809/2004	Commission Regulation (EC) No. 809/2004 of April 29th 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
Regulation on Reports	Regulation of the Minister of Finance of February 19th 2009 on current and periodic information to be disclosed by issuers of securities and conditions for recognising as equivalent of information required under the laws of a non-member state (Dz. U. of 2009, No. 209, item 1744, as amended)
Regulation on the Market and Issuers	Regulation of the Minister of Finance of October 14th 2005 on detailed conditions to be met by an official stock exchange market and issuers of securities admitted to trading on such market (Dz. U. of 2005, No. 206, item 1712)
EC Merger Regulation	Council Regulation (EC) No. 139/2004 of January 20th 2004 on the control of concentrations between undertakings (the EC Merger Regulation)
Secapital Luksemburg	Secapital S.à.r.l. (Luxembourg)
Secapital Polska	Secapital Polska Sp. z o.o. of Warsaw
Sekura NS FIZ	Sekura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty
Consolidated Financial Statements	The Group's consolidated financial statements for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, prepared in accordance with the IFRS
The Company; KRUK	Kruk S.A. of Wrocław

Subsidiaries	The Company's subsidiary undertakings, as defined in the Accountancy Act, and Kancelaria Prawna RAVEN
Articles of Association	The Company's Articles of Association
Eurozone	The group of countries which have adopted the Euro, including Austria, Belgium, Cyprus, Finland, France, Greece, Spain, Netherlands, Ireland, Luxembourg, Malta, Germany, Portugal, Slovakia, Slovenia, Italy
Detailed Rules of the Polish NDS	The Detailed Rules of the Polish National Depository for Securities, (Appendix 1 to Resolution of the Management Board of the Polish NDS No. 176/09 of May 15th 2009, as amended)
Detailed Trading Rules	The Detailed Trading Rules approved under Resolution No. 4/2006 of the WSE Management Board of January 10th 2006, as amended
Retail Offering	The offering of approximately 20% of the Offer Shares addressed to retail investors
Institutional Offering	The offering of Offer Shares addressed to institutional investors
Issue Resolution	Resolution No. 3 of the Extraordinary General Shareholders Meeting of December 9th 2010 on an increase of the Company's share capital, amendments to the Articles of Association, and application for admission and introduction of the Company shares to trading on the regulated market operated by the WSE
EU	the European Union
EU-27	27 Member States of the EU: Austria, Belgium, Cyprus, Czech Republic, Bulgaria, Denmark, Estonia, Finland, France, Greece, Spain, Netherlands, Ireland, Lithuania, Luxembourg, Latvia, Malta, Germany, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden, Hungary, UK and Italy
UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
Polish Patent Office	The Patent Office of the Republic of Poland (Urząd Patentowy Rzeczypospolitej Polskiej)
USD	The US Dollar, the lawful currency in the US
Act on Qualified Auditors	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)
Act on Investment Funds	Act on investment funds of May 27th 2004 (Dz.U. of 2004, No. 146, item 1546, as amended)
Act on Financial Market Supervision	Act on financial market supervision of July 21st 2006 (Dz. U. of 2006, No. 157, item 1119)
Act on Capital Market Supervision	Act on capital market supervision of July 29th 2005 (Dz. U. of 2005, No. 183, item 1537, as amended)
Act on Bonds	Act on bonds of June 29th 1995 (consolidated text, Dz. U. of 2001, No. 120, item 1300, as amended)
Act on Trading in Financial Instruments	Act on trading in financial instruments of July 29th 2005 (Dz. U. of 2005, No. 183, item 1538, as amended)
Act on Competition and Consumer Protection	Act on competition and consumer protection of February 16th 2007 (Dz. U. of 2007, No. 50, item 331, as amended)
Act on Public Offering	Act on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies of July 29th 2005 (consolidated text, Dz. U. of 2009, No. 185, item 1439, as amended)
Personal Income Tax Act	Act on personal income tax of July 26th 1991 (consolidated text, Dz. U. of 2000, No. 14, item 176, as amended)

Corporate Income Tax Act	Act on corporate income tax of February 15th 1992 (consolidated text, Dz. U. of 2000, No. 54, item 654, as amended)
Act on Duty on Actions under Civil Law	Act on duty on actions under civil law of September 9th 2000 (consolidated text Dz. U. of 2007, No. 68, item 450, as amended)
Act on Inheritance and Donation Tax	Act on inheritance and donation tax of July 28th 1983 (consolidated text, Dz. U. of 2004, No. 142, item 1514, as amended)
Value Added Tax Act	Act on value added tax of March 11th 2004 (Dz. U. of 2004, No. 54, item 535, as amended)
Accountancy Act	Accountancy Act of September 29th 1994 (consolidated text, Dz. U. of 2009 , No. 152, item 1223, as amended)
Act on Availability of Business Information	Act on the availability of business information and sharing of business data of April 9th 2010 (Dz. U. of 2010, No. 81, item 530)
General Shareholders Meeting	The Company's General Shareholders Meeting
Relevant Persons	(a) investment professionals, referred to in Article 19(5) of the Financial Promotion Order of 2005, issued under the UK Financial Services and Markets Act of 2000, as amended (“ the Order ”) or (b) high net worth companies, referred to in Article 49(2)(a)-(d) of the Order, or (c) persons to whom this Prospectus may otherwise be lawfully provided
Joint Bookrunners	The Offeror, Dom Maklerski BZWBK S.A. of Poznań and Wood & Company Financial Services, A.S. S.A., Polish Branch of Warsaw
Recommendation on the role of non-executive directors	The Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and the committees of the (supervisory) board
Invitation	Invitation to subscribe for the Offer Shares sent to an Institutional Investor upon completion of the book-building process
Management Board	The Company's Management Board

HISTORICAL FINANCIAL INFORMATION

Consolidated financial statements of the Group for the reporting periods ended December 31st 2008, December 31st 2009 and December 31st 2010, with the auditor's opinion

APPENDICES

Issue Resolution

Resolution No. 3
of the Extraordinary General Shareholders Meeting
of KRUK S.A. of Wrocław
of December 9th 2010

on an increase in the Company's share capital through an issue of Series D ordinary bearer shares, waiver of the existing shareholders' preemptive rights to acquire Series D shares, amendments to the Company's Articles of Association, application for admission and introduction of the Company shares to trading on the regulated market operated by the Warsaw Stock Exchange, and conversion of the Company shares into book-entry form

The Extraordinary Shareholders Meeting of KRUK S.A. of Wrocław (**"the Company"**), acting under Art. 430, 431, 432 and 433.5 of the Commercial Companies Code of September 15th 2000 (**"Polish Commercial Companies Code"**) and Par. 5 of the Company's Articles of Association, hereby resolves as follows:

Par. 1

1. The Company's share capital shall be increased by an amount not lower than PLN 1.00 (one złoty) and not higher than PLN 1,100,000.00 (one million one hundred thousand złoty) up to the maximum amount of PLN 16,900,340 (sixteen million nine hundred thousand three hundred and forty złoty) through an issue of no fewer than 1 (one) and no more than 1,100,000 (one million one hundred thousand) Series D ordinary bearer shares with a par value of one PLN 1 (one złoty) per share (**"Series D Shares"**).
2. The issue of Series D Shares shall be carried out through open subscription, as defined in Art. 431.2.3 of the Polish Commercial Companies Code, by way of public offering, as defined in Art. 3.3 the Act on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies of July 29th 2005 (**"the Act on Public Offering"**).
3. Series D shares shall be offered in accordance with the rules defined in the Company's prospectus (**"the Prospectus"**) drafted in compliance with the applicable laws in relation to the public offering of Series D Shares and application for admission and introduction of financial instruments, including Allotment Certificates for Series D Shares (**"Allotment Certificates for Series D shares"**) and Series D Shares to trading on the regulated market operated by the Warsaw Stock Exchange (**"WSE"**).
4. Series D Shares shall carry the right to dividend for the financial year 2010, i.e. starting from January 1st 2010 on a par with other shares of the Company.
5. Series D Shares may be paid for exclusively with cash contributions.

Par. 2

1. In the interest of the Company, the existing shareholders' preemptive rights to acquire Series D Shares shall be waived in their entirety.
2. A written opinion of the Management Board, stating the reasons for the waiver of the preemptive rights and specifying the manner in which the issue price of Series D Shares will be set is attached as an appendix hereto.

Par. 3

1. The Supervisory Board is hereby authorised to determine the final number of Series D Shares, pursuant to Art. 54 of the Act on Public Offering.

2. The Company's Management Board is hereby authorised to take any actions relating to the increase in the share capital and to determine detailed terms and conditions of subscription for and allotment of Series D Shares, including, without limitation, to:
 - a) set the issue price of Series D Shares,
 - b) set the opening and closing dates of the subscription for Series D Shares,
 - c) determine the rules of subscription for and allotment of Series D Shares, and
 - d) conclude agreements to secure a successful issue of Series D Shares, including best-effort or firm-commitment underwriting agreement/agreements, against consideration or otherwise.
3. The Company's Management Board shall be required to obtain approval of the Supervisory Board in order to exercise the authorisation referred to in Par. 3.2.a hereof.
4. The Company's Management Board is hereby authorised to take any actions necessary to carry out the public offering of Series D Shares, as defined in the Act on Public Offering, including, without limitation, to file an application for approval of the Prospectus with the PFSA.
5. The Company's Management Board is hereby authorised to make a decision, upon obtaining approval of the Supervisory Board, to abandon or suspend the performance of this Resolution, and abandon or suspend the public offering at any time. When taking the decision to suspend the public offering, the Management Board need not indicate a new timeframe for the public offering; such timeframe may be set and announced to the public at a later date.

Par. 4

1. In relation to Par. 1-3 hereof, Par. 4.1 of the Company's Articles of Association shall be amended to read as follows:

"1. The Company's share capital shall amount to from PLN 15,800,340 (fifteen million, eight hundred thousand, three hundred and forty złoty) to PLN 16,900,340 (sixteen million nine hundred thousand three hundred and forty złoty), and shall be divided into no fewer than 15,800,341 (fifteen million, eight hundred thousand, three hundred and forty one) shares and no more than 16,900,340 (sixteen million nine hundred thousand three hundred and forty) shares with a par value of PLN 1 (one złoty) per share, including:

 - a) *2,692,220 (two million six hundred and ninety two thousand two hundred and twenty) Series A ordinary bearer shares,*
 - b) *11,366,600 (eleven million three hundred and sixty six thousand six hundred) Series AA ordinary bearer shares,*
 - c) *1,250,000 (one million two hundred and fifty thousand) Series B ordinary bearer shares,*
 - d) *491,520 (four hundred and ninety one thousand five hundred and twenty) Series C ordinary bearer shares,*
 - e) *up to 1,100,000 (one million one hundred thousand) Series D ordinary bearer shares."*
2. The Supervisory Board is hereby authorised to determine the final amount by which the Company's share capital will be increased. Such amount may not be lower than the minimum amount or higher than the maximum amount of the increase, as set forth in Par. 1.1 hereof. The Management Board shall determine the provisions of Par. 4.1 of the Company's Articles of Association pursuant to Art. 310 in conjunction with Art. 431.7 of the Polish Commercial Companies Code, by way of a representation, in the form of a notarial deed, on the amount of share capital subscribed for upon the allotment of Series D Shares.
3. The Supervisory Board is hereby authorised to establish the consolidated text of the Company's Articles of Association.

Par. 5

1. The Extraordinary General Shareholders Meeting hereby resolves to seek admission and introduction of up to 15,800,340 (fifteen million eight hundred thousand three hundred and forty) Series A, AA, B and

C ordinary shares, as well as up to 1,100,000 (one million one hundred thousand) Series D Shares and up to 1,100,000 (one million one hundred thousand) Allotment Certificates for Series D Shares to trading on the regulated market operated by the WSE. The Management Board is hereby obliged and authorised to take any actions necessary to implement the provisions of this Par. 5.1.

2. The Extraordinary General Shareholders Meeting hereby resolves that all the Company shares, i.e. up to 15,800,340 (fifteen million eight hundred thousand three hundred and forty) Series A, AA, B and C ordinary shares, as well as up to 1,100,000 (one million one hundred thousand) Series D Shares and up to 1,100,000 (one million one hundred thousand) Allotment Certificates for Series D Shares shall be converted into book-entry form. Acting pursuant to Art. 5.8 of the Act on Trading in Financial Instruments of July 29th 2005, the Management Board is hereby obliged and authorised to conclude an agreement on registration of up to 15,800,340 (fifteen million eight hundred thousand three hundred and forty) Series A, AA, B and C ordinary bearer shares, as well as up to 1,100,000 (one million one hundred thousand) Series D Shares and up to 1,100,000 (one million one hundred thousand) Allotment Certificates for Series D Shares with the Polish NDS, and to take any other actions necessary for the conversion.

Par. 6

This Resolution shall become effective as of the date of its adoption, save for the provisions relating to the amendment of the Company's Articles of Association, which shall become effective as of the date of registration of the amendments by the registry court.

APPENDIX 1

OPINION OF THE MANAGEMENT BOARD OF KRUK S.A.

of December 7th 2010

concerning the grounds for waving shareholders' pre-emptive rights, in their entirety, with respect to the planned increase in the Company's share capital through an issue of Series D shares and the manner of determination of the issue price of Series D shares

Pursuant to Art. 433.2 of the Polish Commercial Companies Code ("**Commercial Companies Code**") the Management Board of KRUK S.A. of Wrocław ("**the Company**") prepared this opinion on December 7th 2010 with respect to the planned resolution of the Extraordinary General Shareholders Meeting on an increase in the Company's share capital through an issue of up to 1,100,000 (one million one hundred thousand) Series D shares ("**Series D Shares**") with the existing shareholders' pre-emptive rights to acquire Series D Shares waived in their entirety ("**the Resolution**").

I Waiver of preemptive rights to acquire Series D Shares

In the opinion of the Company's Management Board, the waiver of the existing shareholders' preemptive rights to acquire Series D Shares in their entirety is, for the reasons indicated below, in the interest of the Company and serves the achievement of the Company's strategic goals.

The increase in the Company's share capital through the issue of Series D Shares with the existing shareholders' pre-emptive rights to acquire Series D Shares waived in their entirety, and offering Series D Shares in a public offering is related to the proposed seeking of admission and introduction of the Company shares to trading on the regulated market operated by the Warsaw Stock Exchange ("**WSE**").

The issue of Series D Shares with the existing shareholders' pre-emptive rights waived, and the public offering of Series D Shares, is a way to raise additional funds for the development of the Company's business and implementation of its strategy. It will also enable the Company to expand its shareholder base, providing appropriate liquidity and dispersion of the shares on the WSE.

Taking the above into consideration, the Management Board believes that an issue of Series D Shares with the existing shareholders' pre-emptive rights waived in their entirety is in the interest of the Company. Therefore, the Management Board approves the issue of Series D Shares with the existing shareholders' pre-emptive rights waived in their entirety.

II Manner of determination of the issue price for Series D Shares

The Management Board will set the issue price for Series D Shares based on the results of the bookbuilding process, taking into consideration all the circumstances which are relevant to the determination of the issue price, such as, without limitation, the business climate on capital markets, market valuation of the Company, and the Company's financial condition and current developments, as well as recommendations of entities acting as offerors of Series D Shares.

Taking into account the volatility of capital markets and the length of the period between the date of the Extraordinary Shareholders Meeting's Resolution and the date of setting the issue price of Series D Shares, the grant of the authorisation to the Management Board in this respect is justified and in the interest of the Company.

Such manner of setting the issue price of Series D Shares makes it possible to set the price at a level corresponding to the market value of the shares, taking into account any possible discount.

A resolution of the Management Board in this respect will require approval of the Supervisory Board.

III Conclusions

Considering the above, the Management Board recommends that the Extraordinary General Shareholders Meeting should pass the Resolution.

For the Management Board

Articles of Association

The following is the consolidated version of the Articles of Association effective as at the Prospectus Date.

On March 17th 2011, the Annual General Shareholders Meeting adopted a resolution on amendments to the Articles of Association, adding item 19 to Par. 2.1, which reads as follows: "19) (PKD 69.20.Z) Accounting, bookkeeping and auditing activities; tax consultancy", and a resolution on the adoption of the consolidated text of the Articles of Association. On March 18th 2011, the Company applied to the registry court for registering the amendments to the Articles of Association. As at the Prospectus Date, the amendments were not registered.

On March 30th 2011, the Extraordinary General Shareholders Meeting adopted a resolution on determination of the rules for the incentive scheme for 2011-2014 implemented by the Company, conditional share capital increase and issue of subscription warrants with the existing shareholders' pre-emptive rights waived in their entirety with respect to the shares to be issued as part of the conditional share capital and the subscription warrants, and on amendments to the Company's Articles of Association, to be effected by adding par. 4a which reads as follows:

- „1. The share capital has been conditionally increased by up to PLN 845,016 (eight hundred and forty-five thousand, sixteen zloty) by way of an issue of up to 845,016 (eight hundred and forty-five thousand, sixteen) Series E ordinary bearer shares with a par value of PLN 1 (one zloty) per share.*
- 2. The conditional share capital increase referred to in par. 4a).1 above was made to grant the right to subscribe for Series E shares to the holders of subscription warrants issued under Resolution No. 1/2011 of the Extraordinary General Shareholders Meeting, dated March 30th 2011.*
- 3. Persons eligible to subscribe for Series E shares are the holders of subscription warrants issued by the Company under Resolution No. 1/2011 of the Extraordinary General Shareholders Meeting, dated March 30th 2011. The subscription warrants referred to in the previous sentence may be inherited but may not be encumbered or disposed of, with the exception of the following cases:*
 - (a) disposal of subscription warrants to the Company with a view to their retirement;*
 - (b) disposal of subscription warrants to a party or parties indicated by the Company; and*
 - (c) disposal of subscription warrants under exceptional circumstances, provided that a prior consent in the form of a resolution of the Supervisory Board is obtained.*
- 4. Holders of subscription warrants referred to in par. 4a).3 above shall be entitled to exercise the right to subscribe for Series E shares not earlier than after six months following the acquisition of the subscription warrants and not later than on June 30th 2016.*
- 5. Holders of subscription warrants referred to in par. 4a).3 above shall be entitled to exercise the right to subscribe for Series E shares prior to the lapse of six months following the acquisition of the subscription warrants if by the end of this period:*
 - a. an entity other than Polish Enterprise Fund IV, L.P. reaches or exceeds 50% of the total vote at the Company's General Shareholders Meeting; or*
 - b. a tender offer to acquire more than 33% of the Company shares is announced under the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of July 29th 2005 (consolidated text, Dz.U. of 2009, No. 185, item 1439, as amended).*
- 6. Series E shares shall be paid up in cash."*

and a resolution on the adoption of the consolidated text of the Articles of Association. In the near future, the Company intends to apply to the registry court for registering the amendments to the Articles of Association.

ARTICLES OF ASSOCIATION OF A JOINT-STOCK COMPANY

THE COMPANY

KRUK S.A.

**ul. Legnicka 56
54-204 Wrocław
Poland, Poland**

OFFEROR

Dom Inwestycyjny BRE Banku S.A.

**ul. Wspólna 47/49
00-684 Warsaw, Poland**

JOINT BOOKRUNNERS

Dom Maklerski BZWBK

**Pl. Wolności 15
60-967 Poznań, Poland**

**Wood & Company Financial Services, A.S.
Spółka Akcyjna, Polish Branch**

**ul. Złota 59
00-120 Warsaw, Poland**

LEGAL ADVISOR OF KRUK S.A.

Weil, Gotshal & Manges – Paweł Rymarz Sp. k.

**ul. Emilii Plater 53
00-113 Warsaw, Poland**

AUDITOR

KPMG Audyt Sp. z o.o.

**ul. Chłodna 51
00-867 Warsaw, Poland
registered under No. 458**

**THIS IS A TRANSLATION OF THE CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN POLISH**

Kruk Group

**Consolidated financial statements for the
years ended
December 31st 2008, December 31st 2009 and
December 31st 2010**

Prepared in accordance with the International Financial Reporting

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Consolidated statements of financial position

As at the end of the reporting periods ending 31 December 2008, 31 December 2009 and 31 December 2010

PLN '000

		Note	31 Dec 2010	31 Dec 2009	31 Dec 2008
Assets					
Non-current assets					
Property, plant and equipment	13		9,577	8,226	8,088
Other intangible assets	14		4,937	3,342	2,234
Goodwill	15		1,024	1,024	1,024
Trade and other receivables			-	29	-
Investments in associated and jointly-controlled undertakings valued with equity method			-	-	4,250
Deferred tax assets	17		3,301	2,722	5,491
Total non-current assets			18,839	15,343	21,087
Current assets					
Inventories	18		458	729	767
Current investments	16		264,487	155,435	152,176
Trade receivables	19		10,568	9,529	7,831
Current tax receivable	19		2	532	2,887
Other receivables	19		697	1,887	1,590
Prepayments and accrued income			1,726	680	278
Cash and cash equivalents	20		20,776	23,795	25,064
Total current assets			298,714	192,587	190,593
Total assets			317,553	207,930	211,680
Equity and liabilities					
Equity					
Share capital	21		15,309	15,771	15,771

The notes on pages 8 to 57 form an integral part of the consolidated financial statements

Kruk Group

Share premium account		5,308	9,795	9,795
Exchange differences on translation of foreign operations		385	248	3
Other capital reserves		2,967	2,218	2,218
Retained earnings		108,003	71,925	48,514
Equity attributable to owners of the parent		131,972	99,957	76,301
Non-controlling interests		42	79	237
Total equity		132,014	100,036	76,538

Non-current liabilities

Non-current liabilities under loans and borrowings, and other financial liabilities	23	77,996	13,566	56,317
Trade and other payables	26	-	8,000	-
Total non-current liabilities		77,996	21,566	56,317

Current liabilities

Current liabilities under loans and borrowings, and other financial liabilities	23	44,144	49,211	50,755
Trade and other payables	26	49,180	26,592	19,341
Current tax payable		-	23	45
Employee benefits payable	24	14,045	10,470	8,569
Current provisions	25	174	32	115
Total current liabilities		107,543	86,328	78,825

Total liabilities		185,539	107,894	135,142
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Total equity and liabilities		317,553	207,930	211,680
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Consolidated statements of comprehensive income

For the reporting periods ending 31 December 2008, 31 December 2009 and 31 December 2010

PLN '000

	<i>Note</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Continuing operations				
Revenue	7	164,281	128,575	103,882
Other operating income	8	870	852	1,122
Cost of goods for resale and materials sold		-	-	277
Salaries and wages and other employee benefits	10	56,723	45,830	38,148
Depreciation and amortisation		3,937	3,090	2,615
Contracted services		31,226	28,844	24,362
Other operating expenses	9	30,629	19,940	14,829
		122,515	97,704	80,231
Operating profit		42,636	31,723	24,773
Finance income	11	2,200	1,599	375
Finance expenses	11	9,231	5,985	8,873
Net finance expenses		(7,031)	(4,386)	(8,498)
Pre-tax profit		35,605	27,337	16,275
Income tax	12	(514)	3,848	(413)
Net profit for the period		36,119	23,489	16,688

Kruk Group

Other comprehensive income

Exchange differences on translation of foreign operations		137	245	(138)
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Other comprehensive net income for the period		137	245	(138)
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Total comprehensive income for the period		36,256	23,734	16,550
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Net profit attributable to:

Owners of the parent		36,078	23,411	16,452
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Non-controlling interests		41	78	236
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Net profit for the period		36,119	23,489	16,688
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Total comprehensive income attributable to:

Owners of the parent		36,215	23,656	16,314
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Non-controlling interests		41	78	236
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Total comprehensive income for the period		36,256	23,734	16,550
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Earnings per share

Basic (PLN)	22	2.34	1.48	1.10
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Diluted (PLN)	22	2.34	1.48	1.10
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Consolidated statements of changes in equity

For the reporting periods ending 31 December 2008, 31 December 2009 and 31 December 2010

PLN '000

	<i>Note</i>	Share capital	Share premium account	Exchange differences on translation of foreign operations	Other capital reserves	Retained earnings	Equity attributable to owners of the parent	non-controlling interests	Total equity
Equity as at 1 Jan 2008		14,521	545	141	2 127	32,062	49,396	4	49,400
- Net profit for the period		-	-	-	-	16,452	16,452	236	16,688
- Exchange differences on translation of foreign operations		-	-	(138)	-	-	(138)	-	(138)
Total comprehensive income for the period		-	-	(138)	-	16,452	16,314	236	16,550
Contributions from and distributions to owners		-	-						
- Payment of dividend		-	-	-	-	-	-	(3)	(3)
- Share-based payments		-	-	-	91	-	91	-	91
- Issue of treasury shares	21	1,250	9,250	-	-	-	10,500	-	10,500
Equity as at 31 Dec 2008		15,771	9,795	3	2,218	48,514	76,301	237	76,538
Equity as at 1 Jan 2009		15,771	9,795	3	2,218	48,514	76,301	237	76,538
- Net profit for the period		-	-	-	-	23,411	23,411	78	23,489
- Exchange differences on translation of foreign operations		-	-	245	-	-	245	-	245
Total comprehensive income for the period		-	-	245	-	23,411	23,656	78	23,734

The notes on pages 8 to 57 form an integral part of the consolidated financial statements

Contributions from and distributions to owners

- Payment of dividend	-	-	-	-	-	-	(236)	(236)
Equity as at 31 Dec 2009	15,771	9,795	248	2,218	71,925	99,957	79	100,036
Equity as at 1 Jan 2010	15,771	9,795	248	2,218	71,925	99,957	79	100,036
- Net profit for the period	-	-	-	-	36,078	36,078	41	36,119
- Exchange differences on translation of foreign operations	-	-	137	-	-	137	-	137
Total comprehensive income for the period	-	-	137	-	36,078	36,215	41	36,256

Contributions from and distributions to owners

- Payment of dividend	21	-	-	-	-	-	(79)	(79)
- Retirement of treasury shares	21	(462)	(4,487)	-	-	(4,949)	-	(4,949)
- Share-based payments		-	-	-	257	-	257	257
- Issue of shares (unregistered)	21	-	-	-	492	-	492	1 493
Contributions from and distributions to owners		(462)	(4,487)	-	749	-	(4,200)	(78) (4,278)
Equity as at 31 Dec 2010		15,309	5,308	385	2,967	108,003	131,972	42 132,014

Consolidated cash flow statements

For the reporting periods ending 31 December 2008, 31 December 2009 and 31 December 2010

PLN '000

	Note	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Cash flows from operating activities				
Net profit for period		36,119	23,489	16,688
<i>Adjustments</i>				
Depreciation of property, plant and equipment	13	2,657	2,296	2,057
Amortisation of intangible assets	14	1,280	794	558
Change in financial assets at fair value through profit or loss	16	(112,793)	1,741	(59,041)
Net finance expenses		7,585	5,673	8,612
(Gain)/loss on sale of property, plant and equipment		(3)	(108)	4
Equity-settled share-based payment transactions		257	-	91
Income tax		(515)	3,848	(413)
Change in inventories		271	38	(538)
Change in receivables		710	(2,024)	(1,536)
Change in prepayments and accrued income		(1,046)	(402)	97
Change in current trade and other payables		14,588	15,565	14,977
Change in employee benefits payable		3,551	1,901	3,546
Change in provisions		142	(83)	30
Income tax paid		507	1,253	1
Net cash flows provided by/(used in) operating activities		(46,689)	53,981	(14,867)
Cash flows from investing activities				
Interest received		1,235	-	89
Loans advanced		(2,396)	-	-
Sale of intangible assets and property, plant and equipment		133	108	208

Kruk Group

Sale of financial assets	-	-	1,082
Purchase of intangible assets and property, plant and equipment	(5,842)	(3,760)	(4,057)
Repayment of loans advanced	644	-	-
Net cash flows provided by/(used in) investing activities	(6 226)	(3,652)	(2,678)
Cash flows from financing activities			
Net proceeds from share issue	485	-	10,500
Proceeds from bond issue	111,482	-	-
Increase in loans and borrowings	15,607	6,695	74,596
Repayment of loans and borrowings	(33,823)	(47,559)	(45,906)
Payments under finance lease agreements	(3,475)	(4,196)	46
Dividends paid	(37)	(236)	(3)
Redemption of debt securities	(33,897)	-	-
Retirement of treasury shares	(114)	-	-
Interest paid	(6,331)	(6,302)	(7,404)
Net cash flows provided by/(used in) financing activities	49 896	(51,598)	31,829
Total net cash flows	(3,019)	(1,269)	14,284
Cash and cash equivalents at beginning of period	23,795	25,064	10,780
Cash at end of period	20	20,776	23,795
		25,064	25,064

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1. Parent Undertaking

Name:

Kruk Spółka Akcyjna ("Kruk S.A." or "Parent Undertaking")

Registered office:

ul. Legnicka 56
54-204 Wrocław, Poland

Registration in the National Court Register:

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

Date of entry: September 7th 2005

Entry number: KRS 0000240829

Description of business of the Parent Undertaking and Subsidiaries

The core business of the Parent Undertaking and its Subsidiaries is debt collection, including debt collection from purchased debt portfolios and fee-based credit management services.

The Parent Undertaking also provides loans to private individuals.

Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A., a subsidiary credit agency (until June 28th 2010 operating as European Register of Financial Information BIG S.A.; "ERIF"), provides credit information on private individuals and entities it stores and manages.

The consolidated financial statements for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 include the financial statements of the Parent Undertaking and its Subsidiaries (jointly the "Group").

The Parent Undertaking is Kruk S.A. A list of Subsidiaries is presented in Note 31.

2. Preparation of consolidated financial statements

a) Declaration of compliance

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (the "EU-IFRS").

These consolidated financial statements were approved by the Management Board of the Parent Undertaking (the "Management Board") on March 11th 2011.

b) Basis of valuation

These consolidated financial statements have been prepared for the years ended 31 December 2007, 31 December 2008 and 31 December 2009.

These consolidated financial statements have been prepared based on the historical cost approach, except with respect to the following significant items of the statements of financial position:

- financial instruments valued at fair value through profit or loss
- liabilities on account of cash-settled share-based payment transactions - valued at fair value.

The methods of measuring fair value are presented in Note 4.

Presentation of financial statements

The Group has applied the updated IAS 1 Presentation of Financial Statements (2007), in force as of January 1st 2009. As a result, in the consolidated statement of changes in equity, the Group has presented all the changes in equity attributable to shareholders, whereas changes in equity which do not result from transactions with shareholders are presented in the consolidated statement of comprehensive income.

c) Functional currency and presentation currency

The data contained in these consolidated financial statements is presented in the Polish Złoty (PLN), rounded to a thousand. The Polish Złoty is the functional currency of the Parent Undertaking.

d) Accounting estimates and judgements

In order to prepare financial statements in accordance with the EU-IFRS, the Management Board must make judgements, estimates and assumptions which affect the application of the adopted accounting policies and the values of assets, liabilities and equity, revenues and costs, whose real value may differ from the estimated values.

Any estimates and related assumptions are reviewed on an ongoing basis. Any changes in the accounting estimates are presented prospectively, starting from the reporting period in which the estimate is changed.

For information on judgements concerning the application of accounting policies, which most significantly affect the values presented in the financial statements, see the following notes:

- Note 16 Other investments
- Note 28 Financial instruments

For information on any judgements and estimates which are related to material risk and may require significant corrections in the financial statements for the following year, see the following notes:

- Note 16 Other investments
- Note 28 Financial instruments

3. Significant accounting policies

The accounting policies presented below have been applied with respect to all the reporting periods presented in the consolidated financial statements.

a) Basis of consolidation

(i) Business combinations

The Group had implemented IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations in the reporting period starting on January 1st 2009. Business combinations, including combination of closed-end investment funds, are accounted for with the

acquisition method as at the acquisition date, which is the date on which the Group assumes control over the acquired entity.

Control is defined as the ability to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In its assessment of whether control is exercised, the Group takes into account the voting rights which may be exercised as at the assessment date. The date of business combination is the day on which the acquirer takes control of the acquiree. The date of business combination is determined and the fact of assuming control of the acquiree by the acquirer are acknowledged by way of a judgement.

The Group recognises goodwill as fair value of the payment made, including the recognised value of non-controlling interest in the acquiree, less net value of the identifiable assets acquired and liabilities assumed as at the date of acquisition at fair value.

The payment made includes fair value of the transferred assets, liabilities incurred by the Group towards the previous owners of the acquired entity, and shares issued by the Group. The payment made also includes fair value of a partial conditional payment, as well as fair value of the acquirer's replacement share-based payment awards, as replacement is obligatory at business combinations. If, on account of a business combination, previous liabilities between the Group and the acquiree expire, the value of payment is decreased by the lower of the following amounts: the contractual price for the expiration of liability or the value of the out-of-market component, and recognised as other costs.

Conditional liabilities of the acquiree are accounted for in a business combination only where such liability is currently payable, results from past events, and its fair value may be estimated in a reliable manner.

The Group values all non-controlling interest in proportion to the interest in identifiable net assets of the acquiree.

Any transaction costs incurred in relation to a business combination, such as legal fees, costs of due diligence and other professional services, are recognised as costs for the period in which they are incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Parent Undertaking, including investment funds. Financial statements of Subsidiaries are consolidated from the date of assuming control over Subsidiaries to the date on which such control ceases to exist. The accounting policies applied by Subsidiaries are uniform with the policies applied by the Group.

(iii) Consolidation adjustments

Balances of settlements between the Group's entities, transactions concluded within the Group and any resulting unrealised gains or losses, as well as revenues and costs of the Group are eliminated at consolidation. Any unrealised gains on transactions with related and affiliated entities are eliminated from the consolidated financial statements in proportion to the Group's interest in those entities. Unrealised losses are eliminated from the consolidated financial statements according to the same rule as unrealised gains, however, only if no impairment indications exist.

b) Foreign currencies

(i) Foreign currency transactions

Transactions denominated in foreign currencies as at the transaction date are recognised in the functional currencies of the Group's entities, at bid or ask rates quoted as at the transaction date by the bank whose services a given entity uses.

Cash items of assets and liabilities denominated in a foreign currency are translated as at the end of the reporting period at the relevant mid exchange rate quoted by the National Bank of Poland for that date. Exchange differences on valuation of assets and financial liabilities as at the end of the reporting period are the differences between the value at amortised cost in the functional currency as at the beginning of the reporting period, adjusted for the interest accrued and payments made during the reporting period, and the value at amortised cost in the foreign currency, translated at the relevant mid exchange rate quoted by the National Bank of Poland for the end of the reporting period.

Non-monetary items of foreign currency assets and liabilities valued at historical cost are translated at the relevant mid exchange rate quoted by the National Bank of Poland for the transaction date.

Non-monetary items of foreign currency assets and liabilities valued at fair value are translated at the relevant mid exchange rate quoted by the National Bank of Poland for the date of fair value measurement.

Currency-translation differences are recognised in profit or loss for the given period. Non-monetary items measured at historical cost in a foreign currency are translated at the relevant exchange rate at the date of the transaction

(ii) Translation of foreign operations

Assets and liabilities of foreign entities, including goodwill and consolidation adjustments to the fair value as at the acquisition date, are translated at the mid exchange rate quoted by the National Bank of Poland at the end of the reporting period.

Any currency-translation differences are recognised as other comprehensive income. In the event of disposal of a foreign entity, in whole or in part, relevant amounts recognised in equity are charged to profit or loss for the period.

Any exchange differences on monetary items in the form of receivables from or liabilities towards a foreign entity which are not planned or probable to be settled in foreseeable future, are a part of net investment in the entity operating abroad, and recognised in other income total and presented in the equity as exchange differences on translation.

c) Financial instruments

(i) Financial instruments other than derivative instruments

Loans, receivables and bank deposits are recognised at the date of origination. All other financial assets (including assets measured at fair value through profit or loss) are recognised at the transaction date, on which the Group becomes a party to a mutual liability pertaining to a given financial instrument.

The Group ceases to disclose a financial asset upon the expiry of the Group's contractual rights to cash flows from that asset or upon the transfer of those rights in a transaction transferring substantially all material risks and benefits relating to the ownership of the asset. Each interest in the transferred financial asset which is created or remains to be owned by the Group is disclosed as a separate asset or liability.

Financial assets and liabilities are set off against each other and disclosed in net amount in the statement of financial position exclusively if the Group holds a legally valid title to set off specified financial assets and liabilities or if it intends to settle a given transaction for the net value of the financial assets and liabilities being set off, or if it intends to simultaneously realise set-off financial assets and settle set-off financial liabilities.

The Group holds the following financial instruments other than financial derivatives: financial assets at fair value through profit or loss, financial assets held to maturity, loans and receivables.

Financial assets at fair value through profit or loss

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

Purchased debt portfolios

Purchase debt portfolios comprise mass overdue consumer debt (such as debt under consumer loans, unpaid utility bills, etc.) purchased by the Group under claim assignment agreements. Prices paid by the Group for such debt portfolios are significantly lower than the nominal value of the debt. 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 the Group's results of operations are assessed based on their fair value.

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

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

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

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

The Group discloses purchased debt portfolios as current investments as they predominantly contain overdue debt.

Financial assets held to maturity

If the Group intends and is able to hold debt securities to maturity, such debt securities are classified as financial assets held to maturity. Financial assets held to maturity are initially recognised at fair value plus directly attributable transaction cost. Subsequently, financial assets are measured at amortised cost with the use of the effective interest rate method, less impairment losses, if any.

If a larger-than-insignificant amount of financial assets held to maturity is disposed of or reclassified earlier than close to their maturity, the Group reclassifies all investments held to maturity to investments available for sale and until the end of a given annual reporting period and throughout the next two annual reporting periods the Group may not classify purchased investments as financial assets held to maturity.

Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, but not listed on any active market. Such assets are initially recognised at fair value plus directly attributable transaction cost. Subsequently, loans and receivables are measured at amortised cost with the use of the effective interest rate method, less impairment losses, if any.

The Group also discloses cash and cash equivalents, as well as trade receivables under loans and receivables.

Cash and cash equivalents comprise cash at hand and cash at banks on call deposit accounts with initial maturities of up to three months. Balance of cash and cash equivalents disclosed in the consolidated statement of cash flows comprises the above-specified cash and cash equivalents, less unpaid overdraft facilities, which form an integral component of the Group's cash management system.

Financial liabilities other than derivative instruments

The Group classifies financial liabilities other than derivative instruments as other financial liabilities. Such liabilities are initially recognised at fair value plus directly attributable transaction cost. Following the initial recognition, such liabilities are measured at amortised cost with the use of the effective interest rate.

Financial liabilities are recognised as at the date of transaction under which the Group becomes a party to an agreement obliging it to the delivery of a financial instrument.

The Group derecognises a financial liability when the liability has been repaid, written off or is time barred.

Financial assets and liabilities are set off against each other and disclosed at net amounts in the statement of financial position only if the Group holds a legally valid title to set off specified financial assets and liabilities or if it intends to settle a given transaction for the net value of the financial assets and liabilities being set off, or if it intends to simultaneously realise set-off financial assets and settle set-off financial liabilities.

The Group holds the following financial liabilities: loans, borrowings, liabilities under debt securities, finance lease liabilities, trade and other payables.

(ii) Equity

Ordinary shares

Ordinary shares are recognised under equity. Costs directly attributable to the issue of ordinary shares and stock options, adjusted by the effect of taxes, reduce equity.

d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are recognised at cost, less depreciation charges and impairment losses.

Acquisition cost comprises the price for which a given asset was purchased and costs directly related to the purchase

and adaptation of the asset for use, including the cost of transport, loading, unloading and storage, as well as direct remuneration (in the event of an item of property, plant and equipment produced internally). Rebates, discounts and other similar concessions and returns decrease the asset acquisition cost. Production cost of property, plant and equipment or tangible assets under construction comprises all the expenses incurred by a company to construct, install, adapt or improve such asset until the day on which the asset was placed in service (or, where the asset has not been placed in service, until the reporting date). Production cost also comprises preliminary estimation of the cost of dismantling and removing items of property, plant and equipment, as well as of restoring them to their initial condition, if such estimation is required. Purchased software, necessary for the proper operation of related equipment, is capitalised as a part of this equipment.

Borrowing costs related to the acquisition or production of certain assets increase their acquisition or production cost.

If a specific item of property, plant and equipment consists of separate and material components with different economic useful lives, such components are treated as separate assets.

Gain or loss on disposal of an item of property, plant and equipment is estimated as a difference between the disposal proceeds, and is recognised in current period's profit or loss under other operating income and expenses. If the disposal is related to previously re-measured assets, an appropriate amount from the revaluation reserve is transferred to retained earnings.

(ii) Subsequent expenditure

The Group undertakings capitalise future expenditure on replacement of an item of property, plant and equipment, if such expenditure may be reliably estimated and if the Group is likely to derive economic benefits from such replacement. Present value of the removed items of property, plant and equipment is derecognised. Expenditure related to the maintenance of items of property, plant and equipment is recognised as current period's profit or loss at the time it is incurred.

(iii) Depreciation

The value of depreciation charges is determined based on acquisition or production cost of a certain asset, less its residual value.

Depreciation cost is recognised in current period's profit or loss, using the straight-line method with respect of the useful economic lives of the certain item of property, plant and equipment. This method reflects the manner of achieving future economic benefits related to the use of a certain asset in the best possible way. Assets used under lease agreements or other similar agreements are depreciated over the shorter of their estimated useful life or the lease term, unless the Group is certain that it obtains ownership before the end of the lease. Land is not depreciated.

The Group has adopted the following length of useful lives for particular categories of property, plant and equipment:

Buildings (investments in third-party facilities)	15 years
Plant and equipment	3-10 years
Vehicles	5 years

The reliability of applied useful economic lives, depreciation methods and residual values of property, plant and equipment is reviewed at the end of each reporting period and adjusted in justified cases.

e) Intangible assets

(i) Goodwill

Goodwill arises on acquisition of subsidiary undertakings. Goodwill valuation methods at the time of its initial recognition are described in Note 3(a)(i).

Measurement after the initial recognition

Following the initial recognition, goodwill is recognised at acquisition cost, less cumulative impairment losses.

Goodwill is not amortised. As at the end of each reporting period, goodwill is tested for impairment.

(ii) Other intangible assets

Other acquired intangible assets with finite useful economic lives are recognised based on their acquisition cost, less amortisation charges and impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases future economic benefits to be generated by the asset. Other expenditure, including internally generated trademarks, goodwill and brand is recognised in the current period's profit or loss at the moment in which it is incurred.

(iv) Amortisation

The value of amortisation charges is determined based on acquisition or production cost of a certain asset, less residual value.

Amortisation cost is recognised in the current period's profit or loss on the straight-line basis with respect of the estimated useful life of a certain intangible asset, other than goodwill, from the moment it is put into service. This method reflects the manner of achieving future economic benefits related to the use of a certain asset in the best possible way.

The Group has adopted the following length of useful lives for particular categories of intangible assets:

Patents and trademarks	5 years
Software	5 years

The reliability of applied useful economic lives, amortisation methods and residual values of intangible assets is reviewed at the end of each reporting period and adjusted in justified cases.

f) Property, plant and equipment used under lease agreements

Lease agreements under which the Group assumes substantially all the risks and benefits resulting from the ownership of the property, plant and equipment are classified as finance lease agreements. Assets acquired under finance lease agreements are initially recognised at the lower of their fair value or present value of the minimum lease payments, less any depreciation charges and impairment losses.

Lease agreements which are not finance lease agreements are treated as operating lease and not recognised in the statement of financial position.

g) Inventories

Inventories are measured at acquisition cost not higher than net realisable price. The value of inventories is determined using the FIFO ("first in, first out") method. The acquisition cost comprises the purchase price increased by costs directly related to the purchase.

Net realisable price is the selling price estimate made in the course of business, less estimated cost to complete and estimated cost necessary to close the sale.

h) Impairment losses on assets

Financial assets other than derivative instruments

At the end of each reporting period, financial assets other than measured at fair value through profit and loss, are tested for impairment based on objective criteria. A particular financial asset is deemed to be impaired if, after its initial recognition, any objective criteria indicating the occurrence of an event causing impairment, which might have a reliably estimated negative impact on projected cash flows related to that asset, have been met.

Such objective criteria of impairment of financial assets include default or delay in payment by a debtor; debt restructuring approved by the Group for economic or legal reasons resulting from the debtor's poor financial condition, which the Group would not otherwise have approved of; circumstances indicating that the debtor or issuer is likely to go bankrupt; disappearance of an active market for a particular financial asset.

The Group tests for impairment each individual asset of receivables or financial instruments held to maturity.

In impairment testing, the Group uses historical trends to assess the probability of default, the payment dates and the losses incurred, adjusted by the Management Board's estimates indicating whether the current economic and credit conditions show any signs of future significant differences between the actual losses to be incurred and the projections based on the review of historical trends.

Impairment of a financial asset measured at amortised cost is estimated as the difference between its book value and the present value of projected cash flows discounted at the original effective interest rate. Any losses are recognised in profit or loss for the period and decrease the current value of financial assets; the Group continues to charge interest on impaired assets. If any subsequent circumstances indicate that the criteria for impairment losses have ceased to be met, reversal of impairment losses is recognised in profit or loss for the current period.

(ii) Non-financial assets

Book value of non-financial assets other than inventories and deferred tax assets is tested for impairment as at the end of each reporting period. If any criteria of impairment are met, the Group estimates the recoverable amount of particular assets. The recoverable amount of goodwill, intangible assets with infinite lives and intangible assets which are not yet fit for use is estimated at the same time each year.

The recoverable amount of assets or cash-generating units is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, projected cash flows are discounted using a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped up to the smallest distinguishable units which generate cash largely independently from other assets or units of assets ("cash-generating units").

The Group tests goodwill for impairment by grouping cash-generating units so that the organizational level, being no higher than the isolated segment of operations, at which the impairment testing is made reflects the lowest organizational level at which the Group monitors goodwill for its own purposes.

For impairment testing, goodwill acquired in business combinations is allocated to the cash-generating units for which synergies are expected as a result of a business combination.

The Group's corporate (joint) assets do not generate separate cash inflows. If any criteria of impairment of corporate assets are met, the recoverable amount is assessed for the cash-generating units to which those assets belong.

An impairment loss is recognised when the book value of an asset or cash-generating unit is higher than its recoverable amount. Impairment losses are recognised in profit or loss for the period. Impairment of a cash-generating unit is first recognised as impairment on goodwill allocated to that unit (group of units), and subsequently as impairment of the book value of other assets of that unit (group of units) on pro-rata basis.

Goodwill impairment losses are irreversible. Impairment losses on other assets, recognised in previous periods, are reviewed for a decrease or reversal at the end of each reporting period. Impairment losses are reversible if the estimates applied to the assessment of the recoverable amount have changed. An impairment loss is reversible only up to the initial value of an asset, less depreciation charges that would have been made if the impairment loss had not been recognised.

i) Employee benefits

(i) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to make further payments. Contributions payable to a defined contribution plan are recognised as cost of employee benefits and charged to profit or loss in the period when the employee rendered the related service. A prepayment is recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. Contributions to a defined contribution plan that fall due within more than twelve months after the period in which the employee rendered the related service are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Group recognises liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payments (share appreciation right)

Fair value of the amount payable to employees under share appreciation rights granted to them by the Parent Undertaking's shareholders, provided that the Parent Undertaking has incurred no liability to settle the scheme, is recognised as an expense with a corresponding increase in equity. The fair value is initially measured as at the grant date and recognised over the period in which employees become unconditionally entitled to payments. The value of the entire scheme is reviewed as at the end of each reporting period and as at the vesting date, by changing the number of rights that are expected by the Company to be unconditionally vested. Any changes in the fair value of the liability are disclosed as reversal of previously recognised items in the current period. The fair value of individual rights remains unchanged, unless modifications are made to the terms and conditions of the share-based scheme, for instance, with respect to the exercise price, the number of rights granted and the vesting conditions. In such cases the fair value of individual rights may only be increased.

j) Provisions

Provisions are recognised when the Group has a present legal or constructive liability resulting from past events, which can be reliably estimated and which is likely to cause an outflow of economic benefits when discharged. The amount of provision is determined by discounting the projected future cash flows at an interest

rate before tax that reflects current market estimates of the time value of money and the risks associated with the liability. The unwinding of the discount is recognised as a finance cost.

k) Revenue

(i) Revenue from debt collection services

Revenue from debt collection services includes revenue from the sale of debt collection services (fee-based credit management) and revenue from purchase debt portfolios.

Revenue from fee-based credit management services

Revenue from fee-based credit management services comprises commission fees due for the collection of debts. Such revenue is recognised on an accrual basis, in the period in which the service was provided, based on the collected amounts.

Revenue from debt purchase

Estimated inflows from debt portfolios are divided into principal recoveries and interest determined using the discount rate. Recovered principal is recognised as a decrease in the present value of the debt portfolios, while the interest received is recognised as revenue earned in a given period. Moreover, changes in fair value resulting from changes in estimated future cash flows for a given debt portfolio and changes in the adopted discount rate are disclosed as revenue earned in a given period. For a detailed description of the accounting policies relating to purchased debt portfolios, see Note 3(c)(i).

(ii) Sales of goods for resale and materials

Revenue from sales of goods for resale and materials is disclosed in the amount equal to the fair value of the payment received, net of refunds, discounts and rebates.

l) Lease payments

Payments made under operating leases are recognised in profit or loss of the period, on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss of the period as an integral part of the total lease expense over the lease term.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease, when the lease adjustment is confirmed.

m) Finance income and expenses

Finance income includes interest income on the funds invested by the Group (net of income on purchased debt, see (k)(i)), dividend receivable and reversal of impairment losses on financial assets. Interest income is

presented in profit or loss of the period on the accrual basis using the effective interest rate method. Dividend is accounted for in profit or loss of the period as at the date when the Group becomes entitled to receive the dividend.

Finance expenses include interest on debt financing, unwinding of the discount on provisions, and impairment losses on financial assets. Borrowing costs that are not directly attributable to acquisition, construction or production of particular assets are recognised in profit or loss of the period using the effective interest rate method. Foreign exchange gains and losses are posted in net amounts.

n) Income tax

Income tax comprises current and deferred tax. Current and deferred tax is recognised in profit or loss of the period except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current tax is the expected income tax payable or receivable in respect of taxable income for the year, determined using tax rates enacted or substantially enacted at the reporting date, and any adjustment to income tax payable in respect of previous years' income.

Deferred tax is recognised in respect of temporary differences between the amounts of assets and liabilities as disclosed in the statement of financial position and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither profit or loss of the period, nor taxable income,
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not be disposed of in the foreseeable future,
- initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied when temporary differences reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset is recognised in respect of carry-forward tax losses, tax credits and deductible temporary differences in the amount of the probable taxable income which would enable these differences and losses to be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Earnings per share

The Group presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period, adjusted for the number of own shares held by the Group. Diluted earnings per share are calculated by dividing the adjusted profit or loss attributable to holders

of ordinary shares by the weighted average number of ordinary shares adjusted for the number of own shares and the dilutive effect of any potential shares.

p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses relating to transactions with other components of the Group. Operating results of each segment are reviewed regularly by the Group's chief operating decision maker that makes decisions about resources to be allocated to the segment and assess its performance. Furthermore, discrete financial information is available for each segment.

Operating results of each segment which are reported to the Parent Undertaking's operating decision maker include items which may be assigned directly to the segment and items which may be assigned indirectly, based on reasonable grounds. Unassigned items relate mainly to common (corporate) assets (assets relating primarily to the management board of the undertaking), costs of the undertaking's head office and corporate income tax assets and liabilities.

q) New standards and interpretations not applied in these financial statements

Some new standards, changes to standards and interpretations which apply to the annual reporting periods beginning after January 1st 2010 have not been applied in the preparation of these financial statements. None of them should have a material effect on the consolidated financial statements of the Group, except for *IFRS 9 Financial Instruments: Recognition and Measurement*, which will apply to the financial statements of the Group for 2013 and could affect the classification and measurement of financial assets. The Group does not plan to apply the standard earlier, and the effect of its application have not been estimated.

4. Determination of fair value

In many cases, the accounting and disclosure policies adopted by the Group require that the fair value of both financial and non-financial assets and liabilities be determined. Fair values are determined and disclosed using the methods presented below. In justified cases, further information concerning the assumptions used for the calculation of fair values have been presented in respective notes specific to the relevant assets or liabilities.

(i) Property, plant and equipment

Fair value of property, plant and equipment acquired as a result of a business combination is based on the market value of such property, plant and equipment. The market value of real property is the estimated amount for which, as at the valuation date of the real property, it could be exchanged between knowledgeable and willing parties in an arm's length transaction executed after appropriate marketing activities have been conducted

Fair value of other items of property, plant and equipment is determined using the market approach and cost methods which are based on market quoted prices for similar assets, if available, and, in justified cases, on replacement costs.

(ii) Intangible assets

Fair value of patents and trade marks acquired as a result of a business combination is determined based on estimated discounted payments of royalties that were not incurred as a result of the acquisition of the ownership title to the patent or trade mark. Fair value of customer relationships acquired as a result of business combinations is determined using the multi-period excess of earnings method under which the value of an

asset is measured, net of any reliably determined return on all other assets participating in the creation of related cash flows.

Fair value of other intangible assets is based on the discounted cash flows expected from the use or any disposal of such assets.

(iii) Inventories

Fair value of inventories acquired as a result of a business combination is determined based on the estimated selling price in the ordinary course of business, net of estimated cost of preparing the inventories for sale and executing the sale and a reasonable profit margin based on the expenditures incurred to prepare the inventories for sale and execute the sale.

(iv) Trade and other receivables

Fair value of trade and other receivables is estimated as the present value of future cash flows discounted using a market interest rate as at the reporting date. Receivables with short maturities are not discounted because their book value is approximately equal to their fair value. Fair value is estimated only for the purpose of disclosure.

(v) Financial instruments at fair value through profit or loss

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

(vi) Financial liabilities other than derivative instruments

Fair value estimated for the purpose of disclosure is calculated based on the present value of future cash flows from repayment of principal and payment of interest, discounted using the market interest rate effective as at the end of the reporting period. For finance lease liabilities, the market interest rate is determined with reference to similar lease agreements. Liabilities with short maturities and liabilities for which interest rates are adjusted for changes in base rates on an on-going basis are not discounted because their book value is approximately equal to their fair value.

(vii) Share-based payments

Share-based payments are valued with the use of the Cox-Ross-Rubinstein binomial tree model. The model was selected as it offers the ability to include two conditions entitling to receive payments (budget execution and share appreciation) in the valuation analysis and to differentiate the amounts of payments depending on the extent of share appreciation.

5. Financial risk management

Introduction

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

- credit risk
- liquidity risk
- market risk

This note presents information on the Group's exposure to each type of the above risks, the Group's objectives, policies and procedures for measuring and managing the risks, and the Group's management of capital. Note 28 to the consolidated financial statements presents respective quantitative disclosures.

Key policies of risk management

The Management Board is responsible for establishing risk management procedures and for overseeing their application.

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

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 receivables for the services provided by the Group and from purchased debt portfolios.

Trade and other receivables

The Management Board has established a credit policy whereby each client is evaluated for its creditworthiness before any payment dates and other contractual terms and conditions are offered to the client. The evaluation includes external ratings of the client, when available, and in some cases bank references. Each client is assigned a transaction limit which represents the maximum transaction amount for which no approval from the Management Board is required.

The Group regularly monitors whether payments are made when due, and if any delays are found, the following actions are taken:

- notices are sent to clients
- e-mails are sent to clients
- telephone calls are made to clients.

Over 20% of clients have conducted business with the Group for at least three years. In only few cases losses were incurred by the Group as a result of non-payment. Trade and other receivables mainly represent fees receivable in respect of debt collected for clients.

The Group's exposure to credit risk mainly results from individual characteristics of each client. The Management Board believes that the Group's credit risk is low as the Group's counterparties are mainly

financial institutions and reputable companies. The Group's largest client generates 4.2% of the Group's total revenue (4.2% and 1.6% in 2009 and 2008, respectively). Receivables from the Group's largest client represented 9.6% of total receivables, VAT inclusive, as at 31 December 2010 (11.9% as at 31 December 2009 and 8.5% as at 31 December 2008). Therefore, there is no significant concentration of credit risk at the Group.

The Group recognises impairment losses which represent its estimates of incurred losses on trade and other receivables. Impairment losses comprise specific losses related to individually significant exposures.

Purchased debt portfolios

Purchased debt portfolios include overdue debts which prior to the purchase by the Group were often subject to collection by the seller of the portfolio or by a third party acting on the seller's behalf. Therefore, credit risk related to the purchased debt portfolios is relatively high, although the Group has the experience and advanced analytical tools necessary to estimate such risk.

As at the date of purchase of a debt portfolio, the Group evaluates the portfolio's credit risk which is subsequently reflected in the price offered for the portfolio.

As the purchased debt portfolios are measured at fair value, the credit risk is reflected in the portfolios' valuations as at the end of each reporting period.

As at each valuation date, the Group estimates the credit risk based on past inflows from a given portfolio as well as other portfolios featuring similar characteristics. The following parameters are taken into account in the credit risk assessment:

- Debt
 - outstanding amount
 - principal
 - principal to debt ratio
 - amount of credit granted / total amount of invoices
 - type of product
 - debt past due (DPD)
 - contract's term
 - time elapsed from contract execution
 - collateral (existence, type, amount).
- Debtor:
 - credit amount repaid so far / amount of invoices repaid so far
 - time elapsed from the last payment made by the debtor
 - region
 - debtor's legal form
 - debtor's death or bankruptcy
 - debtor's employment.
- Debt processing by the previous creditor:
 - availability of the debtor's correct contact data
 - in-house collection – by the previous creditor's own resources
 - outsourced collection – debt management by third parties

- issuance of a bank enforced collection order
- court collection
- bailiff collection.

Changes of the credit risk assessment have an effect on the expected amount of future cash flows which are used as a basis of valuation of the purchased debt portfolios.

The Group minimises the risk by performing a thorough valuation of each portfolio before it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process. Debt portfolios are purchased at official auctions, and prices offered by the Group in most of such auctions do not differ significantly from prices offered by the Group's competitors. A similar valuation of a debt portfolio by several specialist companies at the same time reduces the risk of an incorrect valuation.

The market value of a portfolio and its maximum purchase price are determined based on a complex statistical and economic analysis. Initially, portfolios are divided into sub-portfolios based on debt amount and type of security. This is done to select debts which can be valued using statistical methods. Remaining sub-portfolios are valued on a case-by-case basis in a due diligence process.

Proceeds are estimated based on a statistical model developed on the basis of available and precisely selected reference data matching the valuation data. The reference data is derived from a database containing information on portfolios previously purchased and collected by the Group.

Once the evaluation of effectiveness and debt collection tools is completed, all parameters and comparative data for the reference portfolio, collection process, efficiency curve and risk are gathered. Also at this stage additional parameter reviews are considered, based on expert opinions. A single document (business plan) is then drafted, containing a summary of adopted assumptions and the resultant projection of expected cash flows from a portfolio, and a financial model is structured. The business plan serves to define the maximum purchase price that can be offered. The maximum price is set based on the expected investment yield (mainly the internal rate of return, payback period, and nominal return). The expected return on investment largely depends on the risk inherent in a given project, which in turn depends on quality of the data provided by the client for valuation, reference data matching, number and quality of both macro- and microeconomic expert indicators used to prepare the cash flow forecast.

Moreover, the Group diversifies the risk by purchasing various types of debt, with varying degrees of problems and overdue periods.

The Group uses the following collection measures:

- notices
- phone calls
- text messages
- partial debt cancellation
- intermediation in securing an alternative source of financing,
- doorstep collection (at home or workplace)
- detective activities
- amicable settlements
- court collection
- enforcement against collateral.

As at 31 December 2010, the Group held cash and cash equivalents of PLN 20,776 thousand (31 December 2009: PLN 23,795 thousand; 31 December 2008: PLN 25,064 thousand), representing its maximum exposure to credit risk related to these assets.

Guarantees

As a rule, the Group issues financial guarantees only to its wholly-owned subsidiaries. In the reporting periods ended 31 December 2008, 31 December 2009 and 31 December 2010, the Group did not issue any guarantees for the benefit of third parties.

Liquidity risk

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

The Group mitigates the liquidity risk through continuous collection, which ensures constant cash inflows. The Group also monitors and ensures proper performance of its loan agreements. Debt portfolio purchases involve making large one-off payments. To secure necessary funding, the Group relies on external financing in the form of bank loans or bonds.

Market risk

Market risk is related to changes in such market factors as exchange rates, interest rates and 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.

The Management Board believes that the market risk to which the Group is exposed is small and follows mainly from changes in interest rates on financial liabilities and cash and equivalents, as well as from changes in the risk-free rate adopted to estimate the fair value of purchased debt portfolios. As at December 31 2010, assets denominated in foreign currencies accounted for 31.6% of total assets, while liabilities denominated in foreign currencies represented 11.6% of total liabilities (31 December 2009: 9.9% and 12.5%; 31 December 2008: 5.7% and 2.3%).

The Group does not use financial instruments to hedge against the interest rate or exchange rate risks.

Capital management

The Management Board's capital management policy is designed to secure a solid capital base necessary to maintain the trust of investors, lenders and other market participants, and to ensure future business growth. The Management Board monitors the return on equity, defined by the Group as the ratio of operating profit/(loss) to equity, excluding non-controlling interests.

The Management Board seeks to strike a balance between a higher rate of return achievable with higher debt levels and the benefits and security offered by a solid capital base. The Group aims to achieve a high return on equity; in the reporting period from January 1st to 31 December 2010 the rate was 32.3% (2009: 31.7%; 2008: 32.4%). To compare, the weighted average rate of interest on interest-bearing debt (excluding liabilities with an assumed interest rate) was 8.2% (2009: 7.1%; 2008: 9.0%).

The Group's debt ratio, i.e. the ratio of total liabilities under loans and borrowings, issued bonds and liabilities under finance lease agreements to total equity, was 0.9 as at 31 December 2010 (31 December 2009: 0.6; 31 December 2008: 1.4).

In the reporting periods ended 31 December 2008, 31 December 2009 and 31 December 2010 the Group did not change its capital management policy.

As required by the Commercial Companies Code, the share capital of the Parent Undertaking must amount to at least PLN 100 thousand. The Parent Undertaking is obliged to allocate at least 8% of earnings to reserve funds serving to cover potential future losses. Contributions to the reserve funds are made until the funds reach at least one third of the share capital value.

6. Operating segments

Reporting segments

The Group has two principal reporting segments described below. The President of the Management Board reviews internal management reports relating to each business segment at least quarterly. The Group's reporting segments conduct the following activities:

- Debt purchase: collection of purchased debt;
- Credit management: fee-based collection of debt, on client's behalf.

Performance of each reporting segment is discussed below. The efficiency each segment is assessed based on the segment's operating profit shown in the internal management reports reviewed by the President of the Management Board. In the opinion of the Company's management, segment's operating profit is the most appropriate measure for comparative evaluation of performance against peer organisations operating in the industry.

Reporting segments

PLN '000	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Revenue	164,281	128,575	103,882
Purchased debt portfolios	118,062	84,700	72,498
Collection services	44,063	41,765	28,683
Other products	2,156	2,110	2,701
Direct and indirect costs	89,537	71,592	56,278
Purchased debt portfolios	60,825	46,023	34,581
Collection services	25,844	24,032	19,438
Other products	2,867	1,537	2,259
Indirect margin	74,744	56,983	47,604
Purchased debt portfolios	57,237	38,677	37,917
Collection services	18,219	17,733	9,245
Other products	(711)	573	442
General and administrative expenses	28,055	21,414	19,132
Depreciation and amortisation	3,937	3,090	2,615
Other operating income	870	852	1,122
			242

Other operating expenses (unallocated)	(986)	(1,608)	(2,206)
Finance income/ expenses	(7,031)	(4,386)	(8,498)
Pre-tax profit	35,605	27,337	16,275
Income tax	(514)	3,848	(413)
Net profit	36,119	23,489	16,688

Geographical segments

The Group conducts its operations in two main geographical areas: Poland and Romania.

In the presentation of data by geographical segments, a segment's revenue is based on the geographical location of debt collection offices.

Revenue by geographical segments:

<i>PLN '000</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Revenue	164,281	128,575	103,882
Poland	122,711	111,948	102,305
Romania	41,570	16,627	1,577
Direct and indirect costs	89,537	71,592	56,278
Poland	76,804	63,089	51,395
Romania	12,734	8,503	4,883
Indirect margin	74,744	56,983	47,604
Poland	45,908	48,859	50,910
Romania	28,837	8,124	(3,306)
General and administrative expenses	28,055	21,414	19,132
Depreciation and amortisation	3,937	3,090	2,615
Other operating income	870	852	1,122

Other operating expenses (unallocated)	(986)	(1,608)	(2,206)
Finance income/ expenses	(7,031)	(4,386)	(8,498)
Pre-tax profit	35,605	27,337	16,275
Income tax	(514)	3,848	(413)
Net profit	36,119	23,489	16,688

7. Revenue

PLN '000

	Continuing operations		
	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Revenue from debt purchase	118,062	84,700	72,498
Revenue from debt collection services	44,063	41,765	28,683
Revenue from other services	2,156	2,110	2,426
Revenue from sales of goods for resale and materials	-	-	275
	164,281	128,575	103,882

Revenue from purchased debt portfolios includes:

PLN '000

	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Interest received on purchased debt portfolios	99,706	78,436	63,386
Revaluation of debt portfolios	18,356	6,264	9,112
	118,062	84,700	72,498

Revenue from fee-based credit management includes commission fees ranging from 2% to 49% of collected debts. Commission fee rates depend on delinquency periods and on whether there have been any prior collection attempts. The Group's key client accounts for 15.7% of total revenue from fee-based credit management (2009: 12.9%; 2008: 5.8%).

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

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

8. Other operating income

PLN '000

	Note	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Unidentified time-barred payments written off		374	-	-
Release of a valuation allowance for receivables	28	105	32	-

Return of compensation for automobile caused damage	202	203	283
Sale of property, plant and equipment	101	108	117
Other	88	509	722
	870	852	1,122

9. Other operating expenses

<i>PLN '000</i>	<i>Note</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Court fees		12,402	11,149	5,602
Advertising		5,658	457	751
Raw materials and energy used		4,394	3,431	3,632
Taxes and charges		4,200	1,977	936
Revaluation allowances for receivables	28	457	463	1 130
Employee trainings		639	107	41
Business trips		598	351	494
Representation and entertainment expenses		334	160	568
Car insurance		263	188	195
Motor vehicle losses		165	166	180
Property insurance		106	34	119
Registered office relocation costs		-	66	286
Other		1,413	1,391	895
		30,629	19,940	14,829

10. Employee benefits

<i>PLN '000</i>	<i>Note</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Salaries and wages		47,909	38,519	31,485
Other social security contributions		1,838	1,573	1,428

Old-age and disability pension contributions		6,149	5,257	4,782
Contribution to the State Fund for the Disabled		570	481	362
Equity-settled share-based payments	25	257	-	91
		<u>56,723</u>	<u>45,830</u>	<u>38,148</u>

11. Finance income and expenses

Recognised as profit or loss for current period

<i>PLN '000</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Interest income on loans and receivables	296	-	176
Interest income on bank deposits	1,235	155	199
Decrease in revaluation allowance for financial instruments held to maturity	-	750	-
Net foreign exchange gains/(losses)	170	694	-
Other finance income	499	-	-
	<u>2,200</u>	<u>1,599</u>	<u>375</u>
Interest on financial liabilities measured at amortised cost	8,715	5,985	7,740
Net foreign exchange gains/(losses)	-	-	383
Impairment losses on financial instruments measured at amortised cost	516	-	750
	<u>9,231</u>	<u>5,985</u>	<u>8,873</u>
Net finance expenses recognised in profit or loss	(7,031)	(4,386)	(8,498)

The finance income and expenses shown above include interest income and expenses relating to assets (liabilities) other than those at fair value through profit or loss:

<i>PLN '000</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Total interest income on financial assets	1,531	155	375

Total interest expense on financial liabilities	8,715	5,985	7,740
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Recognised under other comprehensive income

<i>PLN '000</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Exchange differences on translation of foreign operations	137	245	(138)
Attributable to:			
Owners of the parent	137	245	(138)
Finance income/ (expense) recognised directly under other comprehensive income	137	245	(138)

12. Income tax

Income tax recognised in profit or loss of the period

<i>PLN '000</i>	<i>Note</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Income tax (current portion)				
Income tax for the period		65	1,079	1,547
Income tax (deferred portion)				
Origination/ reversal of temporary differences	17	(579)	2,769	(1,960)
		(514)	3,848	(413)

Reconciliation of effective tax rate

<i>PLN '000</i>	2009	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Net profit for the period		36,119	23,489	16,688

Income tax disclosed in the statement of comprehensive income	514	(3,848)	413
Pre-tax profit for the period (assuming 19% tax rate)	34,602	29,408	17,229
Pre-tax profit/ (loss) for the period (assuming 16% tax rate)	1,003	(2,071)	(954)
Tax calculated using the tax rate applicable in Poland (19%)	6,574	5,588	3,274
Tax calculated using the tax rate applicable in Romania (16%)	160	(331)	(153)
Effect of non-deductible expenses	2,206	649	929
Effect of tax-exempt income	(8,870)	(2,154)	(4,733)
Utilisation of unrecognised deferred tax assets	(777)	(202)	125
Expired tax losses	193	298	145
	(514)	3,848	(413)

The effective tax rate differs from the applicable tax rates as the consolidated data includes data of undertakings whose operations are not subject to income tax (closed-end investment funds and a Luxembourg-based subsidiary).

13. Property, plant and equipment

PLN '000

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Tangible assets under construction	Total
Gross value of property, plant and equipment						
Gross value as at 1 Jan 2008	711	5,670	4,016	1,087	707	12,191
Acquisition	1,476	2,050	1,829	409	-	5,764
Sale/ liquidation	(847)	(61)	(664)	(205)	(700)	(2,477)
Effect of exchange rate changes	-	14	9	-	-	23
Gross value as at 31 Dec 2008	1,340	7,673	5,190	1,291	7	15,501
Gross value as at 1 Jan 2009	1,340	7,673	5,190	1,291	7	15,501
Acquisition	541	781	1,113	78	11	2,524
Sale/ liquidation	-	(155)	(475)	(121)	-	(751)
Effect of exchange rate changes	(25)	(40)	(19)	(13)	-	(97)
Gross value as at 31 Dec 2009	1,856	8,259	5,809	1,235	18	17,177
Gross value as at 1 Jan 2010	1,856	8,259	5,809	1,235	18	17,177

Acquisition	75	2,296	1,638	217	9	4,235
Sale/ liquidation	(90)	(2,389)	(383)	(460)	-	(3,322)
Effect of exchange rate changes	(18)	(35)	(19)	(9)	-	(81)
Gross value as at 31 Dec 2010	1,823	8,131	7,045	983	27	18,009

PLN '000

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Tangible assets under construction	Total
Depreciation and impairment losses						
Depreciation and impairment losses as at 1 Jan 2008	(621)	(3,814)	(1,630)	(854)	-	(6,919)
Depreciation and amortisation	(289)	(809)	(883)	(76)	-	(2,057)
Decrease resulting from sale/ liquidation	847	52	478	189	-	1,566
Effect of exchange rate changes	-	(2)	(1)	-	-	(3)
Depreciation and impairment losses as at 31 Dec 2008	(63)	(4,573)	(2,036)	(741)	-	(7,413)
Depreciation and impairment losses as at 1 Jan 2009	(63)	(4,573)	(2,036)	(741)	-	(7,413)
Depreciation and amortisation	(216)	(1,027)	(922)	(131)	-	(2,296)
Decreases resulting from sale/ liquidation	-	153	437	121	-	711
Effect of exchange rate changes	12	21	10	4	-	47
Depreciation and impairment losses as at 31 Dec 2009	(267)	(5,426)	(2,511)	(747)	-	(8,951)
Depreciation and impairment losses as at 1 Jan 2010	(267)	(5,426)	(2,511)	(747)	-	(8,951)
Depreciation and amortisation	(200)	(1,183)	(1,110)	(164)	-	(2,657)
Decrease resulting from sale/ liquidation	16	2,381	337	405	-	3,139
Effect of exchange rate changes	10	15	8	4	-	37

Depreciation and impairment losses as at 31 Dec 2010

(441)	(4,213)	(3,276)	(502)	-	(8,432)
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PLN '000

Net value

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Tangible assets under construction	Total
As at 1 Jan 2008	90	1,856	2,386	233	707	5,272
As at 31 Dec 2008	1,277	3,100	3,154	550	7	8,088

Net value

As at 1 Jan 2009	1,277	3,100	3,154	550	7	8,088
As at 31 Dec 2009	1,589	2,833	3,298	488	18	8,226

As at 1 Jan 2010	1,589	2,833	3,298	488	18	8,226
As at 31 Dec 2010	1,382	3,918	3,769	481	27	9,577

Property, plant and equipment under leases

The Group uses computer hardware and office equipment under finance lease agreements. As at the end of 2010, 2009 and 2008, the net value of computer hardware and office equipment used under lease agreements was PLN 577 thousand, PLN 1,449 thousand and PLN 2,050 thousand, respectively. In addition, the Group uses passenger vehicles and trucks under finance lease agreements whose value was PLN 3,478 thousand, PLN 3,045 thousand and PLN 2,938 thousand as at the end of 2010, 2009 and 2008, respectively. These items of property, plant and equipment are used as security for liabilities under lease agreements (see Note 23).

Tangible assets under construction

As at 31 December 2010, 31 December 2009 and 31 December 2008, the value of tangible assets under construction was PLN 27 thousand, PLN 18 thousand and PLN 7 thousand, respectively.

14. Other intangible assets

PLN '000

	Licences, permits, computer software	Other	Total
Gross value of intangible assets			
Gross value as at 1 Jan 2008	2,500	163	2,663
Produced internally	958	-	958
Other increase	96	71	167
Effect of exchange rate changes	3	-	3
Gross value as at 31 Dec 2008	3,557	234	3,791
Gross value as at 1 Jan 2009	3,557	234	3,791
Produced internally	1,451	-	1,451
Other increase	317	135	452
Effect of exchange rate changes	(6)	-	(6)
Gross value as at 31 Dec 2009	5,319	369	5,688
Gross value as at 1 Jan 2010	5,319	369	5,688
Produced internally	2,477	-	2,477
Other increase	426	-	426
Decrease	(130)	-	(130)
Effect of exchange rate changes	(10)	-	(10)

Gross value as at 31 Dec 2010	8,082	369	8,451
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PLN '000

Depreciation and impairment losses

	Licences, permits, computer software	Other	Total
Depreciation and impairment losses as at 1 Jan 2008	(905)	(94)	(999)
Depreciation and amortisation	(514)	(44)	(558)
Depreciation and impairment losses as at 31 Dec 2008	(1,419)	(138)	(1,557)
Depreciation and impairment losses as at 1 Jan 2009	(1,419)	(138)	(1,557)
Depreciation and amortisation	(743)	(51)	(794)
Effect of exchange rate changes	5	-	5
Depreciation and impairment losses as at 31 Dec 2009	(2,157)	(189)	(2,346)
Depreciation and impairment losses as at 1 Jan 2010	(2,157)	(189)	(2,346)
Depreciation and amortisation	(1,233)	(47)	(1,280)
Effect of exchange rate changes	4	-	4
Decrease	100	8	108
Depreciation and impairment losses as at 31 Dec 2010	(3,333)	(181)	(3,514)

PLN '000

Net value

	Licences, permits, computer software	Other	Total
As at 1 Jan 2008	1,595	69	1,664
As at 31 Dec 2008	2,138	96	2,234
As at 1 Jan 2009	2,138	96	2,234
As at 31 Dec 2009	3,162	180	3,342

As at 1 Jan 2010	3,162	180	3,342
As at 31 Dec 2010	4,749	188	4,937

15. Goodwill

PLN '000

	RAVEN Law Firm	IS Sp. z o.o.	ERIF BIG S.A. Debtor Register	Total
Gross value				
Gross value as at 1 Jan 2008	299	169	725	1,193
Decrease	-	(169)	-	(169)
Gross value as at 31 Dec 2008	299	-	725	1,024
Gross value as at 1 Jan 2009	299	-	725	1,024
Gross value as at 31 Dec 2009	299	-	725	1,024
Gross value as at 1 Jan 2010	299	-	725	1,024
Gross value as at 31 Dec 2010	299	-	725	1,024
Impairment losses				
Impairment losses as at 1 Jan 2008	-	(169)	-	(169)
Decrease	-	169	-	169
Impairment losses as at 31 Dec 2008	-	-	-	-
Impairment losses as at 1 Jan 2009	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-
Impairment losses as at 31 Dec 2009	-	-	-	-
Impairment losses as at Dec 1 2010	-	-	-	-
Increase	-	-	-	-
Decrease	-	-	-	-

Impairment losses as at 31 Dec 2010	-	-	-	-
Net value				
As at 1 Jan 2008	299	-	725	1,024
As at 31 Dec 2008	299	-	725	1,024
As at 1 Jan 2009	299	-	725	1,024
As at 31 Dec 2009	299	-	725	1,024
As at 1 Jan 2010	299	-	725	1,024
As at 31 Dec 2010	299	-	725	1,024

Tests for impairment of cash-generating units which include goodwill

For impairment testing purposes, goodwill was allocated to the Group's operating units, being the smallest units (not larger than the Group's operating segments described in Note 6) for which goodwill is monitored for internal management purposes.

Recoverable value of goodwill associated with the cash-generating units specified above is assessed based on their value in use. Value in use is an estimated present value of future cash flows generated by such units. In the case of RD ERIF BIG S.A., the recoverable value is the value in use of a cash-generating unit, taking into account the effect of the amended Act on Availability of Business Information which became effective in 2010 and helped the Group significantly expand its group of clients and grow income from credit information services.

The key values adopted for the estimation process reflect the Management Board's expectations regarding the future of the debt collection industry and are based on external sources and in-house research (historical data).

The Group remeasured goodwill associated with Information Services Sp. z o.o. (IS Sp. z o.o.) on account of the company's liquidation initiated in 2007. In 2008, goodwill was derecognised upon completion of the company's liquidation.

16. Other investments

<i>PLN '000</i>	31 Dec 2010	31 Dec 2009	31 Dec 2008
Other non-current investments			
Debt securities held to maturity	-	-	4,250
	-	-	4,250

Current investments

Financial assets at fair value through profit or loss	263,228	150,435	152,176
Debt securities held to maturity	-	5,000	-
Loans advanced	1,259	-	-
	<u>264,487</u>	<u>155,435</u>	<u>152,176</u>

Debt securities held to maturity include bonds issued by CDZ 7 Sp. z o.o. Interest on the bonds has been assumed at 16% of profits distributed to CDZ 7 Sp. z o.o. by companies whose shares CDZ 7 Sp. z o.o. will acquire using the proceeds from the issue of bonds. The bonds were redeemed under an agreement of February 19th 2010. Interest income from the bonds was PLN 0 thousand in 2010 (2009: PLN 0 thousand; 2008: PLN 0 thousand).

In 2010, the Group commenced advancing loans to individuals who are not engaged in any business activity. The average value of a loan is PLN 1.2 thousand and maturities range from six to nine months. The loans bear interest at fixed rates.

Financial assets at fair value through profit or loss include purchased debt portfolios. Had the Group not decided to classify purchased debt portfolios as financial assets at fair value through profit or loss, they would be classified as loans and receivables. For the rules governing valuation of purchased debt portfolios, see Note 3(c)(i). Purchased debt portfolios are divided into the following main categories:

<i>PLN '000</i>	31 Dec 2010	31 Dec 2009	31 Dec 2008
Purchased debt portfolios			
Bank loans, including:	226,033	137,068	133,660
- <i>consumer loans</i>	222,345	130,324	121,336
- <i>car loans</i>	2,570	4,048	6,079
- <i>mortgage loans</i>	1,118	2,696	6,245
Telecommunication bills	36,022	12,554	17,335
Cash loans (other than granted by banks)	462	592	803
Other	711	221	378
	<u>263,228</u>	<u>150,435</u>	<u>152,176</u>

The following assumptions were made in the valuation of debt portfolios:

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Discount rate			
- risk-free	4.06%	4.22%	5.92%

- risk premium*	5.08%-416.34%	9.88%-1,775%	9.88%-1775%
Period for which the return has been estimated:	Jan 2011 - Dec 2022	Jan 2010 - Dec 2018	Jan 2009 - Dec 2015
Nominal value of expected future return	544,383	281,994	276,859

* applicable to 99% of debt portfolios

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

<i>PLN '000</i>	31 Dec 2010	31 Dec 2009	31 Dec 2008
Period			
Up to 6 months	104,108	69,201	61,983
From 6 to 12 months	90,673	58,442	54,488
From 1 to 2 years	135,439	71,765	81,257
From 2 to 5 years	178,971	79,679	77,930
Over 5 years	35,192	2,908	1,201
	544,383	281,994	276,859

A portion of debt portfolios is secured with mortgages (mortgage loan portfolios) or registered pledges (car loan portfolios). The value of security held by the Group is difficult to assess and varies on a case-by-case basis.

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

- risk-free rate;
- risk premium;
- period for which cash flows are estimated;
- value of expected future cash flows estimated using the current data and debt collection tools.

For information on the Group's exposure to credit, currency and interest rate risks associated with its investments, and on impairment losses for loans advanced and investments held to maturity, see Note 28.

Below are presented changes of the key parameters of the purchased debt portfolios:

<i>PLN '000</i>	
Purchased debt portfolios as at 1 Jan 2008	93,135
Purchase of debt portfolios	103,782
Cash recoveries	(117,239)
Revenue from debt purchase (interest and revaluation)	72,498
Purchased debt portfolios as at 31 Dec 2008	152,176

Purchased debt portfolios as at 1 Jan 2009	152,176
Purchase of debt portfolios	53,931
Cash recoveries	(140,372)
Revenue from debt purchase (interest and revaluation)	84,700
Purchased debt portfolios as at 31 Dec 2009	<u>150,435</u>
Purchased debt portfolios as at 1 Jan 2010	150,435
Purchase of debt portfolios	192,670
Cash recoveries	(197,939)
Revenue from debt purchase (interest and revaluation)	118,062
Purchased debt portfolios as at 31 Dec 2010	<u>263,228</u>

As at 31 December 2010, purchased debt portfolios amounting to PLN 18,042 thousand (31 December 2009: PLN 30,822 thousand, 31 December 2008: PLN 100,135 thousand) represented security for bank loans (Note 23).

17. Deferred tax

Deferred tax assets and liabilities and deferred tax liabilities

Deferred tax assets and liabilities have been recognised in respect of the following items of assets and liabilities:

	Assets			Liabilities			Net value		
	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2010	31 Dec 2009	31 Dec 2008
Property, plant and equipment	919	1,345	1,936	(808)	(852)	(1,000)	111	493	936
Intangible assets	-	-	-	(689)	(507)	(326)	(689)	(507)	(326)
Financial assets at fair value through profit or loss	467	838	2,217	-	-	-	467	838	2,217
Trade and other receivables	419	724	283	(384)	(146)	(158)	35	578	125
Liabilities under loans, borrowings and other debt instruments	-	48	72	-	-	-	-	48	72
Employee benefits payable	1,849	1,190	1,286	-	-	-	1,849	1,190	1,286
Provisions and liabilities	28	6	22	-	-	-	28	6	22
Other	25	19	145	-	-	-	25	19	145
Tax loss carry forwards	1,475	57	1,014	-	-	-	1,475	57	1,014
Deferred tax assets/ liabilities	5,182	4,227	6,975	(1,881)	(1,505)	(1,484)	3,301	2,722	5,491
Deferred tax assets offset against liabilities	(1,881)	(1,505)	(1,484)	1,881	1,505	1,484	-	-	-
Deferred tax assets/ liabilities disclosed in the statement of financial position	3,301	2,722	5,491	-	-	-	3,301	2,722	5,491

Change in temporary differences in a period

PLN '000

	As at 1 Jan 2008	Change in temporary differences recognised as profit or loss for period	As at 1 Jan 2009	Change in temporary differences recognised as profit or loss for period	As at 31 Dec 2009	Change in temporary differences recognised as profit or loss for period	As at 31 Dec 2010
Property, plant and equipment	869	67	936	(443)	493	(382)	111
Intangible assets	(199)	(127)	(326)	(181)	(507)	(182)	(689)
Financial assets at fair value through profit or loss	(23)	2,240	2,217	(1,379)	838	(371)	467
Trade and other receivables	17	108	125	453	578	(543)	35
Liabilities under loans, borrowings and other debt instruments	25	47	72	(24)	48	(48)	-
Employee benefits payable	746	540	1,286	(96)	1,190	659	1,849
Provisions and liabilities	16	6	22	(16)	6	22	28
Other	62	83	145	(126)	19	6	25
Tax loss carry forwards	2,018	(1,004)	1,014	(957)	57	1,418	1,475
	3,531	1,960	5,491	(2,769)	2,722	579	3,301

Poland

Tax loss for a given financial year may be utilised over a period of five years, beginning in the year immediately following the year when the loss was incurred. Under the Polish tax laws, up to 50% of a loss may be utilised in each of the years of the five-year period.

Tax losses and periods over which they can be utilised:

PLN '000	Tax loss expiry date	31 Dec 2010	31 Dec 2009	31 Dec 2008
Tax loss for 2004	31 Dec 2009	-	-	768
Tax loss for 2005	31 Dec 2010	-	801	1,602
Tax loss for 2006	31 Dec 2011	749	1,199	4,180
Tax loss for 2007	31 Dec 2012	517	517	2,656
Tax loss for 2008	31 Dec 2013	833	833	833
Tax loss for 2009	31 Dec 2014	96	-	-
Tax loss for 2010	31 Dec 2015	6,835	-	-
		9,030	3,350	10,039
Applicable tax rate		19%	19%	19%
Potential benefit of tax losses		1,716	636	1,907

Romania

Until 2009, tax loss could be utilised over a period of five years, beginning in the year immediately following the year when the loss was incurred. In 2009, the period over which tax losses can be utilised was extended to seven years.

Tax losses and periods over which they can be utilised:

PLN '000	Tax loss expiry date	31 Dec 2010	31 Dec 2009	31 Dec 2008
Tax loss for 2007	31 Dec 2012	-	1,437	1,542
Tax loss for 2008	31 Dec 2013	-	566	607

Tax loss for 2009	31 Dec 2016	106	848	-
		106	2,851	2,149
Applicable tax rate		16%	16%	16%
Potential benefit of tax losses		17	456	344

Deferred tax assets relating to tax losses of PLN 258 thousand (31 December 2009: PLN 1,035 thousand; 31 December 2008: PLN 1,237 thousand) were not taken into account for the purpose of deferred tax calculation as there was no certainty whether they would be utilised.

Under the applicable tax laws, deductible temporary differences do not expire. Deferred tax assets were identified for tax losses incurred by the undertakings based in Poland, assuming a 19% tax rate, and for tax losses incurred by the undertakings based in Romania, assuming a 16% tax rate. These are tax rates applicable as at the end of the reporting periods.

18. Inventories

<i>PLN '000</i>	31 Dec 2010	31 Dec 2009	31 Dec 2008
Materials	442	657	755
Prepaid deliveries	16	72	12
	458	729	767

In the reporting periods ended 31 December 2008, 31 December 2009 and 31 December 2010, the Group did not recognise any impairment losses for inventories.

19. Trade and other receivables, current tax receivable

<i>PLN '000</i>	31 Dec 2010	31 Dec 2009	31 Dec 2008
Trade receivables from related undertakings	-	-	2
Trade receivables from other undertakings	10,568	9,529	7,829
Current tax receivable	2	532	2,887
Other receivables	697	1,856	1,561

Receivables under court proceedings	-	31	29
	11,267	11,948	12,308
Non-current	-	29	-
Current	11,267	11,948	12,308
	11,267	11,977	12,308

For information on the Group's exposure to credit and currency risk as well as impairment losses for receivables, see Note 28.

Trade receivables of PLN 0 thousand (31 December 2009: PLN 0 thousand; 31 December 2008: PLN 2,300 thousand) serve as security for bank loans (Note 23)

20. Cash and cash equivalents

<i>PLN '000</i>	31 Dec 2010	31 Dec 2009	31 Dec 2008
Cash in hand	17	12	35
Cash on current accounts	20,759	23,783	25,029
	20,776	23,795	25,064
Restricted cash	167	2,286	1,797

Restricted cash is represented by cash to be transferred to clients in respect of debts collected under fee-based credit management operations, and the funds of the Company's Social Benefits Fund.

For information on the Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities, see Note 28.

21. Equity

Share capital

	Ordinary shares		
	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
<i>in thousands</i>			
Number of shares as at 1 Jan	1,577	1,577	1,452
Retirement of shares	(46)	-	-
Issue of shares	-	-	125
Share split	13,778	-	-
Number of fully-paid shares as at end of period	15,309	1,577	1,577
<i>PLN</i>			
Par value per share	1.00	10.00	10.00

Pursuant to the resolution of the Parent Undertaking's General Shareholders Meeting of November 24th 2010, the shares were split through a decrease of their par value from PLN 10 to PLN 1 per share and an increase in the number of shares, without changing the share capital.

Pursuant to the resolution of the Parent Undertaking's General Shareholders Meeting of August 7th 2008 (Rep. A No. 9095/2008), the Parent Undertaking's share capital was increased by PLN 1,250,000, from PLN 14,520,900 to PLN 15,770,900, through an issue of 125,000 shares with a par value of PLN 10 per share and the issue price of PLN 84 per share. The share capital increase was registered on October 3rd 2008.

The new issue shares were acquired by:

- Polish Enterprise Fund IV L.P. – 102,995 shares,
- Mr Piotr Krupa – 22,005 shares.

Pursuant to the resolution of the Parent Undertaking's General Shareholders Meeting of February 9th 2010, 45,005 Parent Undertaking shares with a total par value of PLN 450 thousand, held by Secapital Polska Sp. z o.o., were retired. The change was registered on May 31st 2010.

Pursuant to the resolutions of the Parent Undertaking's General Shareholders Meeting of July 8th 2010 and September 9th 2010, 1,203 Parent Undertaking shares with a total par value of PLN 12 thousand, held by the employees, were retired. The retirements were registered on August 13th 2010 and November 5th 2010.

As a result of the retirements, the share capital was decreased by PLN 462 thousand and the share premium account was reduced by PLN 4,487 thousand.

Pursuant to the resolution of the Parent Undertaking's General Shareholders Meeting of December 9th 2010, the share capital was increased by PLN 492 thousand through an issue of 491,520 shares. The

share capital increase was registered on February 9th 2011. As at 31 December 2010, the unregistered share capital paid up by the balance-sheet date is disclosed under other capital reserves.

Pursuant to the same resolution, a decision was made to issue 1,100 thousand shares through an open subscription carried out by way of a public offering. Until the date of approval of these financial statements, the offering has not been conducted.

As at 31 December 2010, the registered share capital was divided into 15,309 thousand ordinary shares (31 December 2009: 15,771 thousand; 31 December 2008: 15,771 thousand, in both years after split). The par value per share was PLN 1.

Parent Undertaking's shareholder structure as at 31 December 2010

	ar value of shares		
Shareholder	Number of shares	(PLN '000)	Share capital held (%)
Polish Enterprise Fund IV L.P.	12,396,550	12,397	81%
Piotr Krupa	2,655,790	2,656	17%
Other shareholders	256,480	256	2%
	15,308,820	15,309	100%

as at 31 Dec 2008

	ar value of shares		
Shareholder	Number of shares	(PLN '000)	Share capital held (%)
Polish Enterprise Fund IV L.P.	1,239,655	12,397	78%
Piotr Krupa	265,579	2,656	17%
CDZ7 Sp. z o.o.	45,005	450	3%
Other shareholders	26,851	268	2%
	1,577,090	15,771	100%

The holders of ordinary shares are entitled to receive approved dividends and to exercise one vote per each share held at the Parent Undertaking's General Shareholders Meeting.

Other capital reserves

Other capital reserves are created by virtue of relevant resolutions of the Parent Undertaking's General Shareholders Meeting, which has the power to decide on allocation of such reserves. In addition, capital reserves are also created when benefits are granted to employees under share-based payments.

In 2010, as a result of extension of the share-based scheme, capital reserves were increased by PLN 257 thousand (2009: PLN 0 thousand; 2008: PLN 91 thousand).

Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations include exchange differences resulting from translation of the financial statements of the entity operating in Romania.

Dividends

Pursuant to the resolutions of the Parent Undertaking's General Shareholders Meeting, no dividend was paid for the periods ended 31 December 2009 and 31 December 2008.

22. Earnings per share

Basic earnings per share

As at 31 December 2010, basic earnings per share were calculated based on net profit attributable to owners of the Parent of PLN 36,078 thousand (2009: PLN 23,411 thousand; 2008: PLN 16,452 thousand) and the weighted average number of shares in the periods covered by the financial statements of 15,396 thousand (2009: 1,577 thousand, 2008: 1,500 thousand; to ensure comparability of the data, the way of presenting the number of shares in 2009 and 2008 was changed).

The amounts were determined as follows:

Net profit attributable to owners of the Parent

PLN '000

	Continuing operations		
	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Net profit for the period	36,119	23,489	16,688
Non-controlling interests	(41)	(78)	(236)
Net profit attributable to owners of the Parent	36,078	23,411	16,452

Weighted average number of ordinary shares

in thousands

	Note	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Number of ordinary shares as at 1 Jan	21	15,771	15,771	14,521

Effect of share retirement and share issue	21	(375)	-	480
Weighted average number of ordinary shares as at 31 Dec		15,396	15,771	15,001

PLN

Earnings per share		2.34	1.48	1.10
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Diluted earnings per share

Diluted earnings per share in the periods ended 31 December 2010, 31 December 2009 and 31 December 2008 equal the amount of basic earnings per share.

23. Liabilities under loans, borrowings and other debt instruments

The Note contains information on the Group's liabilities under loans, borrowings and other debt instruments measured at amortised cost. Information on the Group's exposure to currency and interest rate risks is presented in Note 28.

PLN '000	31 Dec 2010	31 Dec 2009	31 Dec 2008
Non-current liabilities			
Secured loans and borrowings	10,029	9,658	33,479
Liabilities under debt securities (unsecured)	65,679	-	16,500
Finance lease liabilities	2,288	3,908	6,338
	77,996	13,566	56,317
Current liabilities			
Current portion of secured loans and borrowings	10,110	29,261	46,621
Liabilities under debt securities	31,255	16,559	108
Current portion of finance lease liabilities	2,779	3,391	4,026
	44,144	49,211	50,755

Repayment terms and schedule for loans and borrowings

PLN '000	Currency	Nominal interest rate	Year of maturity*	31 Dec 2010 31 Dec 2009 31 Dec 2008		
Loans and borrowings secured on the Group's assets	PLN	1M WIBOR + margin of 2.6-4.25 pp	2014	20,139	38,919	80,100
Liabilities under debt securities (unsecured)	PLN	6M WIBOR + 7 pp; 3M WIBOR + 5-6 pp	2013	96,934	16,559	16,608
Finance lease liabilities	PLN EUR	3M WIBOR or 1M EURIBOR + 0.83-4.13 pp	2015	5,067	7,299	10,364
				122,140	62,777	107,072

* as at 31 December 2010

Bank loans are secured with a registered pledge over purchased debt portfolios with a book value of PLN 18,042 thousand as at 31 December 2010 (31 December 2009: PLN 30,822; 31 December 2008: PLN 100,135 thousand), and with a registered pledge over shares in Secapital S.a.r.l. of Luxembourg in the amount of PLN 54,626 thousand as at 31 December 2010.

Repayment schedule for finance lease liabilities

PLN '000	Future minimum lease payments	Interest	Present value of future minimum lease payments
As at 31 Dec 2008			
up to 1 year	4,564	538	4,026
from 1 to 5 years	6,765	427	6,338
	11,329	965	10,364
As at 31 Dec 2009			
up to 1 year	3,630	239	3,391
from 1 to 5 years	4,132	224	3,908
	7,762	463	7,299
As at 31 Dec 2010			
up to 1 year	2,983	116	2,867
from 1 to 5 years	2,344	144	2,200

5,327	260	5,067
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Security over assets

Security

PLN '000

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Assignment of claims under sales of goods for resale or services created for the benefit of the bank as security for the overdraft credit facility	-	-	2,300
Registered pledge over purchased portfolios and assignment of claims financed with the loan, a registered pledge over shares in Secapital S.a.r.l.	72,668	30,822	100,135
Property, plant and equipment under finance leases	4,055	4,731	5,183
	76,723	35,553	107,618

24. Employee benefits payable

PLN '000

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Salaries and wages payable	3,046	2,383	2,243
Social benefits payable	2,325	1,859	1,800
Personal income tax	662	605	506
Accrued holidays	1,015	888	826
Accrued salaries and wages (bonuses)	6,898	4,400	2,776
Special accounts	99	335	418
	14,045	10,470	8,569

Changes in accrued employee benefits

Change in accrued holidays

Value as at 1 Jan 2008	594
Increase	766
Use	(534)

Value as at 31 Dec 2008	826
Value as at 1 Jan 2009	826
Increase	826
Use	(764)
Value as at 31 Dec 2009	888
Value as at 1 Jan 2010	888
Increase	1,010
Use	(883)
Value as at 31 Dec 2010	1,015

Change in accrued salaries and wages (bonuses)

Value as at 1 Jan 2008	1,210
Increase	2,828
Use	(988)
Release	(274)
Value as at 31 Dec 2008	2,776
Value as at 1 Jan 2009	2,776
Increase	4,484
Use	(2,860)
Value as at 31 Dec 2009	4,400
Value as at 1 Jan 2010	4,400
Increase	7,862
Use	(5,364)

Release

(62)

Value as at 31 Dec 2010

6,898

25. Share-based payments

As at 31 December 2010, the Group carried no liabilities under share-based payments. In the previous reporting periods, the Group implemented the scheme described below, which was settled in December 2010.

Bonus scheme (share appreciation rights)

On September 17th 2003, the Group adopted a bonus scheme entitling key management and senior executive staff (the "Eligible Persons") to receive cash bonuses (the "Bonus") depending on the increase in the value of the Parent Undertaking shares. The terms and conditions of the scheme were clarified and amended on March 31st 2005. On January 7th 2007, further amendments were made. The Eligible Persons acquire the right to receive Bonuses upon fulfilment of the following conditions:

1. Successful execution of the budgets for each of the years 2006, 2007, 2008 (30%, 30% and 40% of the Bonus amount was allocated to each of the years 2006, 2007, 2008, respectively). In the event of failure to meet the conditions defined in the budgets for 2006, 2007 and 2008, a bonus for the year when the conditions are not satisfied may be granted to an Eligible Person at the Shareholders' sole discretion, if the Person's contribution to the Group's growth has been particularly significant.
2. Achievement of defined exit price. If budgets are not executed and a given Shareholder sells all the shares held, the buyers may be entitled to receive Bonus for the years in which the budgets were executed, depending on the share price: up to 50% of the bonus for a given year, if the exit price is two to three times the entry price, or up to 100% of the bonus for a given year, if the exit price is at least three times the entry price.
3. Continuing employment relationship with the Group. If the employment relationship is terminated during the vesting period (2006-2008), the Eligible Person will be entitled to receive a certain amount of Bonuses for the years of employment at the Company, provided that the conditions referred to in items 1 and 2 above are met.

The scheme was approved as equity-settled, and therefore is subject to measurement at fair value only as at the date of its adoption and as at the date of its amendment. The scheme was classified as equity-settled due to the fact that the Bonuses will be paid by the Parent Undertaking's shareholders, and not directly by the Parent Undertaking. The fair value assessed as at the scheme adoption date was accounted for over the vesting period. The beginning of the period is the date of notifying the Eligible Persons of the scheme (September 17th 2003). The end of the period is the last day of the Eligible Persons' obligation to continue employment in order to acquire the right to the Bonus, that is 31 December 2008.

In addition, in 2010 the Eligible Persons received share-based remuneration of PLN 257 thousand.

PLN '000

Period ended

Benefits granted

31 Dec 2003

226

31 Dec 2004	789
31 Dec 2005	354
31 Dec 2006	172
31 Dec 2007	587
31 Dec 2008	91
31 Dec 2010	257
Total	<hr/> 2,476

26. Current provisions

PLN '000

Other provisions

Value as at 1 Jan 2008	85
Creation	115
Use	(85)
Value as at 31 Dec 2008	<hr/> 115 <hr/>
Value as at 1 Jan 2009	115
Creation	32
Use	(115)
Value as at 31 Dec 2009	<hr/> 32 <hr/>
Value as at 1 Jan 2010	32
Creation	174
Use	(32)
Value as at 31 Dec 2010	<hr/> 174 <hr/>

Retirement severance pays

The Group does not recognise provisions for retirement severance pays due to the young age of its employees and absence of the employees' rights to severance pays in excess of the statutory severance pays. Based on the Management Board's estimates, the amount of a potential provision would be insignificant.

Tax risk

The countries in which the Group operates (in particular, Poland and Romania) frequently amend the tax laws relating to value added tax, corporate and personal income tax, and social security contributions. Therefore, on many occasions no reference can be made to established regulations or legal precedents. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretation of tax regulations, both between individual public authorities and between public authorities and enterprises. Tax settlements as well as other settlements (including those related to customs duties or foreign currencies) may be inspected by authorities which are competent to impose significant penalties. Any additional liabilities resulting from such inspections need to be paid with interest. As a result, the tax risk in those countries is higher than in countries with more developed tax regimes.

27. Trade and other payables

Non-current liabilities

PLN '000

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Trade and other payables to other undertakings	-	8,000	-

Current liabilities

PLN '000

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Trade and other payables to other undertakings	44,703	18,659	15,384
Deferred income	295	1,139	710
Tax and duties payable	1,198	3,524	2,209
Accruals and deferred income	1,173	-	-
Other liabilities	1,811	3,270	1,038
	49,180	26,592	19,341

For information on exposure to currency risk and liquidity risk associated with liabilities, see Note 28.

28. Financial instruments

Credit risk

Exposure to credit risk

The book value of financial assets reflects the maximum exposure to credit risk. Below is presented the maximum exposure to credit risk as at the end of the reporting periods:

PLN '000

	<i>Note</i>	31 Dec 2010	31 Dec 2009	31 Dec 2008
Financial instruments at fair value through profit or loss	16	263,228	150,435	152,176
Debt securities held to maturity	16	-	5,000	4,250
Loans and receivables	16,19	12,526	11,977	12,308
Cash and cash equivalents	20	20,776	23,795	25,064
		296,530	191,207	193,798

Below is presented the maximum exposure to credit risk by geographical segment as at the end of the reporting periods:

PLN '000

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Poland	194,096	167,688	180,708
Rumania	102,434	23,519	13,090
	296,530	191,207	193,798

Impairment losses

The maturity structure of trade receivables as at the end of the reporting periods is presented below:

PLN '000

	Gross	Impairment loss	Gross	Impairment loss	Gross value	Impairment loss
	31 Dec 2010	31 Dec 2010	31 Dec 2009	31 Dec 2009	31 Dec 2008	31 Dec 2008
Not past-due	7,041	-	6,455	-	5,793	-

Past-due, 0-30 days	1,946	-	2,107	40	1,145	-
Past-due, 31-90 days	889	-	1,028	741	1,198	879
Past-due, 91-180 days	403	-	232	25	299	12
Past-due, 181-365 days	256	97	499	98	306	37
Past-due, over one year	1,995	1,865	1,071	959	531	513
	12,530	1,962	11,392	1,863	9,272	1,441

Changes of impairment losses on receivables are presented below:

<i>PLN '000</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Impairment loss as at 1 Jan	1,863	1,441	329
Impairment loss recognised in the reporting period	457	463	1,130
Release of impairment loss	(105)	(32)	-
Use of impairment loss	(253)	(9)	(18)
Impairment loss as at 31 Dec	1,962	1,863	1,441

The Group recognises impairment losses on receivables past due by more than 180 days based on historical payment data. In addition, the Group recognises impairment losses on receivables from all companies which are subject to bankruptcy or liquidation proceedings, as well as for receivables in litigation.

The Group does not recognise impairment losses on trade receivables and debt securities held to maturity as long as there is a high probability that they will be repaid. When a receivable or an investment is deemed unrecoverable, a relevant amount is charged to expenses.

In 2008-2010, the Group did not recognise any general impairment losses for receivables.

The gross amount of advanced loans was PLN 1,751 thousand as at 31 December 2010. The Company recognised general impairment losses on loans amounting to PLN 516 thousand as at 31 December 2010.

Liquidity risk

Below are presented the contractual terms of financial liabilities:

As at 31 Dec 2008

<i>PLN '000</i>	Present value	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years
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Financial liabilities other than derivative instruments

Secured loans	20,139	22,793	5,989	5,426	2,943	8,435
Unsecured issued bonds	96,934	110,354	6,270	33,638	49,824	20,622
Finance lease liabilities	5,067	5,327	1,895	1,000	1,199	1,233
Trade and other payables	49,180	49,679	39,844	8,090	1,745	-
	171,320	188,153	53,998	48,154	55,711	30,290

As at 31 Dec 2009*PLN '000*

	Present value	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years
Financial liabilities other than derivative instruments						
Secured loans	38,919	39,668	16,174	13,670	9,371	453
Unsecured issued bonds	16,559	17,700	600	17,100	-	-
Finance lease liabilities	7,299	7,762	1,986	1,644	2,980	1,152
Trade and other payables	34,592	34,592	22,401	4,191	4,800	3,200
	97,369	99,722	41,161	36,605	17,151	4,805

As at 31 Dec 2010*PLN '000*

	Present value	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years
Financial liabilities other than derivative instruments						
Secured loans	80,100	86,252	26,559	24,615	28,116	6,962
Unsecured issued bonds	16,608	19,431	733	733	17,965	-
Finance lease liabilities	10,364	11,329	2,467	2,097	3,531	3,234
Trade and other payables	19,341	19,341	16,268	3,073	-	-
	126,413	136,353	46,027	30,518	49,612	10,196

The cash flows arising under the agreement were determined based on interest rates effective as at 31 December 2008, 31 December 2009 and 31 December 2010, respectively.

The Group neither expects the projected cash flows, discussed in the maturity analysis, to occur significantly earlier or in amounts materially different from those presented.

As at 31 December 2010, the unused credit facility limit available to the Group was PLN 19,310 thousand (31 December 2009: PLN 0 thousand; 31 December 2008: PLN 0 thousand).

Currency risk

Exposure to currency risk

Details of the Group's exposure to currency risk as at the end of the reporting period are presented below:

PLN '000	31 Dec 2010			31 Dec 2009			31 Dec 2008	
	EUR	USD	RON	EUR	USD	RON	EUR	RON
Trade receivables	54	1	-	37	1	-	28	-
Cash	22	8	1,792	155	13	744	17	905
Financial assets at fair value through profit or loss	-	-	98,321	-	-	19,741	-	11,176
Trade and other payables	-	-	(31,954)	(9)	-	(10,252)	(2)	-
Liabilities under loans and borrowings, and other financial liabilities	(4 909)	-	-	(3,174)	-	-	(3,092)	-
Exposure to currency risk	(4 833)	9	68,159	(2,991)	14	10,233	(3,049)	12,081

The following exchange rates of the key foreign currencies were adopted during the preparation of these financial statements:

PLN	Average exchange rates			End of reporting period (spot rate)		
	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008	31 Dec 2010	31 Dec 2009	31 Dec 2008
1 EUR	3.9939	4.3282	3.5129	3.9603	4.1082	4.1724
1 USD	3.0179	3.1181	2.4061	2.9641	2.8503	2.9618
1 RON	0.9487	1.0214	0.9537	0.9238	0.9698	1.0409

Sensitivity analysis

As at 31 December 2010, appreciation of the Polish złoty against USD, GBP and RON would have resulted in an increase (decrease) of equity and pre-tax profit by the amounts shown below. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

PLN '000

	Equity excluding profit or loss for current period	Profit or loss for current period
31 Dec 2010		
EUR (10% appreciation of PLN)	-	483
USD (10% appreciation of PLN)	-	(1)
RON (10% appreciation of PLN)		(6,816)
31 Dec 2009	-	
EUR (10% appreciation of PLN)	-	299
USD (10% appreciation of PLN)	-	(1)
RON (10% appreciation of PLN)		(1,023)
31 Dec 2008		
EUR (10% appreciation of PLN)	-	305
RON (10% appreciation of PLN)	-	(1,208)

As at December 31st, depreciation of the złoty against the foreign currencies specified above by the amounts shown above would have resulted in a decrease (increase) of equity and net profit, assuming that the other variables remain unchanged.

Interest rate risk

The structure of interest-bearing financial instruments as at the balance-sheet date is presented below:

PLN '000

	Book value		
	31 Dec 2010	31 Dec 2009	31 Dec 2008
Fixed-rate financial instruments			
Financial assets	12,526	11,977	12,308
Financial liabilities	(63,225)	(37,062)	(27,910)

(50,699)	(25,085)	(15,602)
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Variable-rate financial instruments

Financial liabilities	(122,140)	(62,777)	(107,072)
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Sensitivity analysis of fair value of fixed-interest-rate financial instruments.

The Group does not hold any fixed-interest-rate financial instruments measured at fair value through profit and loss, nor does it execute transactions with derivatives (IRSs) serving as security for fair value. Therefore, a change of an interest rate would have no effect on current period's profit or loss.

Sensitivity analysis of cash flows from variable-interest-rate financial instruments

A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit by the amounts shown below. The following analysis is based on the assumption that other variables, in particular exchange rates, remain unchanged.

PLN '000	Profit or loss for current period		Equity excluding profit or loss for current period	
	up by 100 bps	down by 100 bps	up by 100 bps	down by 100 bps
31 Dec 2010			-	-
Variable-rate financial instruments	(1,221)	1,221		
31 Dec 2009			-	-
Variable-rate financial instruments	(628)	628		
31 Dec 2008			-	-
Variable-rate financial instruments	(1,071)	1,071	-	-

Fair values

Comparison between fair values and book values

The table below presents a comparison between fair values of financial assets and liabilities and values presented in the statement of financial position:

PLN '000

	31 Dec 2010		31 Dec 2009		31 Dec 2008	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Debt securities held to maturity	-	-	5,000	5,000	4,250	4,250
Financial instruments at fair value through profit or loss	263,228	263,228	150,435	150,435	152,176	152,176
Loans and receivables	12,526	12,526	11,977	11,977	12,308	12,308
Cash and cash equivalents	20,776	20,776	23,795	23,795	25,064	25,064
Secured bank loans	(20,139)	(20,139)	(38,919)	(38,919)	(80,100)	(80,100)
Unsecured issued bonds	(96,934)	(96,934)	(16,559)	(16,559)	(16,608)	(16,608)
Finance lease liabilities	(5,067)	(5,067)	(7,299)	(7,299)	(10,364)	(10,364)
Trade and other payables	(49,180)	(49,180)	(34,592)	(34,592)	(19,341)	(19,341)
	125,210	125,210	93,838	93,838	67,835	67,835

For information on the rules applied to the determination of fair value, see Note 4.

Interest rates used for the assessment of fair value

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Financial assets at fair value through profit or loss	9.13%-420.40%	14.1%-1779.22%	15.80%-1 780%
Loans and borrowings	6.26%-7.91%	6.36%-7.26%	7.41%-8.76%
Unsecured issued bonds	8.95%-11.16%	7.27%	8.88%
Finance lease liabilities	0.83%-4.13%	1.33%-4.05%	3.90%-9.36%

Hierarchy of financial instruments measured at fair value

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

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities,
- Level 2: inputs for given assets and liabilities, other than quoted prices from Level 1, observable directly (e.g. as prices) or indirectly (e.g. as provisions derivative),

- Level 3: inputs that are not based on observable market prices (unobservable inputs).

PLN '000

Level 3

As at 31 Dec 2010

Financial assets at fair value through profit or loss	263,228
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As at 31 Dec 2009

Financial assets at fair value through profit or loss	150,435
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As at 31 Dec 2008

Financial assets at fair value through profit or loss	152,176
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29. Operating lease

Operating lease agreements with the Group as a lessee

Below are detailed minimum lease payments under irrevocable operating lease agreements:

PLN '000

31 Dec 2010 31 Dec 2009 31 Dec 2008

up to 1 year	2,927	1,815	1,310
from 1 to 5 years	5,007	3,275	2,564
over 5 years	-	74	-
	7,934	5,164	3,874

Material operating lease agreements include:

- Agreement for the use of property with an area of 2,845 square metres located at ul. Legnicka 56 in Wrocław, Poland, executed with Legnicka Business House Sp. z o.o. on October 13th 2006. The agreement, executed for a term of ten years, is terminable after the initial period of five years. The annual cost of use is approximately EUR 314 thousand.
- Agreement for the use of property with an area of 1,044 square metres located at ul. Szczawieńska 2 in Szczawno-Zdrój, Poland, executed with Dolnośląska Agencja Rozwoju Regionalnego S.A. of Wałbrzych on August 13th 2009. The agreement, executed for a term of ten years, is terminable after the initial period of five years. The annual cost of use is approximately PLN 509 thousand.
- Agreement for the use of property with an area of 665 square metres located in Targoviste, Romania, executed with ARTA S.C.M. of Targoviste, Romania, on August 15th 2008. The

agreement was executed for a specified term and is valid until August 15th 2018. The annual cost of use is EUR 27,930.

- Agreement executed with S.C. SEMA PARC S.A. of Bucharest on March 13th 2009. The annual cost of use of the 280 square metre property is approximately EUR 26,880.
- Agreement for the use of property with an area of 1,696 square metres located at ul. Wołowska 4, executed with DEVCO Sp. z o.o. on December 10th 2010. The agreement was executed for a term of three years with no possibility of early termination. The annual cost of use is approximately EUR 264 thousand.

30. Related-party transactions

Remuneration of the management personnel

Below is presented information on the remuneration payable to the members of the Group's key management personnel:

<i>PLN '000</i>	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Base pay/ managerial contract	2,251	1,464	1,560
Provisions for employee bonuses for current year	2,135	1,327	940
Remuneration - share appreciation right	257	-	91
Bonuses paid for current year	483	-	-
Other - medical benefits and other	31	11	2
	5,157	2,802	2,593

Other transactions with the management personnel

As at 31 December 2010, the management personnel of the Parent Undertaking and their next of kin held 19% of the total voting rights at the Parent Undertaking (31 December 2009: 18.5%; 31 December 2008: 18.5%).

Certain members of the management personnel and their next of kin hold positions in other entities (outside of the Group), enabling them to control or significantly influence the financial and operating policies of such entities.

Some of such entities executed business transactions with the Group in the reporting period. The terms and conditions of such transactions did not differ from terms and conditions of similar transactions carried out or which may be carried out on market terms with non-related parties.

The total value of transactions and outstanding balances involving the members of the management personnel and the entities which they control or over which they exercise significant influence were as follows:

<i>PLN '000</i>	Unsettled balances as at
-----------------	---------------------------------

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Purchased debt securities issued by CDZ 7 sp. z o.o.	-	5,000	4,250

PLN '000

	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2009	1 Jan - 31 Dec 2008
Cost of goods for resale and materials bought	108	128	86
Cost of services bought	384	326	452
	492	454	538
Cost of services sold	307	200	-

Other related-party transactions

For information on debt securities held to maturity, see Note 16.

In 2008-2010, the Group did not execute any transactions with Polish Enterprise Fund IV L.P.

31. Composition of the Group

Subsidiaries

	Country	Share capital held (%)		
		31 Dec 2010	31 Dec 2009	31 Dec 2008
Secapital S.a.r.l	Luxembourg	100%	100%	100%
KRUK Corporate Sp. z o.o.	Poland	100%	100%	100%
Secapital Polska Sp. z o.o.	Poland	98%	100%	100%
Rejestr Dłużników Europejski Rejestr Informacji Finansowej Biuro Informacji Gospodarczej SA	Poland	100%	100%	100%
Polski Rynek Długów Sp. z o.o.	Poland	100%	100%	100%
KRUK International Srl	Romania	100%	100%	100%
Kancelaria Prawna RAVEN Krupa & Stańko spółka komandytowa	Poland	98%	98%	94%
Prokura NS FIZ	Poland	100%	100%	100%

Prokulus NS FIZ	Poland	100%	100%	100%
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On May 12th 2010, the General Shareholders Meeting resolved to rename Europejski Rejestr Informacji Finansowej Biuro Informacji Gospodarczej S.A. as Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A. The change was notified to the National Court Register on June 28th 2010.

All the subsidiaries specified above were consolidated in the consolidated financial statements prepared as at 31 December 2010, 31 December 2009 and 31 December 2008.

32. Events subsequent to the balance-sheet date

On January 17th 2011, pursuant to Notary Deed No. 613/2011, the Parent Undertaking acquired 1,000 shares with a nominal value of PLN 1,000 in a newly established company KRUK Towarzystwo Funduszy Inwestycyjnych S.A.

Piotr Krupa	Rafał Janiak	Agnieszka Kułton
<i>President of the Management Board</i>	<i>Member of the Management Board</i>	<i>Member of the Management Board</i>

Urszula Okarma	Iwona Słomska	Michał Zasępa
<i>Member of the Management Board</i>	<i>Member of the Management Board</i>	<i>Member of the Management Board</i>

Katarzyna Raczkiewicz
*Person responsible for maintaining
the accounting records*

Wrocław, March 11th 2011

OPINION OF THE INDEPENDENT AUDITOR

To the Management Board of KRUK S.A.

We have audited the accompanying consolidated financial statements of KRUK S.A. Group, seated in Wrocław, Legnicka Street 56 ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2008, 31 December 2009 and 31 December 2010, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year the annual reporting periods ended on those dates and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Responsibility of the Management and Supervisory Board

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management of the Parent Entity, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of KRUK S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2008, 31 December 2009 and 31 December 2010 and its financial performance and its cash flows for the year the annual reporting periods ended on those dates, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

On behalf of KPMG Audyt Sp. z o.o. registration number
458

ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original

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Certified Auditor No. 90100

Karol Wolniakowski

Signed on the Polish original

.....

Certified Auditor No. 10615

Janusz Charytonowicz,

Director

Wrocław, 11 March 2011