



Presentation of Q1–Q3 2014 results

KRUK Group

November 2014



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The net profit for Q1–Q3 2014 was PLN 126m, up 57% year on year.

Strong growth of net profit

- The net profit for Q1–Q3 2014 was PLN 126m, up 29% on the full-year figure for 2013.
- Net profit in Q3 2014 amounted to PLN 26m (decrease of 12% year on year), despite PLN 13m of negative revaluation on purchased debt portfolio

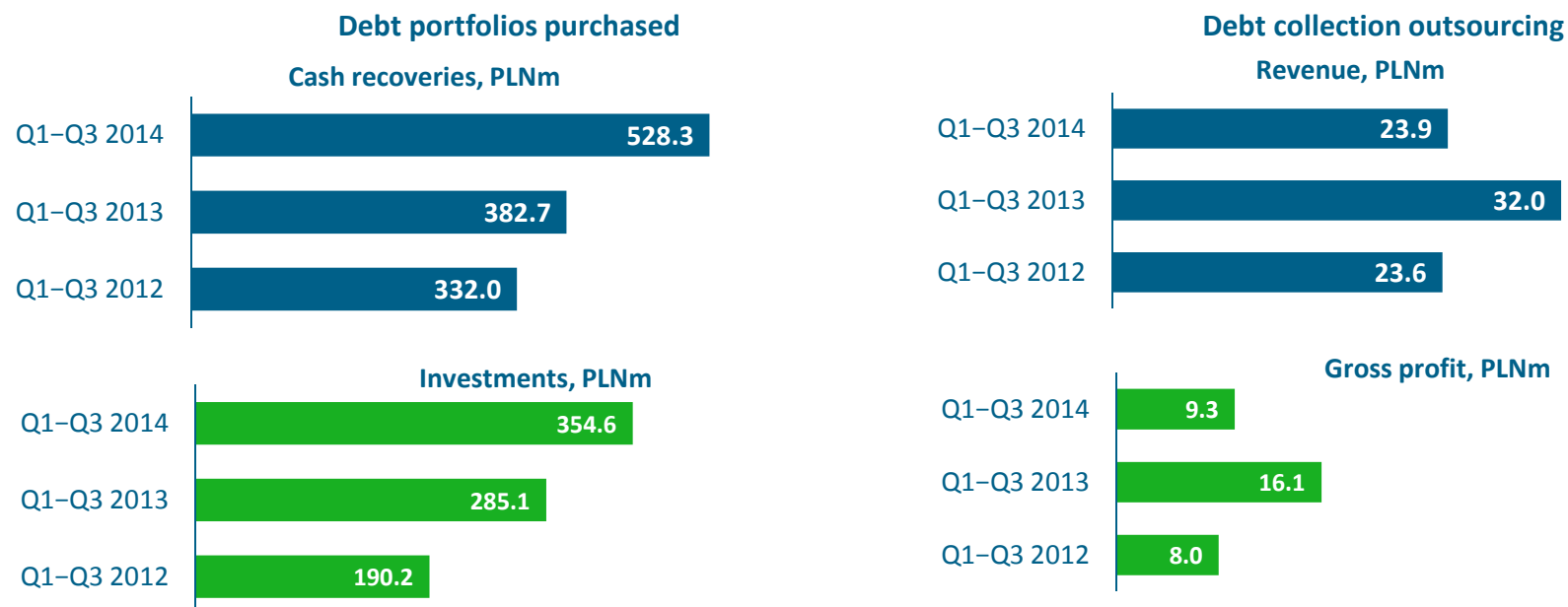
High recoveries and investments at over PLN 355m

- In Q3 2014, recoveries totalled PLN 168m, up 17% quarter on quarter.
- Since the beginning of 2014, KRUK has recovered PLN 528m.
- In Q3 2014, KRUK invested PLN 42m in new portfolios, and between January and September 2014 the investments totalled PLN 355m.
- The Company sees a strong potential for investment increase in Q4 2014.

Good access to financing and relatively low debt level

- In October, KRUK and BNP Paribas executed a five-year revolving credit facility agreement for up to PLN 30m.
- In October 2014, KRUK obtained its first ever financing in euro from BZ WBK under an existing credit facility agreement (up to an equivalent of PLN 70m).
- In December, the Company plans to carry out a PLN 10m private bond placement.
- Net debt to equity was 1.2. The Company's balance sheet situation allows it to make further investments and embark on international expansion.

Q1–Q3 2014: record-high recoveries and substantial investments in new portfolios



PLNm	Q1–Q3 2012	Change Q1–Q3 2013/2012	Q1–Q3 2013	Change Q1–Q3 2014/2013	Q1–Q3 2014	2013	% of 2013
Revenue	245.1	23%	302.3	22%	367.5	405.6	91%
EBIT	96.7	22%	118.1	41%	166.1	152.9	109%
Cash EBITDA*	216.6	13%	244.3	51%	369.1	344.3	107%
Net profit	54.1	48%	80.1	57%	126.1	97.8	129%

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

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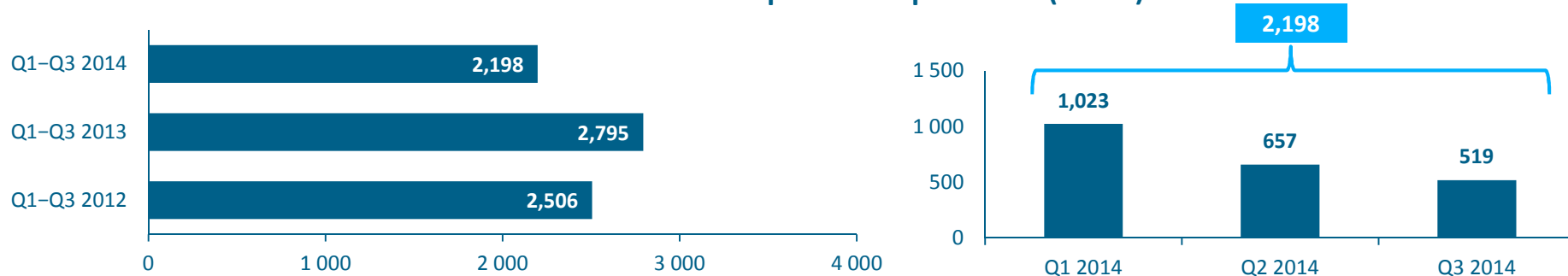
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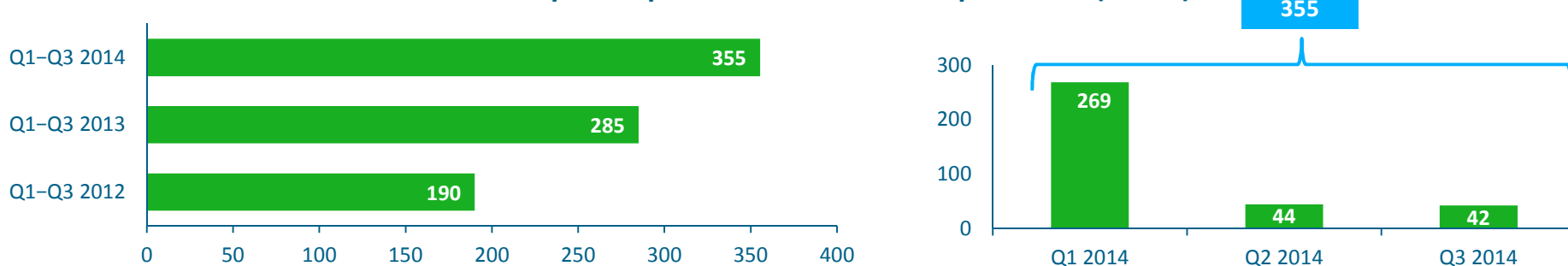
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Expenditure on debt portfolios was up 25% in Q1–Q3 2014, totalling PLN 355m

Nominal value of purchased portfolios (PLNm)



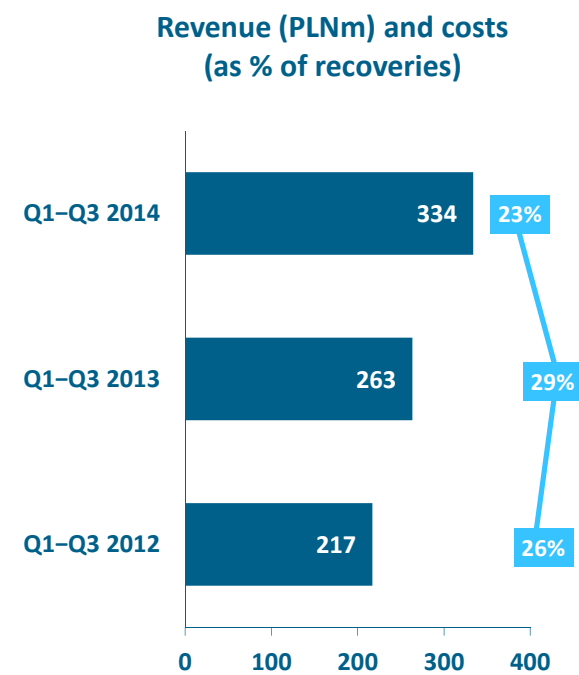
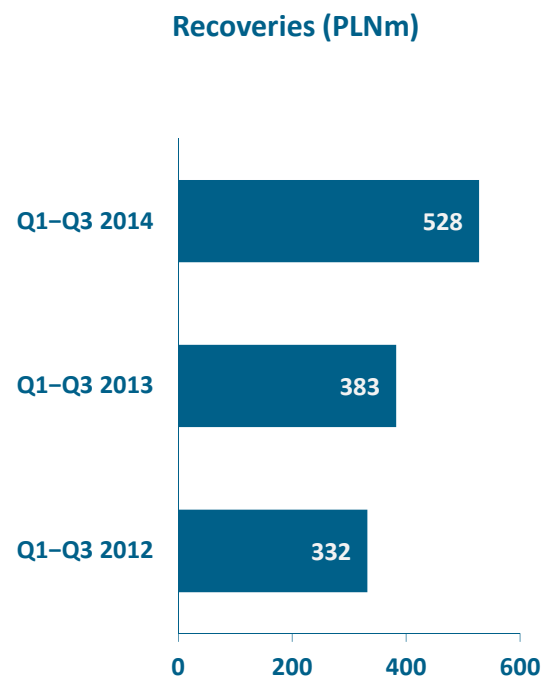
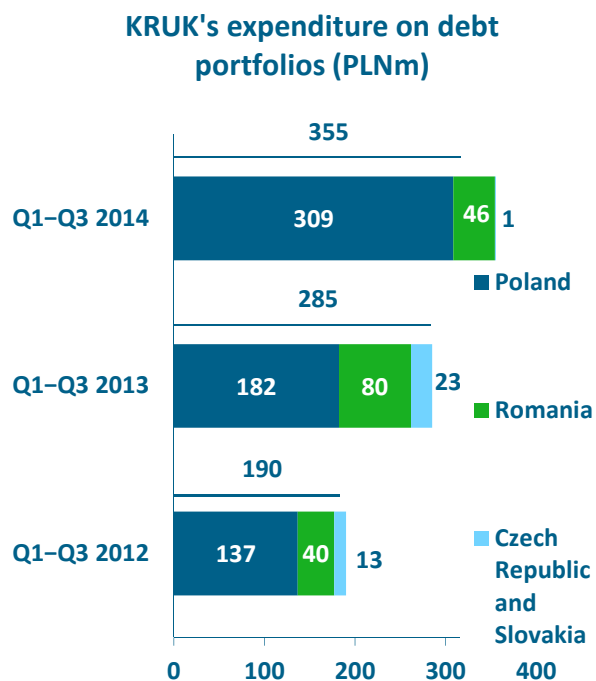
Capital expenditure on new debt portfolios (PLNm)



In Q1–Q3 2014, the KRUK Group invested PLN 355m (up by nearly 25% year on year) in debt portfolios with a total nominal value of PLN 2.2bn.

The Group's main expenditure was related to the acquisition of mortgage-backed debt from Getin Noble Bank for PLN 230m.

In Q1–Q3 2014, recoveries totalled PLN 528m, up by 38% year on year.

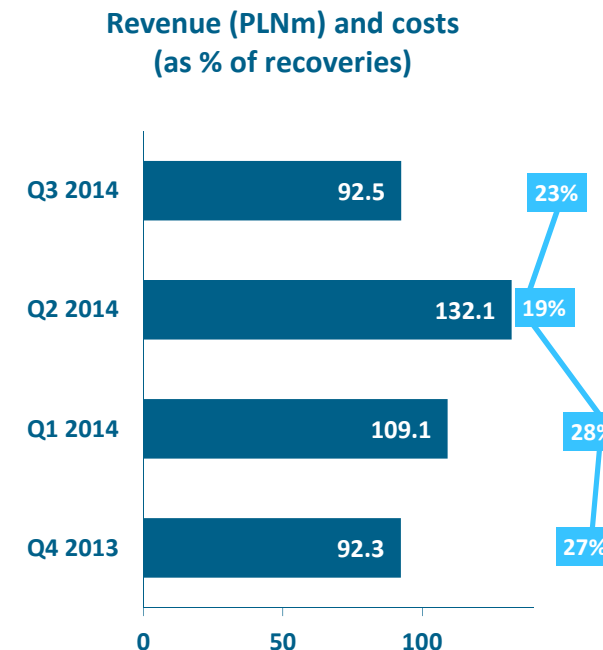
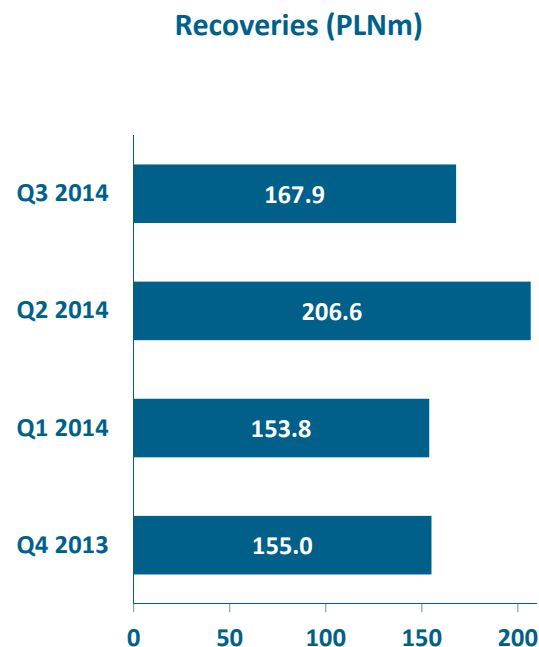
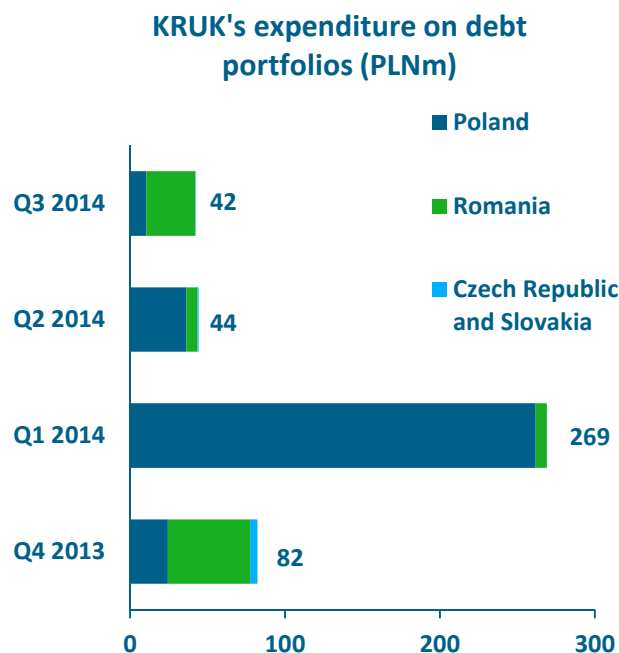


The bulk of expenditure in Q1–Q3 2014 was spent in Poland (the acquisition of the mortgage-backed debt portfolio).

In Q1–Q3 2014, recoveries rose 38%, to an all-time high of PLN 528m.

The Group maintains high operating efficiency and a low ratio of costs to recoveries, which in Q1–Q3 2014 stood at 23%, down by 6pps year on year.

KRUK in Q3 2014: high recoveries of PLN 168m and high operating efficiency



In Q3 2014, the majority of expenditure was made in Romania, where many small debt sale transactions took place.

In Q3 2014, recoveries were high at PLN 168m.

Excluding one-off recoveries in Q2 2014, recoveries increased slightly quarter on quarter.

The decrease in revenue was attributable to a negative revaluation related to a change in the fair value of purchased debt portfolio.

At the same time, the Group maintained its low ratio of costs to recoveries (23%).

KRUK is running an extensive advertising campaign in Poland and Romania

TV commercial:
"Your debt affects your loved ones too"

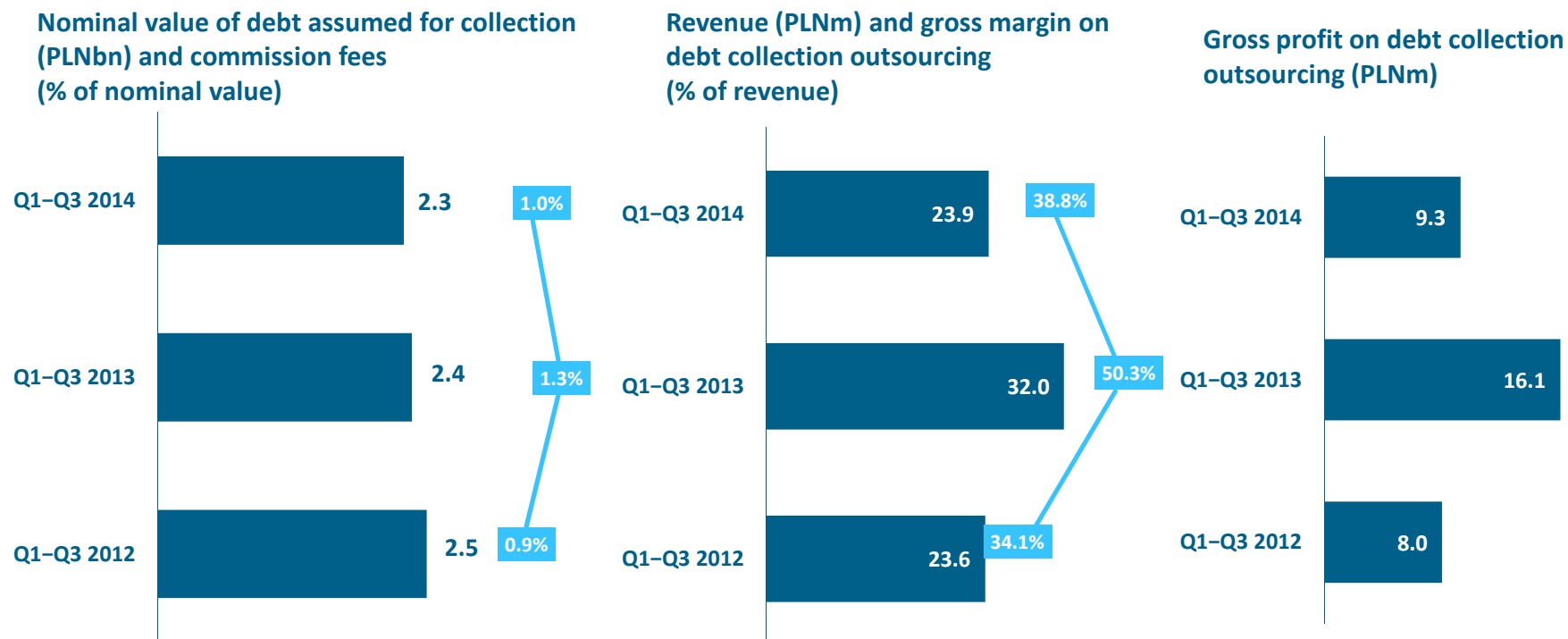


Product placement – KRUK settlements were featured in
"Ojciec Mateusz", a TV series

The goals of this autumn campaign are as follows:

- **Showing the negative effect of excessive debt on the family**, thus creating a non-financial motivation for debt repayment
- **Motivating** debtors that avoid confronting their debt problem to start making repayments and maintaining positive motivation among those who pay their debts
- **Demonstrating the full seriousness of the problem to debtors and encouraging them to take action** and set themselves goals related to debt repayment
- **Maintaining and enhancing KRUK's image** of a company understanding the problems of the indebted

Debt collection outsourcing business is profitable and generates stable margins



In Q1-Q3 2014, the nominal value of debt assumed for collection was PLN 2.3bn, having decreased slightly year on year.

Excluding the one-off effect of revenue generated in Q1 2013 from the management of corporate debt portfolio for a financial investor, the Group's revenue and gross margin on debt collection outsourcing remained stable.

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

PLNm	Q1-Q3 2013	Q1 2014	Q2 2014	Q3 2014	Q1-Q3 2014	Q1-Q3/Q1-Q3
DEBT PORTFOLIOS PURCHASED						
Fair value of purchased debt portfolios	1,040.1	1,277.8	1,252.0	1,217.7	1,217.7	17%
Recoveries	382.7	153.8	206.6	167.9	528.3	38%
Expenditure on debt portfolios	285.1	268.9	44.2	42.4	354.6	25%
STATEMENT OF PROFIT AND LOSS						
Operating revenue	302.3	120.1	143.6	103.8	367.5	22%
Revenue from debt portfolios purchased	263.4	109.1	132.1	92.5	333.7	27%
including revaluation	1.9	5.7	12.4	-13.2	4.9	163%
Revenue from debt collection outsourcing	32.0	8.0	8.3	7.6	23.9	-25%
Revenue from other products and services	6.8	3.0	3.2	3.7	9.9	46%
Gross profit	169.6	69.4	98.4	58.1	225.8	33%
<i>Gross margin</i>	56%	58%	68%	56%	61%	
Debt portfolios purchased	152.2	65.5	93.7	53.5	212.8	40%
Debt collection outsourcing	16.1	2.8	3.6	2.9	9.3	-42%
Other products and services	1.3	1.1	1.1	1.6	3.8	199%
Administrative expenses	-43.8	-15.5	-17.1	-17.1	-49.8	14%
EBITDA	125.0	54.1	80.0	40.4	174.5	40%
<i>EBITDA margin</i>	41%	45%	56%	39%	47%	
Finance income/costs	-38.7	-12.4	-16.8	-12.5	-41.6	8%
NET PROFIT	80.1	40.0	60.1	26.0	126.1	57%
<i>Net margin</i>	27%	33%	42%	25%	34%	29%
CASH EBITDA*	244.3	98.8	154.5	115.8	369.1	51%
Trailing ROE**	26.6%	25.7%	27.8%	25.9%	25.9%	

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

** ROE = net profit for the last four quarters / total equity at the end of period

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

PLNm	Q1-Q3 2013	Q1 2014	Q2 2014	Q3 2014	Q1-Q3 2014	Q1-Q3/Q1-Q3
STATEMENT OF PROFIT AND LOSS						
Operating revenue	302.3	120.1	143.6	103.8	367.5	22%
Poland	170.0	71.7	90.5	52.8	215.0	26%
Romania	120.4	41.2	46.8	50.5	138.4	15%
Other countries	11.9	7.3	6.4	0.5	14.1	19%
Gross profit	169.6	74.8	93.0	58.1	225.8	33%
<i>Gross margin</i>	56%	62%	65%	56%	61%	
Administrative expenses	-43.8	-15.5	-17.1	-17.1	-49.8	14%
EBITDA	125.0	54.1	80.0	40.4	174.5	40%
<i>EBITDA margin</i>	41%	45%	56%	39%	47%	
Finance income/costs	-38.7	-12.4	-16.8	-12.5	-41.6	8%
NET PROFIT	80.1	40.0	60.1	26.0	126.1	57%
<i>Net margin</i>	27%	33%	42%	25%	34%	

KRUK – key cash flow data (presentation format)

PLNm	Q1-Q3 2013	Q1 2014	Q2 2014	Q3 2014	Q1-Q3 2014	Q1-Q3/Q1-Q3
Cash flows from operating activities:	204.4	77.9	137.6	118.8	334.6	64%
Recoveries from debtors – purchased debt portfolios	382.7	153.8	206.6	167.9	528.3	38%
Operating costs – purchased debt portfolios	-111.2	-43.6	-38.4	-39.0	-121.0	9%
Operating margin – debt collection outsourcing	16.1	2.8	3.6	2.9	9.3	-42%
Administrative expenses	-43.8	-15.5	-17.1	-17.1	-49.8	14%
Other operating cash flow	-39.3	-19.5	-17.1	4.1	-32.2	-17%
Cash flows from investing activities:	-293.8	-273.8	-47.0	-43.8	-365.0	24%
Expenditure on debt portfolio purchases	-285.1	-268.9	-44.2	-42.4	-355.4	25%
Other investing cash flow	-8.7	-4.9	-2.8	-1.5	-9.5	7%
Cash flows from financing activities:	88.4	229.8	-90.3	-94.4	45.1	-49%
Increase in borrowings and lease liabilities	317.9	270.5	626.5	337.8	1,234.7	288%
Issue of bonds	185.0	0.0	0.0	0.0	0.0	-100%
Decrease in borrowings and lease liabilities	-401.9	-280.7	-422.0	-392.6	-1,095.3	173%
Redemption of bonds	-79.0	-20.0	-33.4	-47.0	-100.4	27%
Other financing cash flow	66.4	260.0	-261.3	7.4	6.2	-91%
Net cash flows:	-0.9	33.9	0.2	-19.4	14.8	

KRUK – selected balance-sheet items (presentation format)

PLNm	Q3 2013	2013	Q3 2014
ASSETS			
Cash and cash equivalents	41.8	35.3	50.1
Other receivables	8.3	17.8	13.2
Trade receivables	10.1	9.0	11.1
Current tax asset	1.0	0.0	0.0
Investments in debt portfolios and loans	1,048.7	1,063.8	1,229.1
Inventories	0.6	0.5	0.5
Property, plant and equipment	18.0	20.1	20.1
Other intangible assets	9.0	10.4	10.5
Goodwill	1.0	1.0	1.0
Deferred tax asset	2.7	2.4	4.3
Other assets	2.8	2.5	2.4
Total assets	1,144.1	1,162.8	1,342.3
EQUITY AND LIABILITIES			
Equity	402.8	415.6	555.7
including: Retained earnings	293.6	311.2	437.2
Liabilities	741.3	747.3	786.6
including: Borrowings and leases	87.1	112.9	252.3
Bonds	532.3	574.5	474.6
Total equity and liabilities	1,144.1	1,162.8	1,342.3
RATIOS			
Interest-bearing debt	619.3	687.5	726.9
Net interest-bearing debt	577.5	652.2	676.8
Net interest-bearing debt to equity	1.4	1.6	1.2
Interest-bearing debt to 12-month cash EBITDA*	1.8	1.9	1.4

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

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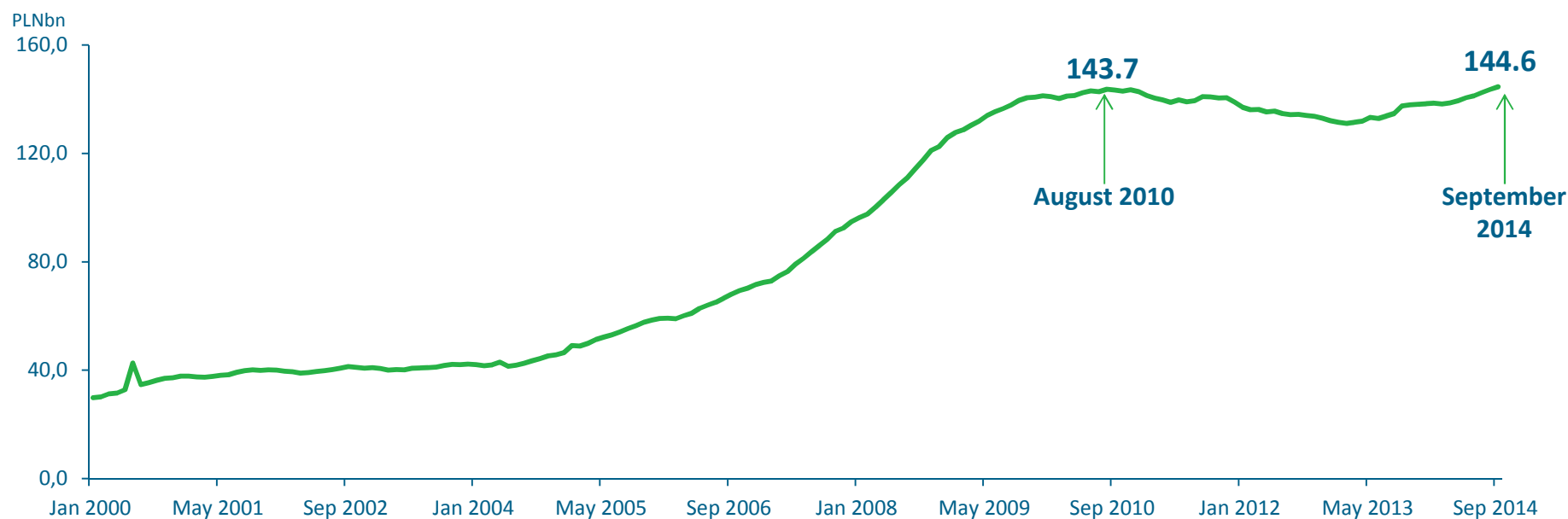
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The revised Recommendation T and economic recovery in Poland translated into higher demand for consumer loans, whose value reached a record-high of PLN 145bn at the end of September 2014.

Chart. Consumer loans advanced by Polish banks and Cooperative Savings and Loan Associations (SKOK),* (PLNbn)



In September 2014, the value of consumer loans advanced reached an all-time high of nearly PLN 145bn. The previous record high was seen in August 2010, when the aggregate value of consumer loans hit PLN 144bn.

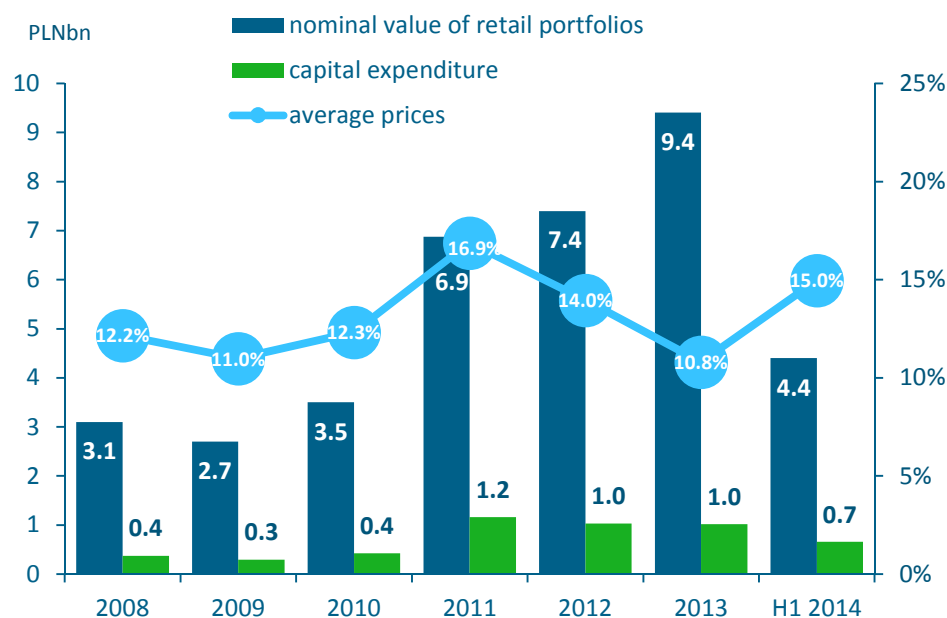
Thanks to the economic recovery in Poland, the growth prospects for lending activity look promising. Banks are interested in continuing sales of debt, including mortgage-backed debt.

KRUK matrix – strong potential for business growth across products and geographical regions

Existing business lines		Poland	Romania	Czech Republic	Slovakia	Germany
Debt portfolio purchases	Consumer	✓	✓	✓	✓				
	Mortgage	✓	✓						
	Corporate	✓	✓						
Debt collection outsourcing		✓	✓	✓	✓				
Consumer loans		✓							
Credit information		✓							

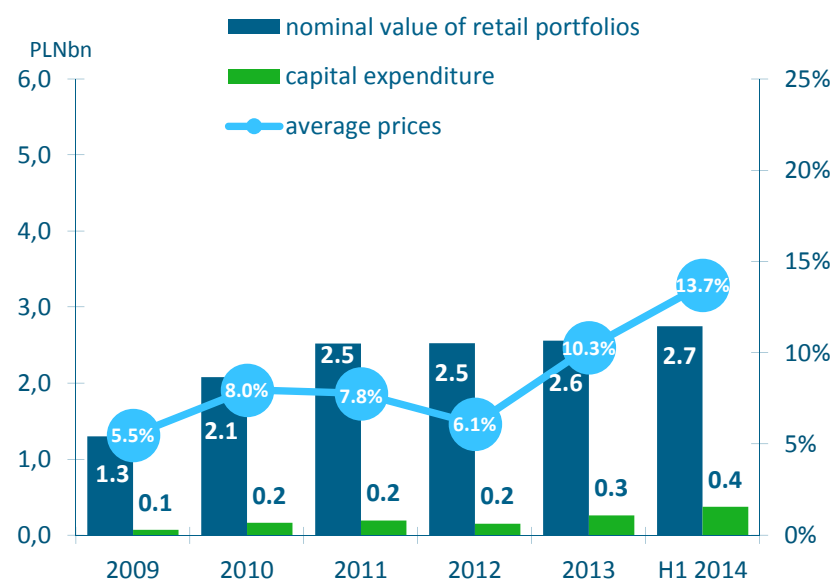
In H1 2014, the retail debt market* remained stable in Poland, while in Romania the market recorded a strong growth following first major transactions in mortgage-backed debt

POLAND



The nominal value of retail portfolios* sold in H1 2014 was PLN 4.4bn (incl. PLN 3.5bn in unsecured consumer portfolios) at the average price of 11.5%; the corresponding figures for mortgage portfolios were PLN 0.9bn and 28.6%, respectively.

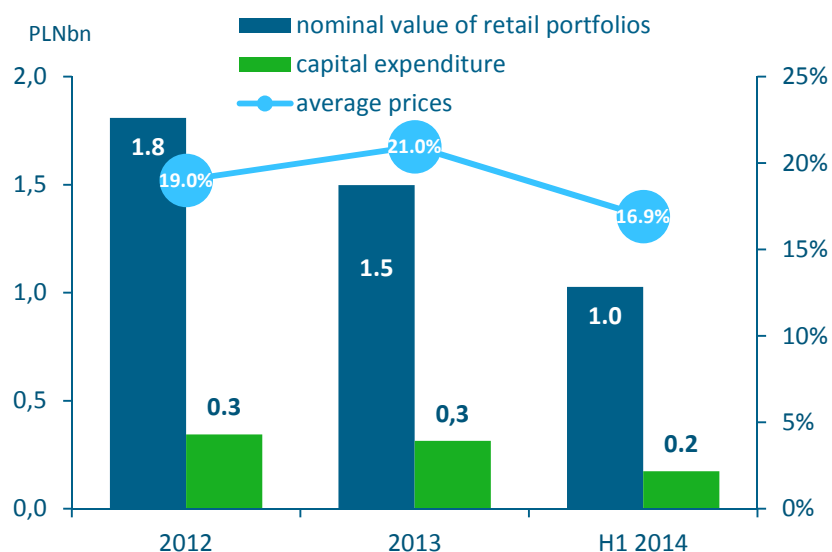
ROMANIA



In Romania, the nominal value of and expenditure on debt portfolios in H1 2014 were higher than in the entire 2013, which was chiefly attributable to sale of a large mortgage-backed debt portfolio (nominal value above PLN 1.7bn). The transaction also fuelled significant increase in average debt prices.

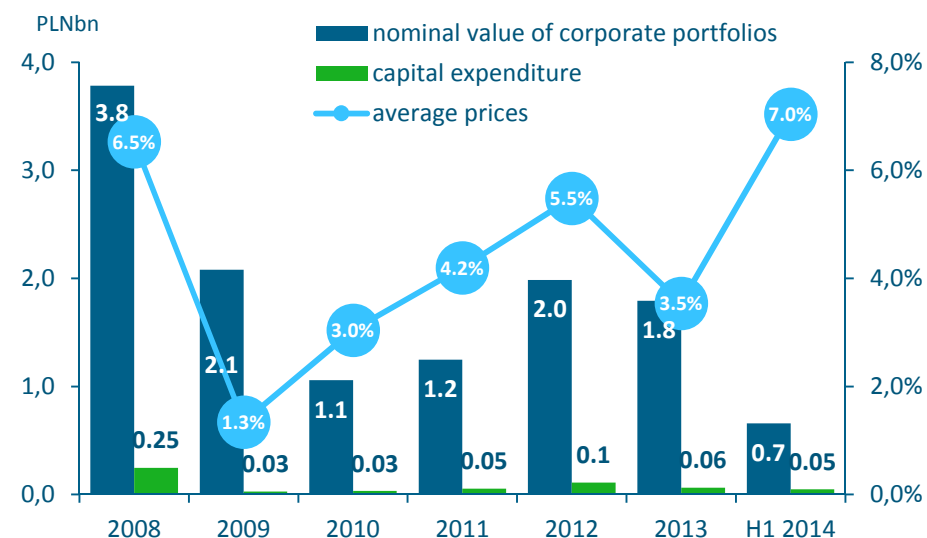
In H1 2014, the Czech and Slovakian markets were stable, while investments in the Polish corporate portfolio market rose

THE CZECH REPUBLIC AND SLOVAKIA



In H1 2014, in nominal terms the retail* debt market remained stable at approximately PLN 1.0bn, attributable in almost equal parts to the Czech and Slovakian markets.

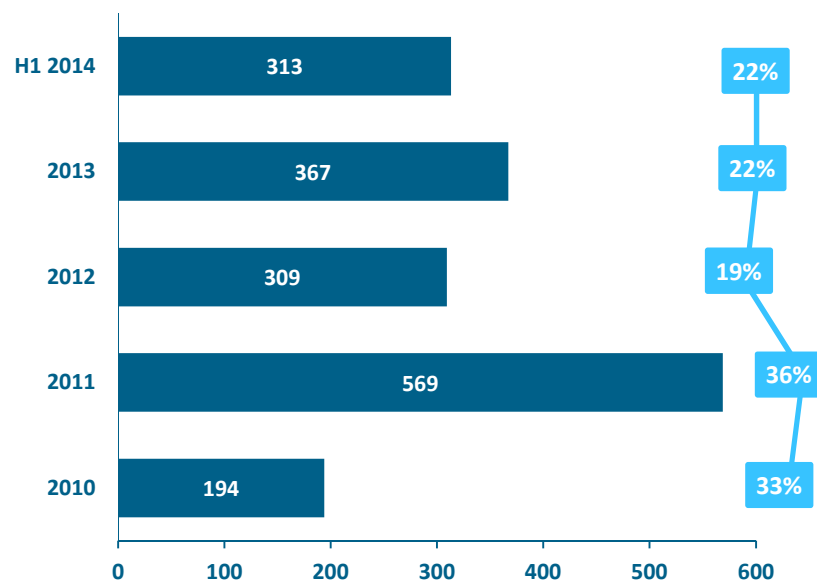
POLAND – CORPORATE DEBT PORTFOLIOS



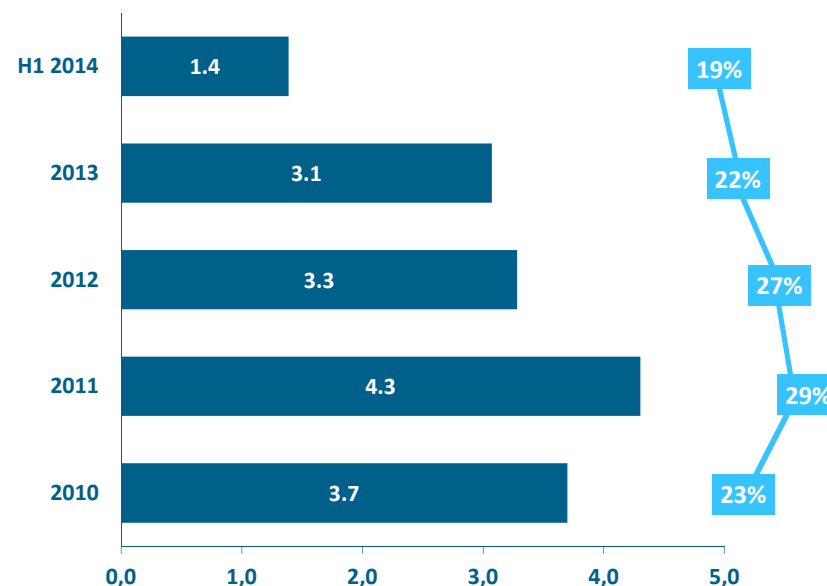
In H1 2014 new corporate debt portfolios were auctioned. However, despite the segment's significant potential, banks have not yet resolved to place meaningful volumes of corporate debt on the market.

In H1 2014, KRUK maintained a solid share of 22% in the debt purchase market and a 19% share in the debt collection outsourcing market in Poland and Romania

Expenditure on debt portfolios (PLNm) and market share



Nominal value of debts outsourced for collection in Poland and Romania (PLNbn) and market shares



The expenditure on debt portfolios was above PLN 310m in H1 2014, and corresponded to 85% of total expenditure in 2013. Such high spending allowed the Group to maintain its 22% share in the debt purchase market.

The debt collection outsourcing markets in Poland and Romania are stable. KRUK seeks to maintain its total market share in the two countries at approximately 20%, and to develop its debt collection outsourcing business in the Czech Republic and Slovakia.

KRUK – debt structure and bond redemption schedule

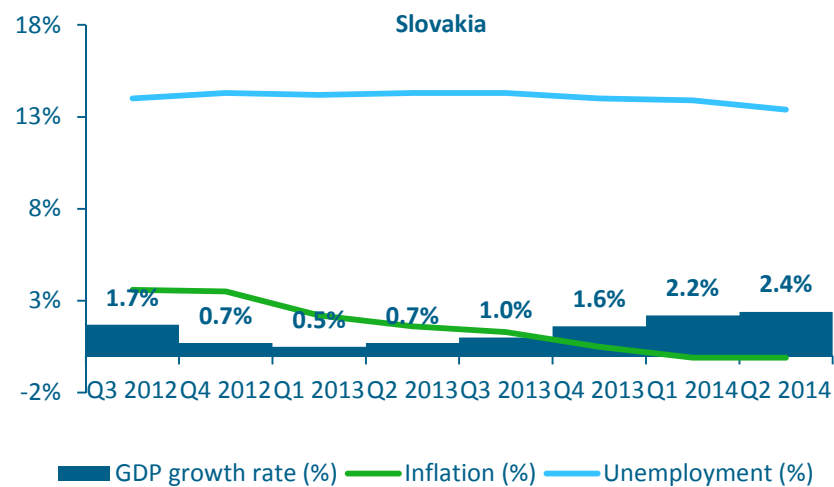
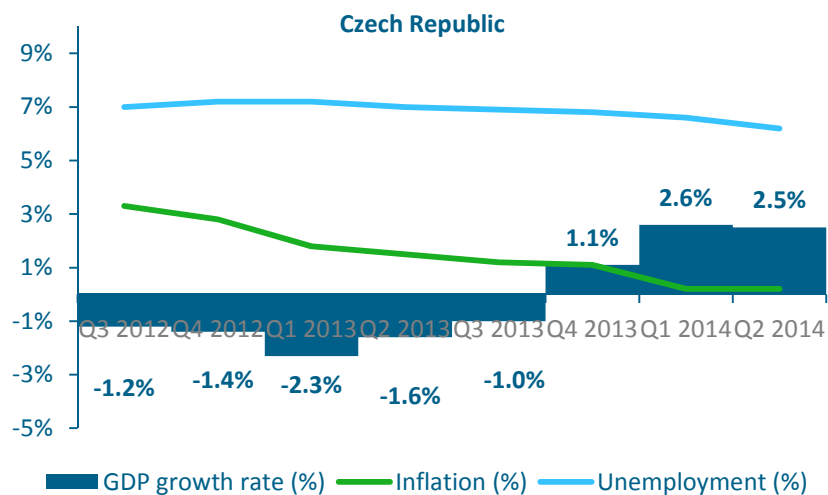
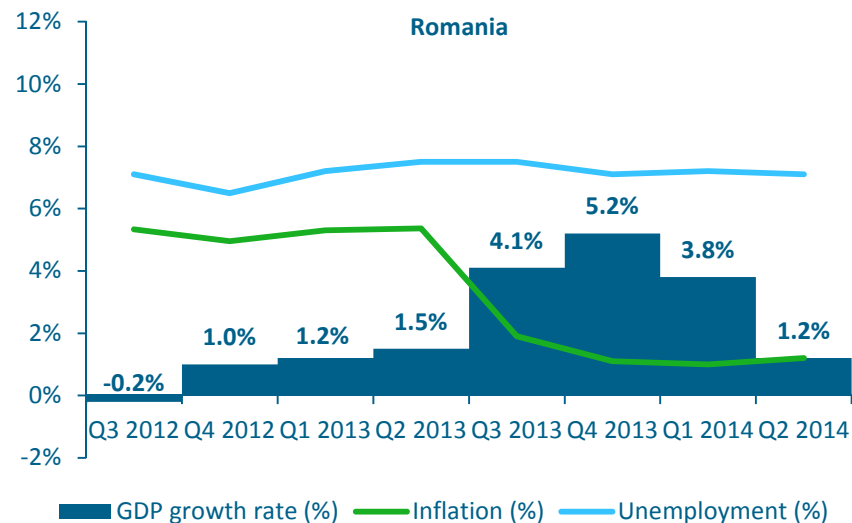
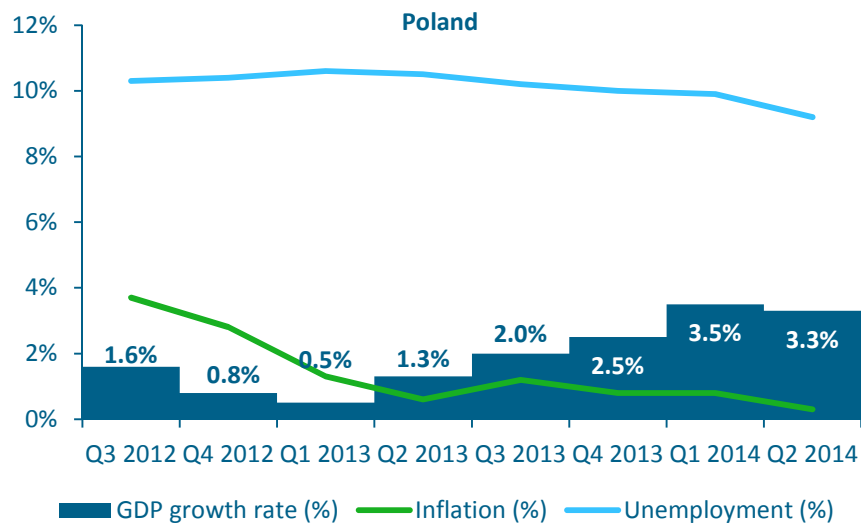
BONDS (PLNm)*	Q1-Q3 2014	Q4 2014	2014	2015	2016	2017	2018
Issued	-	10	10				
Redeemed	100	30	130	41	154	135	115
Bonds outstanding at end of period	475	445	445	404	250	115	0

* Based on par value.

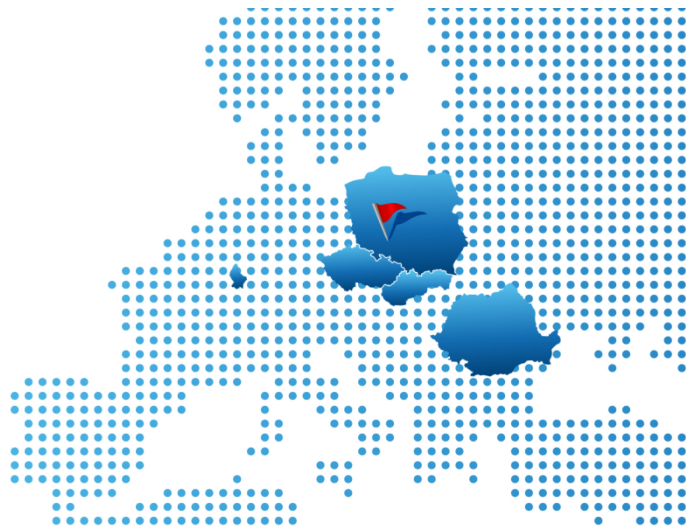
BANK BORROWINGS (PLNm)	Bank credit facilities	Amount outstanding as at Sep 30 2014
Total bank borrowings	430*	240
Investment credit facilities	-	-
Revolving credit facilities	430*	240

* The figures do not include the PLN 30m revolving credit facility advanced by BNP Paribas in October 2014.

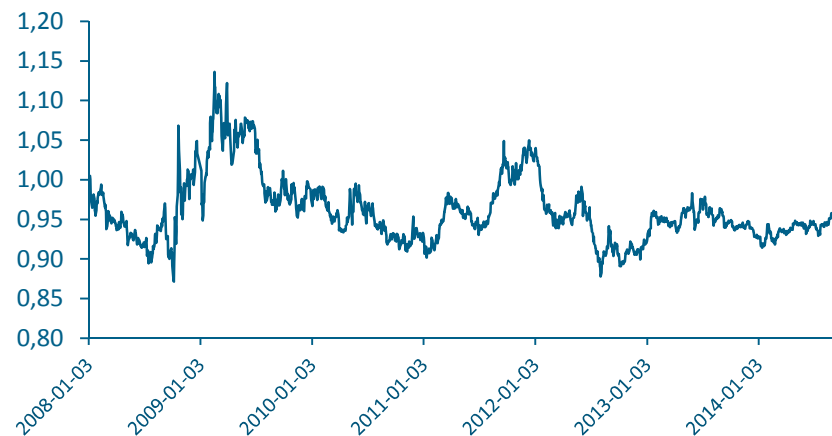
Macroeconomic data suggests that decent growth will be maintained across all markets except Romania



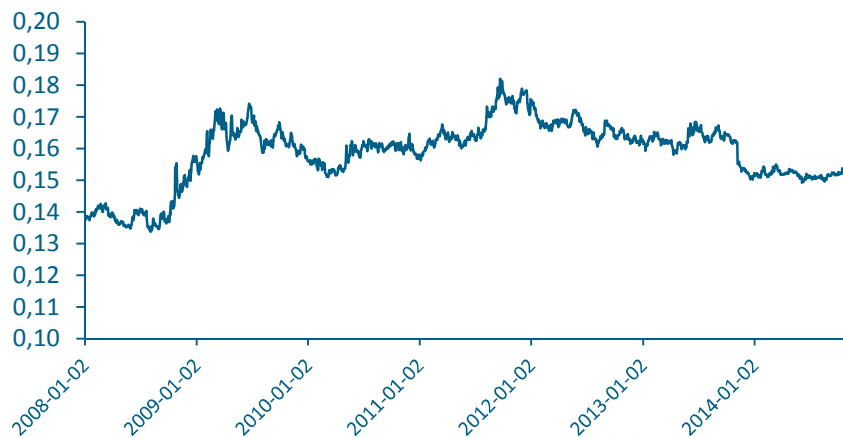
Exchange rates have been stable since the beginning of 2014



Average RON/PLN exchange rate since 2008




Average CZK/PLN exchange rate since 2008



Average EUR/PLN exchange rate since 2008



International listed companies in KRUK's peer group

	2008	2009	2010	2011	2012	2013	CAGR ('08-'13)	LTM	
	Net profit (PLNm)	16.7	23.5	36.1	66.4	81.2	97.8	42%	143.7
	<i>increase</i>		41%	54%	84%	22%	20%		
	EPS (PLN)	1,1	1.48	2.34	4.03	4.80	5.77	39%	8.45
	<i>increase</i>		35%	58%	72%	19%	20%		
	Equity (PLNm)	76.5	98.3	130.3	238.4	317.6	415.6	40%	555.7
	ROE	22%	24%	28%	28%	26%	24%		
							Capitalisation (PLNm)*	1,895.8	
							P/E**	13.2	
Intrum Justitia***	Net profit (PLNm)	202.4	201.9	207.2	253.3	267.6	375.3	13%	450.5
	<i>increase</i>		0%	3%	22%	6%	40%		
	EPS (PLN)	2.55	2.53	2.60	3.17	3.35	4.72	13%	5.85
	<i>increase</i>		-1%	3%	22%	6%	41%		
	Equity (PLNm)	1,097.8	1,168.2	1,180.9	1,289.3	1,368.5	1,519.7	7%	1,391.4
	ROE	18%	17%	18%	20%	20%	25%		
							Capitalisation (PLNm)*	7,674.7	
							P/E**	17.0	
Portfolio Recovery Associates***	Net profit (PLNm)	153.2	149.6	249.5	341.6	425.8	597.4	31%	585.3
	<i>increase</i>		-2%	67%	37%	25%	40%		
	EPS (PLN)	3.34	3.23	4.90	6.58	8.32	11.75	29%	11.61
	<i>increase</i>		-3%	52%	34%	26%	41%		
	Equity (PLNm)	958.6	1,132.9	1,656.4	2,010.9	2,392.3	2,936.1	25%	3 215.7
	ROE	16%	13%	15%	17%	18%	20%		
							Capitalisation (PLNm)*	10,683.2	
							P/E**	18.3	
Arrow Global***	Net profit (PLNm)				22.7	50.7	81.5		97.5
	<i>increase</i>					124%	61%		
	EPS (PLN)				0.2	0.4	0.5		0.56
	<i>increase</i>					133%	43%		
	Equity (PLNm)				16.2	67.7	567.0		628.9
	ROE					75%	14%		
							Capitalisation (PLNm)*	2,341.8	
							P/E**	24.0	

KRUK is valued with a discount compared to this year's transactions in the industry

Date	Country	Company	Acquirer	EV (EURm)	EV/Cash EBITDA*
September 2014	UK	Capquest	Arrow Global	201	4.6x
August 2014	UK	Lowell Group	Ontario Teachers' Pension Plan	1,195	8.1x
July 2014	Norway	Lindorff	Nordic Capital	2,300	9.0x
February 2014	Norway	Aktiv Kapital	Portfolio Recovery Associates	945	5.3x
February 2014	UK	Marlin Group	Cabot	355	6.8x
				Mean	6.8x
				Median	6.8x
				KRUK	5.5x**

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