

KRUK
Group
KRUK



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Presentation of Q1 2014 results

KRUK Group

May 2014

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In Q1 2014, KRUK posted a record-high net profit of PLN 40m, entered the mortgage-backed debt market, and secured PLN 260m of new financing



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Record-high net profit

- KRUK's net profit for the period was a staggering **PLN 40m** (41% of the net profit earned for the whole of 2013), **the highest in the Group's history.**
- Net profit **was up 103%** year on year and **127% quarter on quarter.**

Record-high investments and entry into a new market of collateralised debt

- In Q1 2014, KRUK's investments in debt portfolios were **record-high, totalling PLN 269m.**
- In March 2014, KRUK invested PLN 230m in its **first major portfolio of mortgage-backed debt.** The assets, with a total nominal value of some PLN 710m, were acquired **from Getin Noble Bank for PLN 230 m.**

Stable recoveries

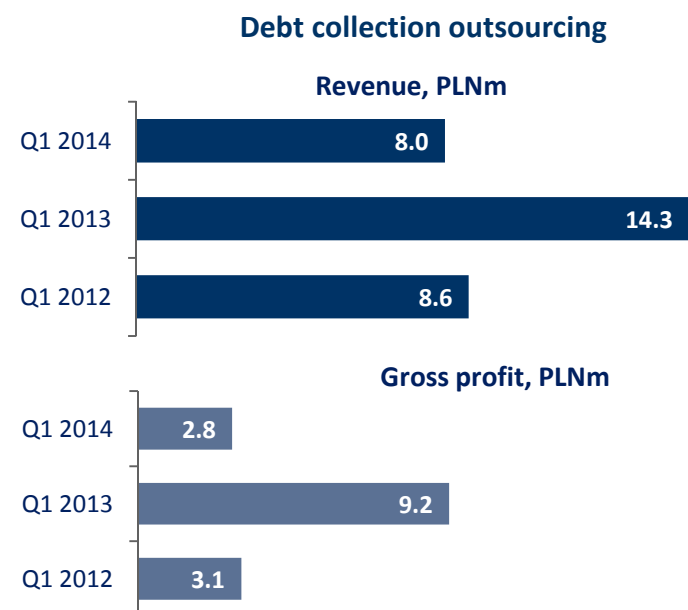
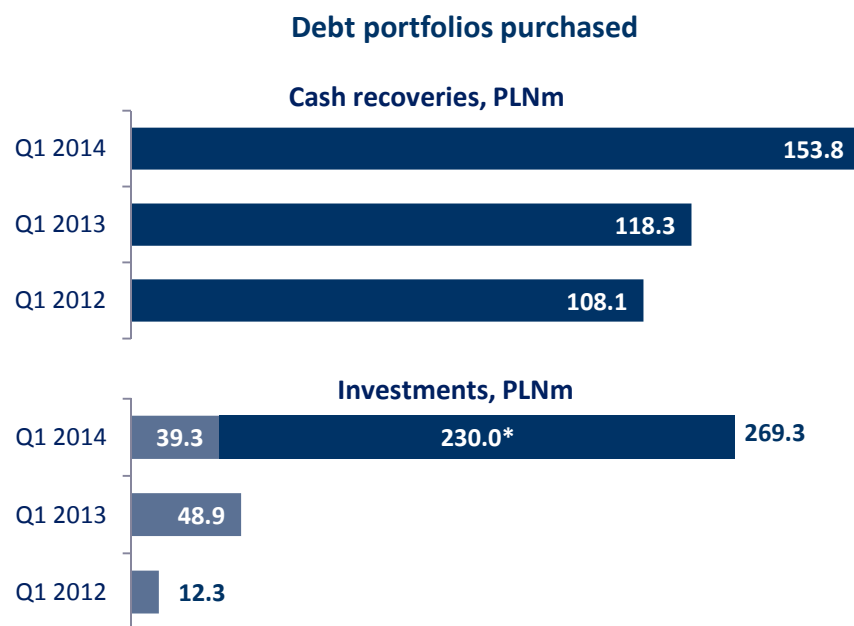
- Recoveries from portfolios purchased in Q1 2014 were **in line with the Group's expectations and amounted to PLN 154m,** having increased by 30% year on year.

New financing source

- In Q1 2014, KRUK secured a new **PLN 260m ten-year credit facility.**
- Based on the existing agreements, KRUK has now **access to PLN 470m in credit facilities,** and **the nominal value of its bonds in issue is PLN 555m.**



High cash recoveries of PLN 154m and record-breaking investments of PLN 269m in Q1 2014



PLNm	Q1 2012	Change Q1 2013 vs. Q1 2012	Q1 2013	Change Q1 2014 vs. Q1 2013	Q1 2014	2013	% of 2013
Revenue	79.9	20%	95.9	25%	120.1	405.6	30%
EBIT	28.6	19%	33.9	52%	51.4	152.9	34%
Cash EBITDA**	68.5	9%	74.8	32%	98.8	344.3	29%
Net profit	14.0	41%	19.7	103%	40.0	97.8	41%

Source: KRUK S.A.

* Expenditure of PLN 230m on purchase of mortgage-backed debt from Getin Noble Bank.

**Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt.

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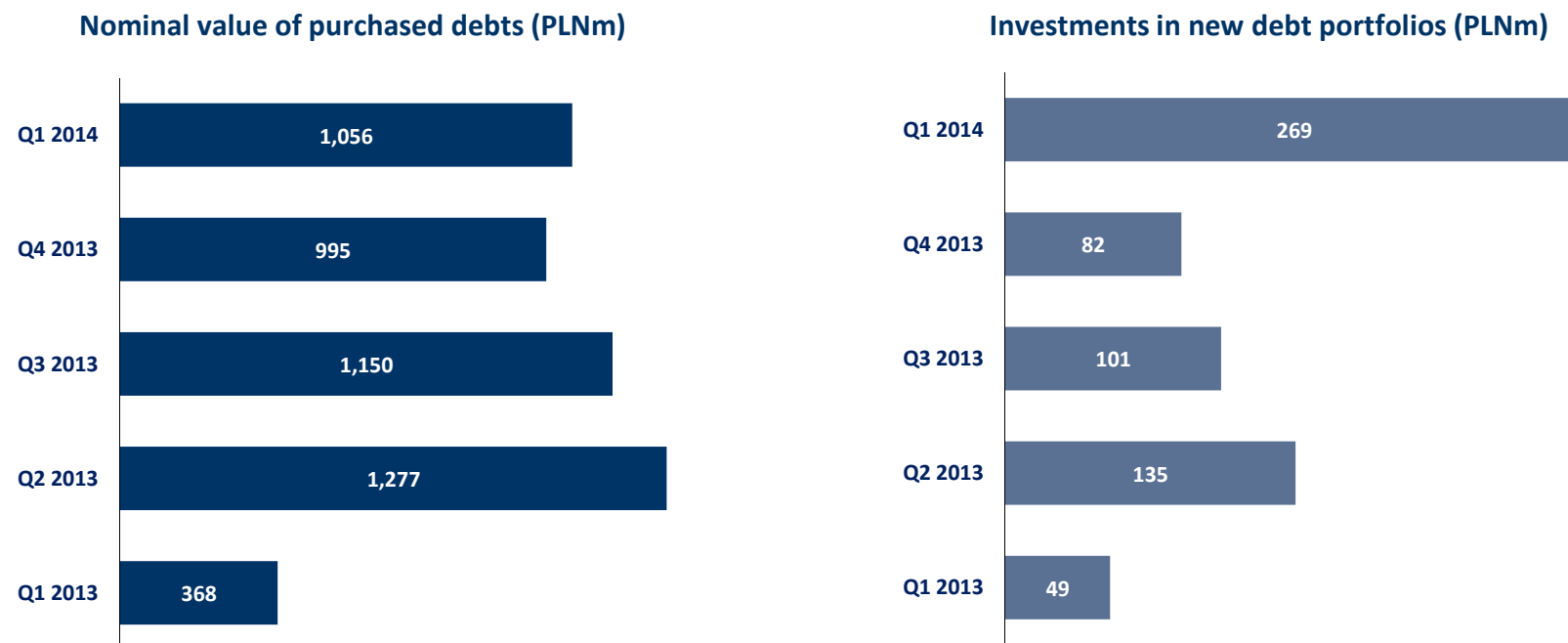
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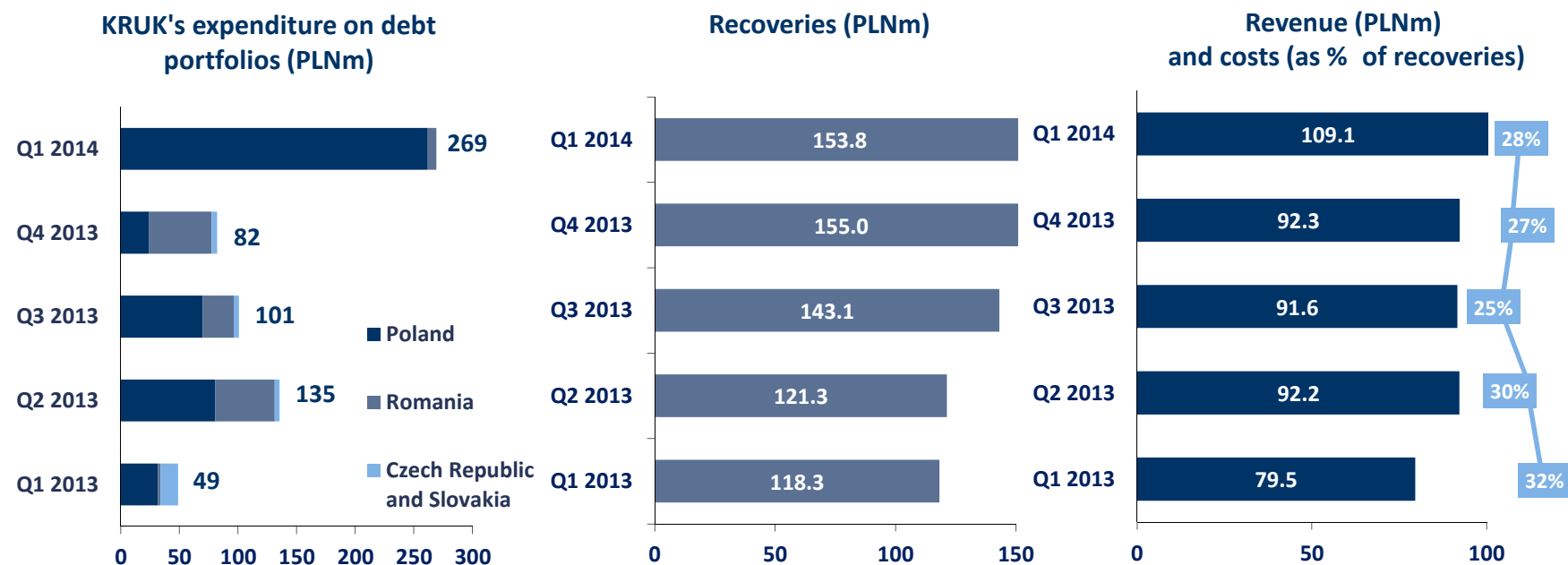
With record-high investments and entry into the new market of mortgage-backed debt, Q1 2014 marks a promising start of the year for KRUK



In Q1 2014, KRUK's expenditure on new debt portfolios was PLN 269m, the highest in the Group's history. However, this figure does not include the portfolio with a nominal value of PLN 333m acquired for PLN 36m from Santander Consumer Bank on April 2nd 2014. The most substantial investments in the past were made in Q2 2012, totalling PLN 249m.

This was a very successful period also because in Q1 2014 the Group purchased its first major portfolio of mortgage-backed debts. The portfolio, with a nominal value of PLN 710m, was acquired from Getin Noble Bank for PLN 230m, accounting for over 85% of total expenditure incurred in Q1 2014.

In Q1 2014, KRUK reported recoveries from purchased portfolios of over PLN 150m, while maintaining proper cost discipline



A substantial part of the expenditure on debt portfolios was incurred in Poland, chiefly in relation to the acquisition of mortgage-backed debt from Getin Noble Bank. With the transaction, KRUK entered a new segment of the debt management market.

The Group recovered as much as PLN 154m from purchased portfolios and maintained proper cost discipline, with the share of costs in recoveries at 28%, having remained below the 30% mark for the last four quarters.

The purchase of the Getin Noble Bank portfolio in Q1 2014 marks KRUK's entry into a new market segment of mortgage-backed debt



The purchase of a debt portfolio with a nominal value of PLN 710m from Getin Noble Bank for PLN 230m marks the beginning of KRUK's large-scale operations of the market of mortgage-backed securities. In addition, the Group secured a flexible tool for financing debt portfolio purchases in Poland and abroad by signing a ten-year revolving credit facility agreement.



Debtors

An amicable solution to the problem of excessive debt



New market of mortgage-backed debt, offering significant growth potential

Bank

Release of frozen cash, contributing to increased lending and improved ratios

By acquiring mortgage-backed debt, KRUK positions itself as a partner for banks and an intermediary providing the solution to the problem of excessively indebted individuals who pay their mortgages irregularly. All three parties involved will benefit from the transaction.



In Q1 2014, KRUK continued its extensive marketing and image-building campaign targeted at indebted individuals in Poland and Romania: „Green envelope is a good news”

Objectives of the spring campaign:

- To incentivise debtors who did not respond to the Group's previous communications or keep postponing contact
- To encourage debtors to phone KRUK and arrange a settlement or repayment of the debt
- To follow up on the autumn campaign and maintain KRUK's presence and good image with the debtors

POLAND

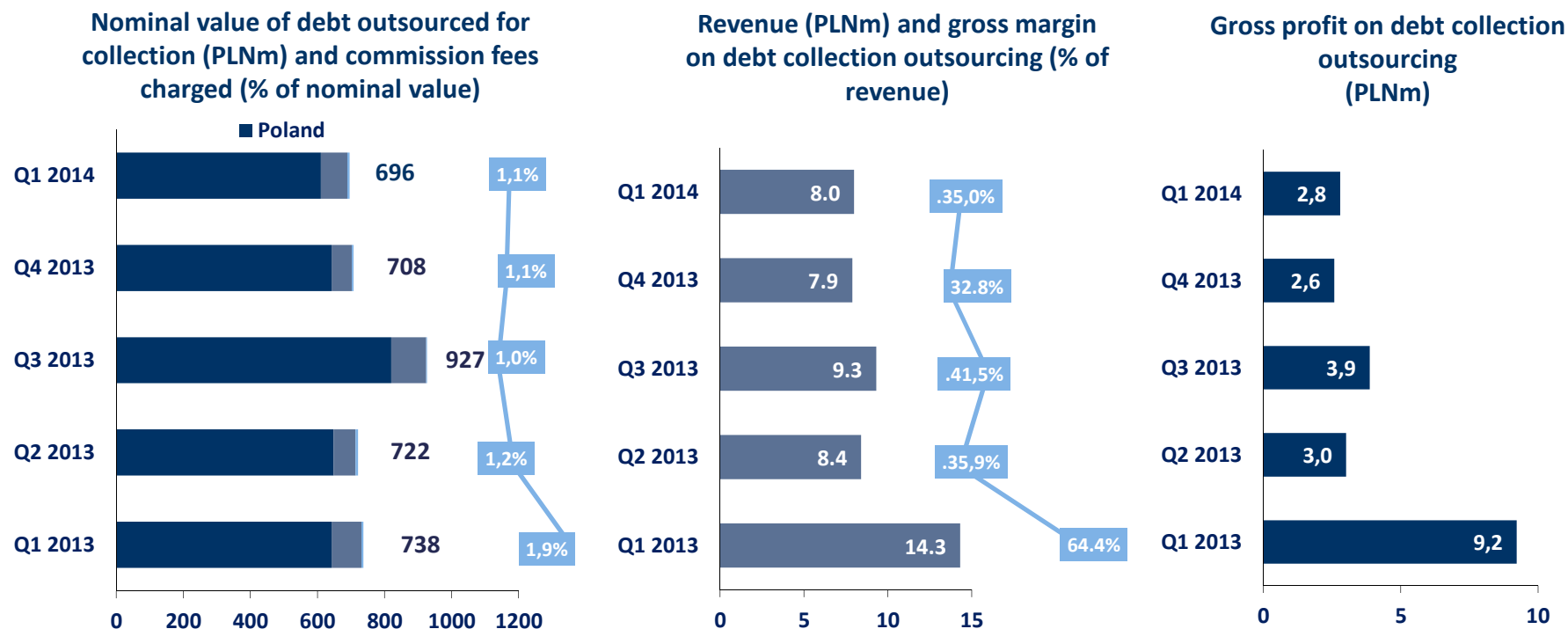
- TV (TVP, Polsat, TVN)
- Press (weeklies, magazines, TV listings, mailing)
- Internet (Google, YouTube, facebook)
- Sponsorship charts appearing before popular TV shows: *rodzinka.pl*, *Mam Talent*, *Fakty*



ROMANIA

- TV (Kanal D)
- Internet (Google, YouTube, other websites)

The highly-competitive debt collection outsourcing market is also one of KRUK's major business lines



The debt collection outsourcing market is highly competitive, but KRUK continues to perform well by leveraging its high operating efficiency.

The difference between KRUK's results in Q1 2014 and Q1 2013 is attributable to robust performance of the corporate debt collection outsourcing segment in Q1 2013.

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The KRUK Group – statement of profit or loss by business lines (presentation format)

PLNm	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q1 2014 vs. Q1 2013
DEBT PORTFOLIOS PURCHASED						
Expenditure on debt portfolios	48.9	135.4	100.8	82.1	269.3	450%
Recoveries	118.3	121.3	143.1	155.0	153.8	30%
Operating income						
	95.9	103.0	103.3	103.4	120.1	25%
Debt portfolios purchased	79.5	92.2	91.6	92.3	109.1	37%
including revaluation	1.0	6.8	-5.9	-15.1	5.7	474%
Debt collection outsourcing	14.3	8.4	9.3	7.9	8.0	-44%
Other products and services	2.1	2.3	2.4	3.2	3.0	46%
Gross profit	50.6	59.2	59.8	53.3	69.4	37%
<i>Gross margin</i>	53%	57%	58%	52%	58%	
Debt portfolios purchased	41.2	55.6	55.4	50.2	65.5	59%
Debt collection outsourcing	9.2	3.0	3.9	2.6	2.8	-70%
Other products and services	0.2	0.6	0.5	0.5	1.1	515%
EBITDA	36.1	44.4	44.5	37.3	54.1	50%
<i>EBITDA margin</i>	38%	43%	43%	36%	45%	
NET PROFIT	19.7	30.9	29.5	17.6	40.0	103%
<i>net profit margin</i>	21%	30%	29%	17%	33%	
CASH EBITDA*						
	74.8	73.5	96.0	100.0	98.8	32%

Source: KRUK S.A.

* Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt.

The KRUK Group – statement of profit or loss by geographical segments (presentation format)

PLNm	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q1 2014 vs. Q1 2013
STATEMENT OF PROFIT AND LOSS						
Operating income	95.9	103.0	103.3	103.4	120.1	25%
Poland	59.1	57.0	53.9	53.5	71.7	21%
Foreign markets	36.8	46.0	49.4	49.9	48.4	32%
Gross profit	50.6	59.2	59.8	53.3	74.8	48%
<i>Gross margin</i>	53%	57%	58%	52%	62%	
Administrative expenses	-13.9	-14.4	-15.5	-16.6	-15.5	11%
EBITDA	36.1	44.4	44.5	37.3	54.1	50%
<i>EBITDA margin</i>	38%	43%	43%	36%	45%	
Finance costs	-13.6	-11.8	-13.3	-15.8	-12.4	-9%
NET PROFIT	19.7	30.9	29.5	17.6	40.0	103%
<i>Net margin</i>	21%	30%	29%	17%	33%	

Source: KRUK S.A.

KRUK – key cash flow data (presentation format)

PLNm	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Cash flows from operating activities:	63.8	59.9	80.7	86.3	77.9
Recoveries from debtors – purchased debt portfolios	118.3	121.3	143.1	155.0	153.8
Operating costs – purchased debt portfolios	-38.4	-36.6	-36.2	-42.1	-43.6
Operating margin – debt collection outsourcing	9.2	3.0	3.9	2.6	2.8
Administrative expenses	-13.9	-14.4	-15.5	-16.6	-15.5
Other operating cash flow	-11.3	-13.4	-14.7	-12.5	-19.5
Cash flows from investing activities:	-51.7	-138.3	-103.8	-88.1	-273.8
Expenditure on debt portfolio purchases	-48.9	-135.4	-100.8	-82.1	-269.3
Other investing cash flow	-2.8	-2.9	-3.0	-6.0	-4.5
Cash flows from financing activities:	14.3	38.6	35.5	-4.8	229.8
Increase in borrowings and lease liabilities	89.8	132.4	95.7	299.6	270.5
Issue of bonds	60.0	75.0	50.0	65.0	0.0
Decrease in borrowings and lease liabilities	-134.8	-123.0	-144.0	-273.4	-280.7
Redemption of bonds	0.0	-43.0	-36.0	-22.5	-20.0
Other financing cash flow	-0.7	-2.8	69.9	-73.5	260.0
Net cash flows:	26.4	-39.8	12.4	-6.6	33.9

Source: KRUK S.A.

KRUK – selected balance-sheet items (presentation format)

PLNm	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
ASSETS					
Non-current assets	27.4	29.9	30.8	33.9	36.3
Current assets	986.7	1,055.6	1,113.5	1,128.9	1,386.7
including: Investments in debt portfolio purchases	888.3	997.3	1,040.1	1,053.9	1,277.8
Cash	69.2	28.8	41.8	35.3	69.2
Total assets	1,014.1	1,085.4	1,144.2	1,162.8	1,423.0
EQUITY AND LIABILITIES					
Equity	339.6	377.8	402.8	415.6	458.8
including: Retained earnings	233.2	264.1	293.6	311.2	351.1
Liabilities	674.5	707.6	741.4	747.3	964.2
including: Borrowings and leases	124.6	135.3	87.1	112.9	103.7
Bonds	487.6	518.5	532.3	574.5	554.7
Total equity and liabilities	1,014.1	1,085.4	1,144.2	1,162.8	1,423.0
RATIOS					
Interest-bearing debt	612.2	653.8	619.3	687.5	658.4
Net interest-bearing debt	543.0	625.0	577.5	652.2	589.2
Net interest-bearing debt to equity	1.6	1.7	1.4	1.6	1.3
Interest-bearing debt to 12-month cash EBITDA*	1.8	2.1	1.8	1.9	1.6

Source: KRUK S.A.

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KRUK – selected events subsequent to Q1 2014

Sale of a receivable to a third party

On April 1st 2014, PROKURA NS FIZ (KRUK S.A.'s subsidiary) sold a debt from its secured portfolio and recognised a gain of PLN 18.7m on the transaction in Q2 2014. The transaction was executed as part of the process of managing the secured portfolio.

Purchase of debt portfolio from Santander Consumer Bank

On April 2nd 2014, PROKURA NSFIZ signed an agreement to purchase a debt portfolio from Santander Consumer Bank with a total nominal value of PLN 333m for a price of PLN 36m.

KRUK – debt structure and bond redemption schedule

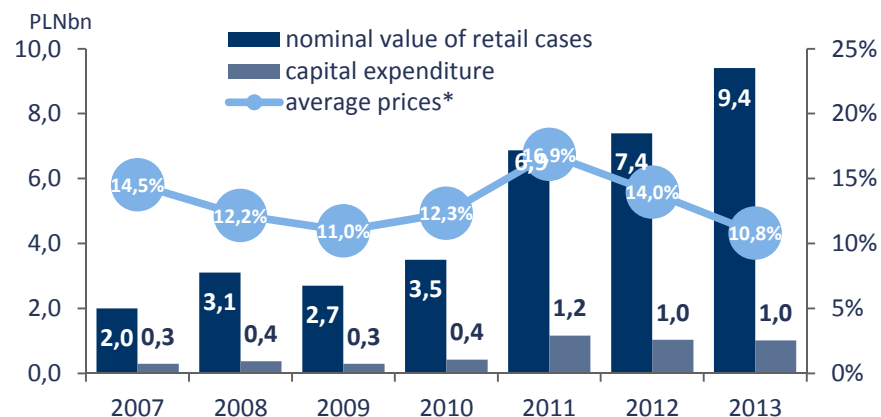
BONDS (PLNm)*	Q1 2014	Q2-Q4 2014	2015	2016	2017	2018
Issued						
Redeemed	20	110	41	154	135	115
Bonds outstanding at end of period	555	445	404	250	115	-

* Based on par value.

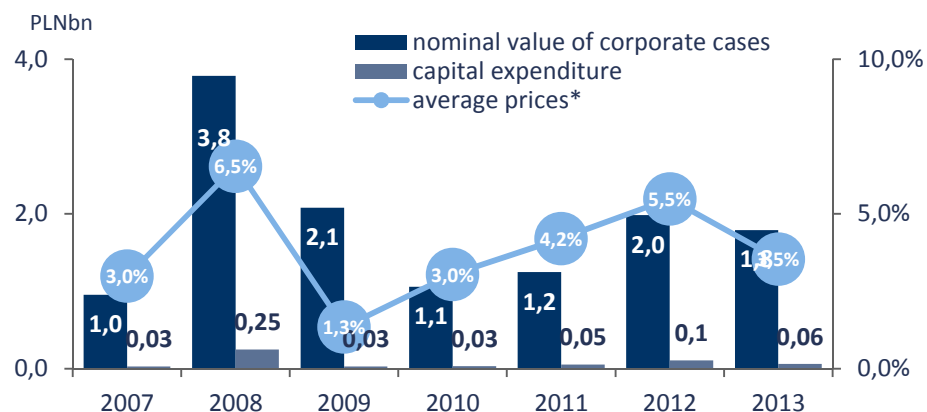
BANK BORROWINGS (PLNm)	Credit facilities made available by banks	Amount outstanding as at Mar 31 2014
Total bank borrowings	470	90
Investment credit facilities	0	0
Revolving credit facilities	470	90

Debt portfolio purchase market in Poland, Romania, the Czech Republic and Slovakia

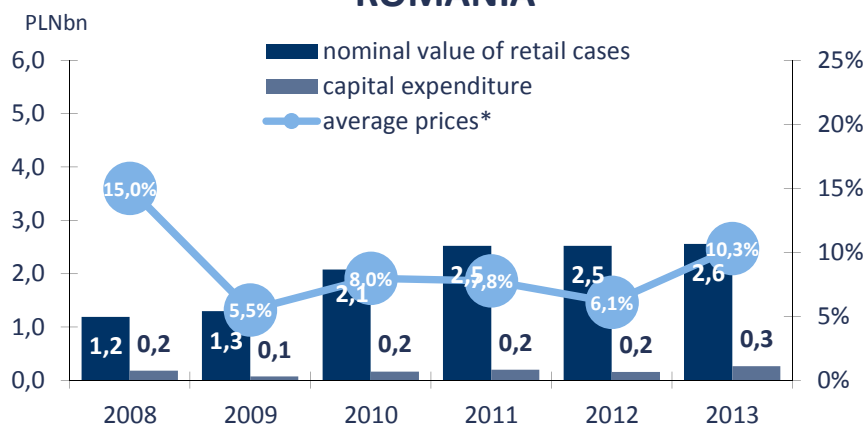
POLAND – consumer debt portfolios



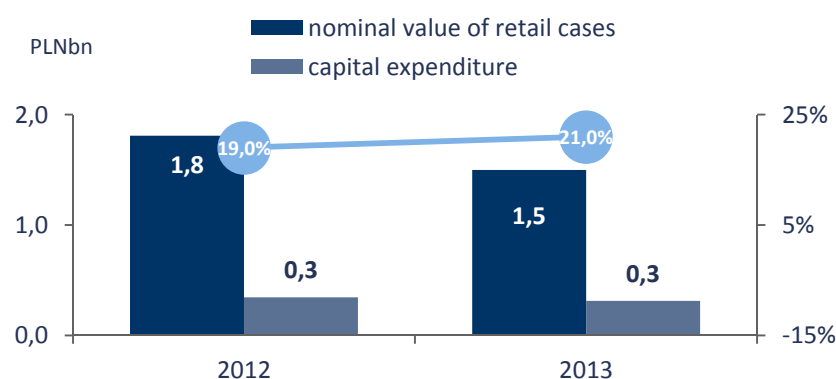
POLAND – corporate debt portfolios



ROMANIA



THE CZECH REPUBLIC AND SLOVAKIA

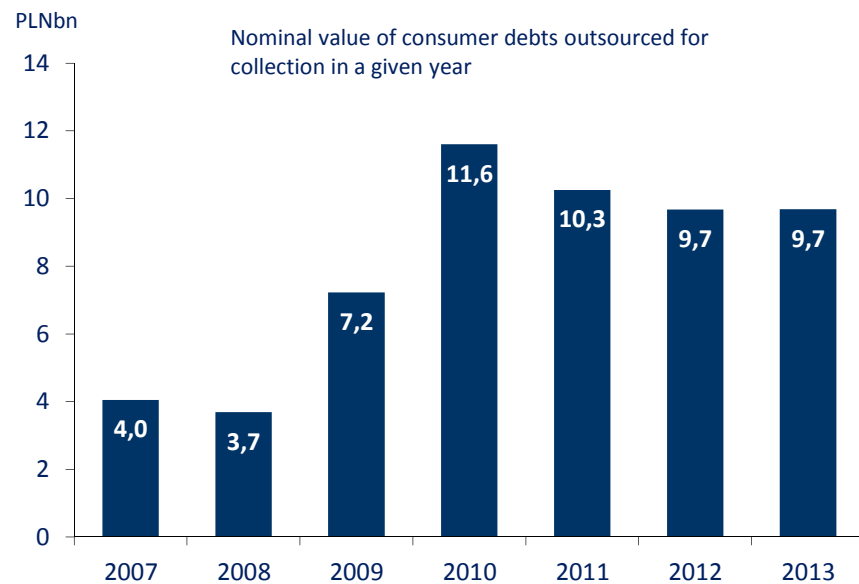


Source: KRUK S.A.

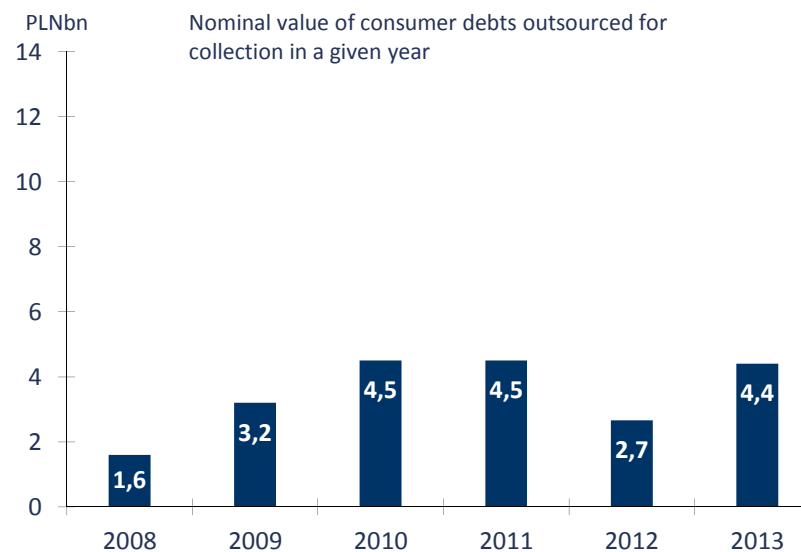
* Average price as % of nominal value.

Debt collection outsourcing market in Poland and Romania

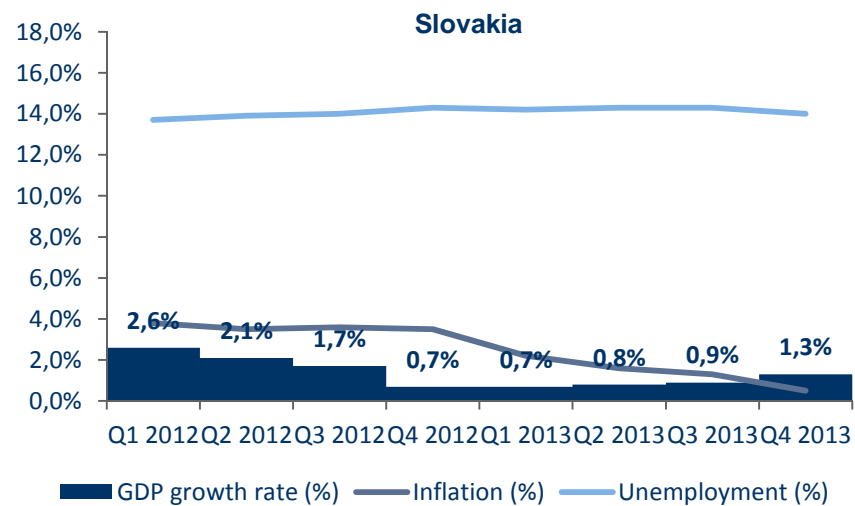
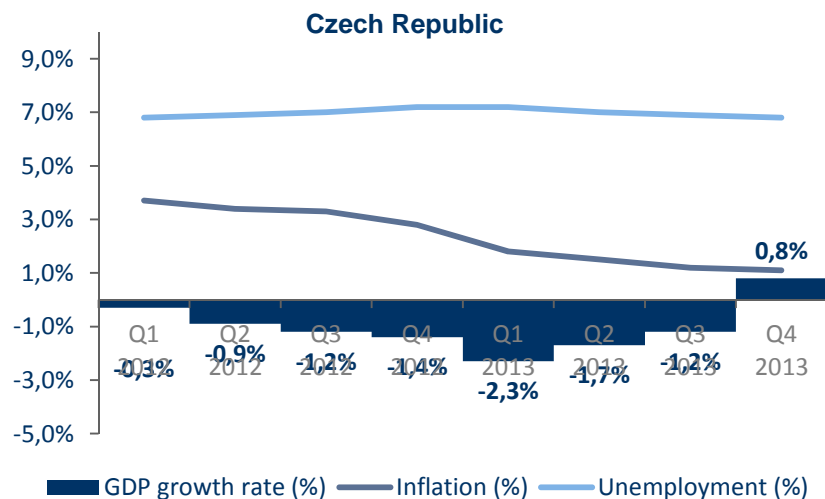
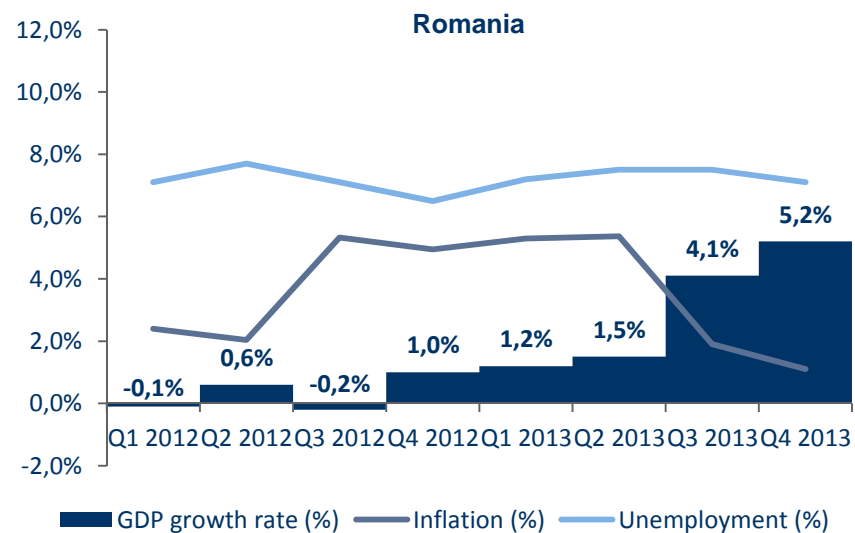
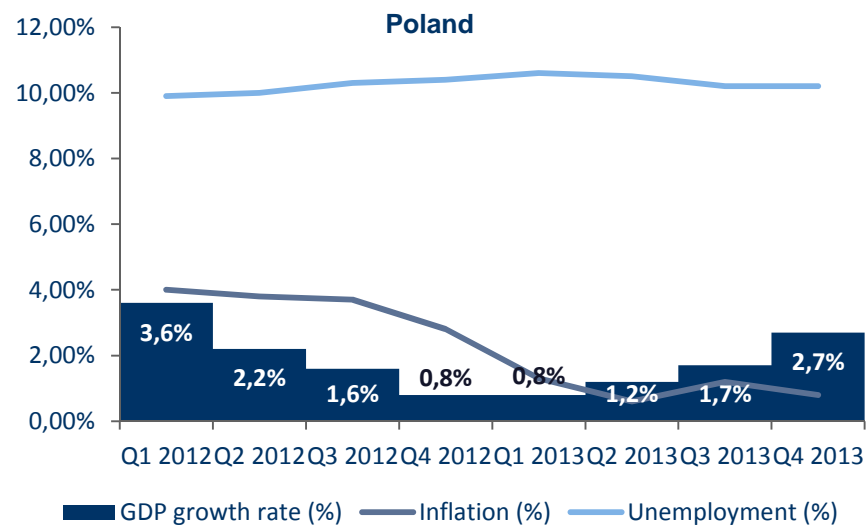
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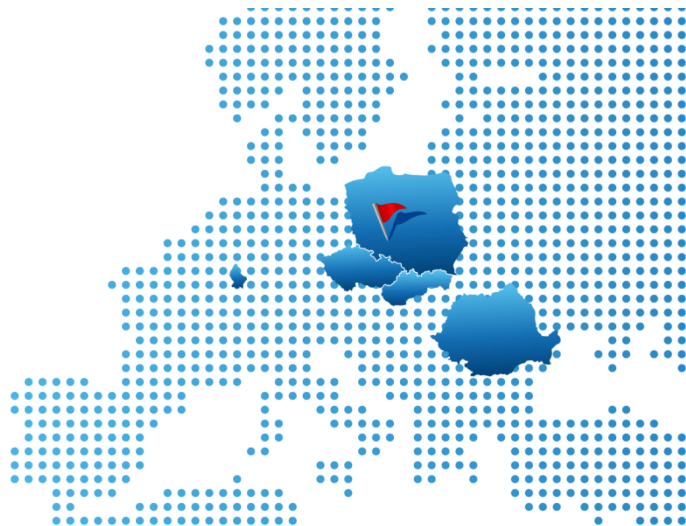


Key macroeconomic data for the last eight quarters

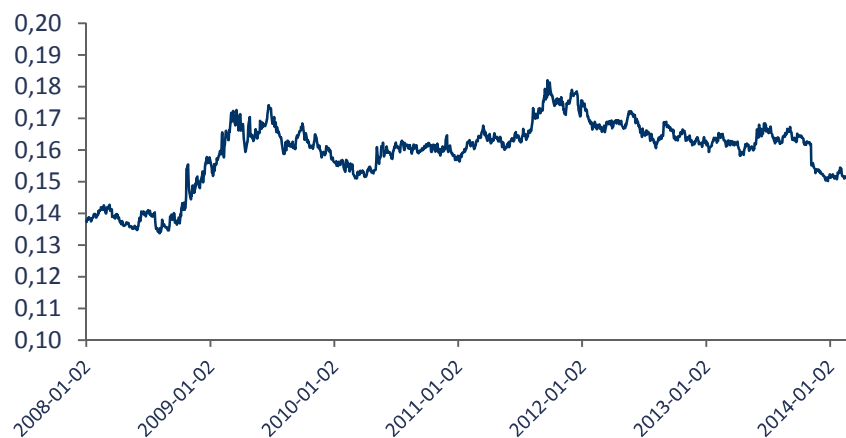


GDP increase year on year.
Source: OECD and TradingEconomics.

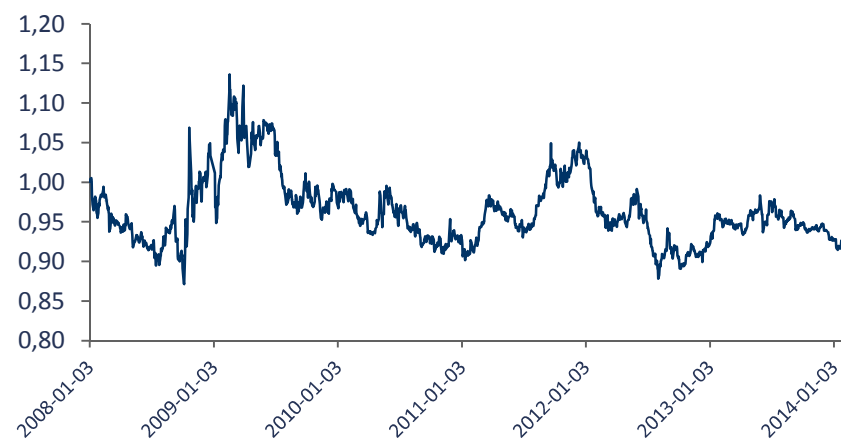
Key macroeconomic data



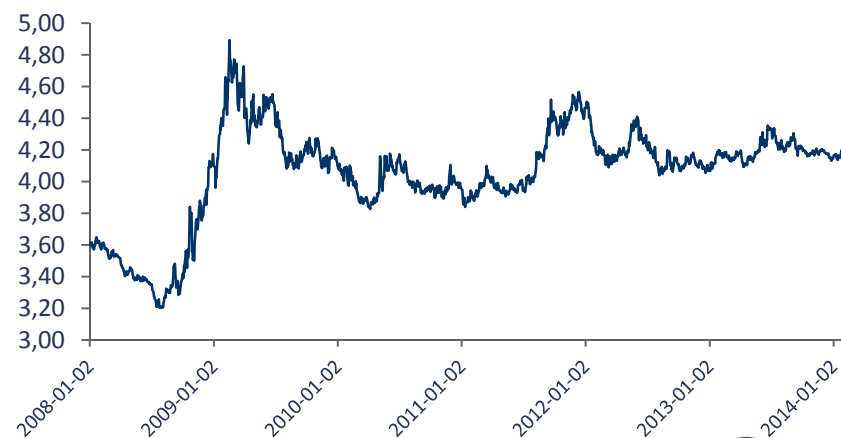
Average CZK/PLN exchange rate since 2008



Average RON/PLN exchange rate since 2008



Average EUR/PLN exchange rate since 2008



Source: stooq.pl

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