



Presentation of Q1–Q3 2018 results KRUK Group

October 28th 2018



Agenda

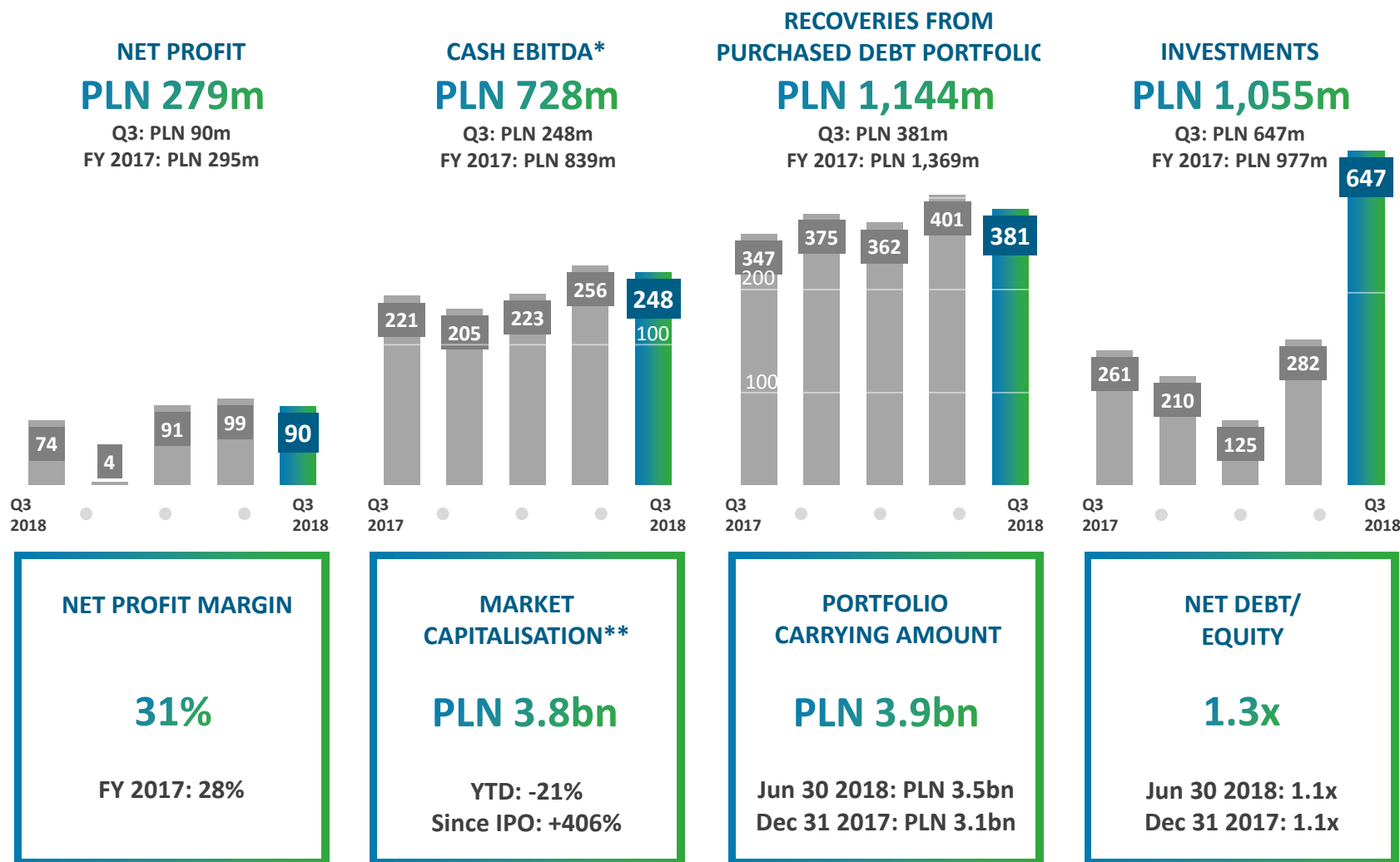
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KRUK's net profit after the first three quarters of 2018 represents 95% of the 2017 full-year figure, with investments exceeding PLN 1bn

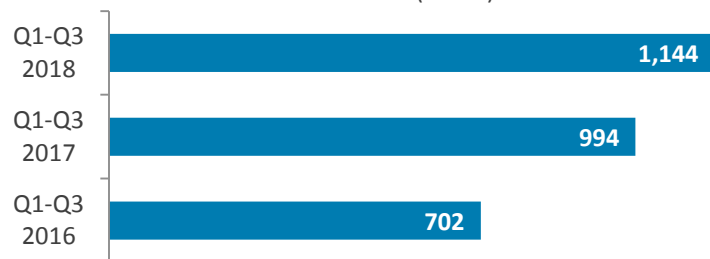


* - Cash EBITDA = EBITDA + recoveries from purchased debt portfolios - revenue from collection of purchased debt.
 ** - As at October 23rd, 2018

KRUK's rising investments in debt portfolios will fuel growth of recoveries in the future

Purchased debt portfolios

Cash recoveries (PLNm)

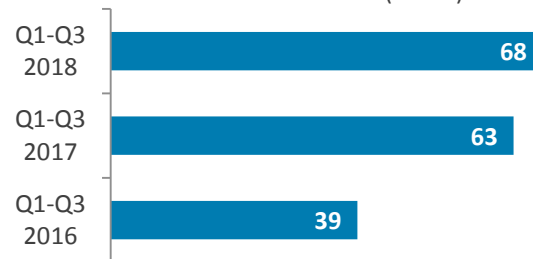


Investments (PLNm)

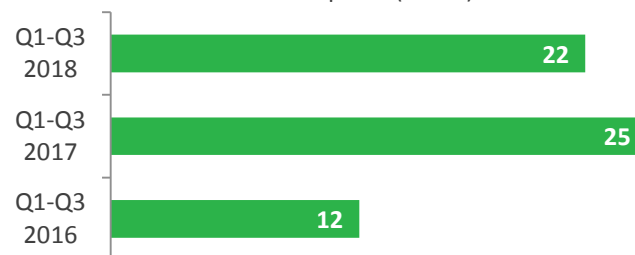


Third party DC and other services*

Revenues (PLNm)



Gross profit (PLNm)



(PLNm)	Q1-Q3 2017	change	Q1-Q3 2018	2017	% of 2017 full-year figure
Revenue	806.9	+11%	893.5	1,055.5	85%
EBIT	368.0	+7%	393.5	420.8	94%
Cash EBITDA	631.1	+15%	727.6	836.6	87%
Net profit	291.3	-4%	279.3	295.2	95%
ROE rolling	23.8%	-	16.6%	20.2%	-

** - ERIF Biuro Informacji Gospodarczej, Novum loans.

In Q3 2018, KRUK stepped up investments in debt portfolios and purchased large portfolios in Italy and Spain

High net profit	<ul style="list-style-type: none"> ▪ Net profit for Q1–Q3 2018 was PLN 279m, representing 95% of the full-year figure reported for 2017, with net profit margin at 31%. ▪ In Q3 alone, net profit reached PLN 90m.
Recoveries	<ul style="list-style-type: none"> ▪ Recoveries in the past three quarters totalled PLN 1,144m, or 84% of the figure reported for the whole of 2017. ▪ In Q3 2018 recoveries from purchased debt portfolios amounted to PLN 381m.
Investments in new portfolios	<ul style="list-style-type: none"> ▪ In the first three quarters of the year, KRUK invested PLN 1,055m in 141 portfolios with a total nominal value of PLN 6.2bn. In geographical terms, Poland accounted for the largest share of the investments (PLN 521m), followed by Italy (PLN 267m), Spain (PLN 166m), and Romania (PLN 70m). ▪ In Q3 2018, investments amounted to PLN 647m and the nominal value of purchased debt was PLN 3.7bn. ▪ Still high, but more rational, level of competition, enabled KRUK to significantly increase investments in Poland. In Romania, after a quiet beginning of the year, banks returned to the market with new transactions. The supply of debt portfolios in Italy and Spain remains strong.
Growth in Italy	<ul style="list-style-type: none"> ▪ In Q1–Q3 2018, revenue on the Italian market reached PLN 70m, compared with PLN 55m in the corresponding period of 2017. ▪ Currently KRUK employs 333 people in Italy, and the carrying amount of its Italian portfolio as at the end of September 2018 was PLN 779m, accounting for 20% of the Group's total debt portfolio. ▪ In Q3, the Group continued to develop its court-based procedures and a network of field consultants.
Financing	<ul style="list-style-type: none"> ▪ In October 2018, KRUK made a private placement of bonds worth PLN 35m, maturing in five years and bearing interest at 3M WIBOR plus 3.50pp. ▪ The bonds were offered to institutional investors. It was the first bond issue conducted by KRUK since June 2017 (when KRUK issued five-year euro-denominated bonds with a fixed interest rate of 3.59%) and the first one denominated in the Polish zloty since December 2016 (when KRUK issued five-year bonds with an interest rate based on 3M WIBOR plus 3.15pp).

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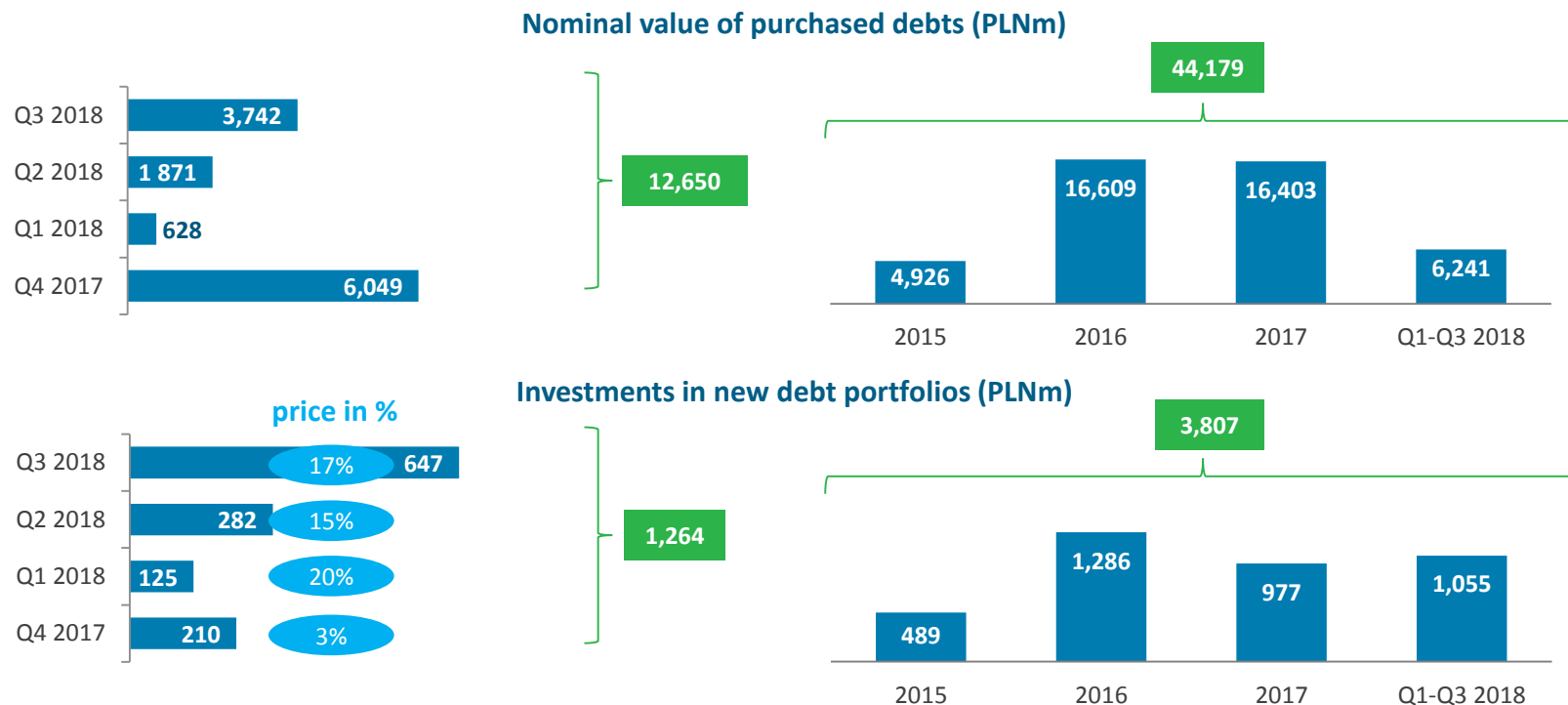
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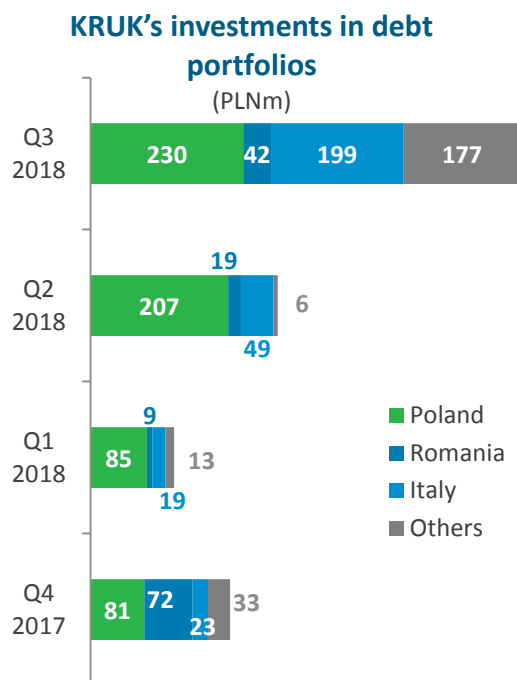
Additional information

KRUK reports second best quarter in its history in terms of the value of investments in debt portfolios

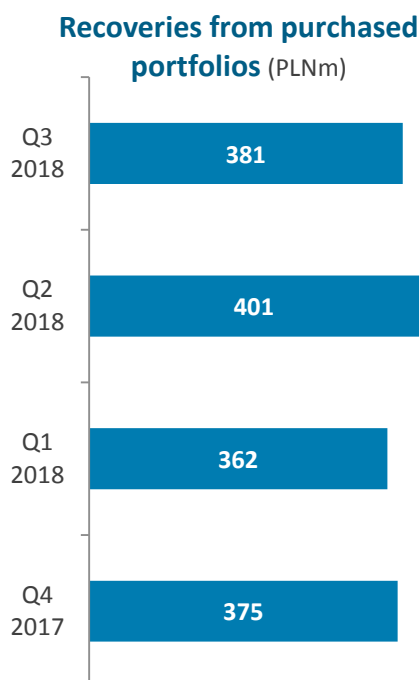


- The investments made by KRUK by the end of September 2018 totalled PLN 1,055m, more than in the entire 2017. The nominal value of the purchased portfolios was PLN 16.46.2bn.
- In Q3 2018 alone, KRUK invested PLN 647m in debt portfolios with a total nominal value of PLN 3.7bn. This was the second best quarter in the Group's history in terms of investment value (in Q2 2016, Kruk invested PLN 667m, including nearly PLN 190m in the acquisition of portfolios from PRESCO, its competitor on the Polish market).

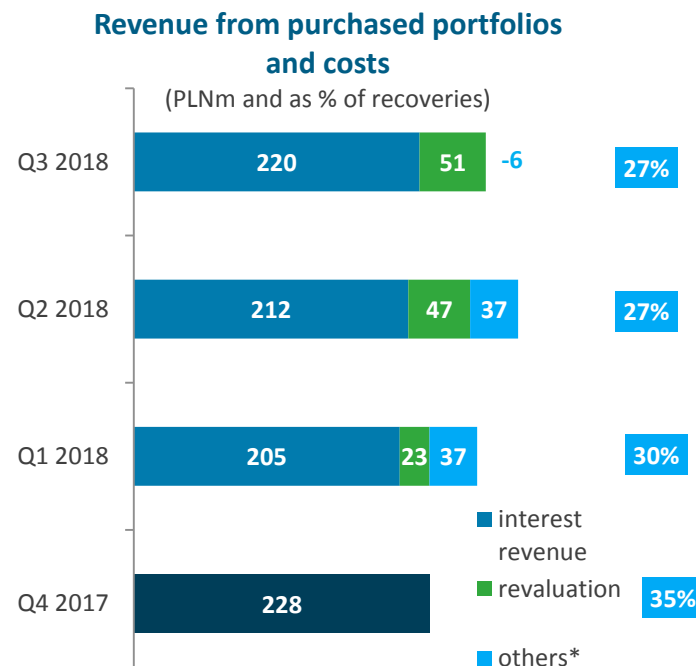
KRUK increases its debt acquisition activity in Poland and abroad



- Almost half (49%) of the investments made since the beginning of the year have been made on the Polish market.
- In Q3 2018, KRUK increased its activity in Italy, Spain and Romania.

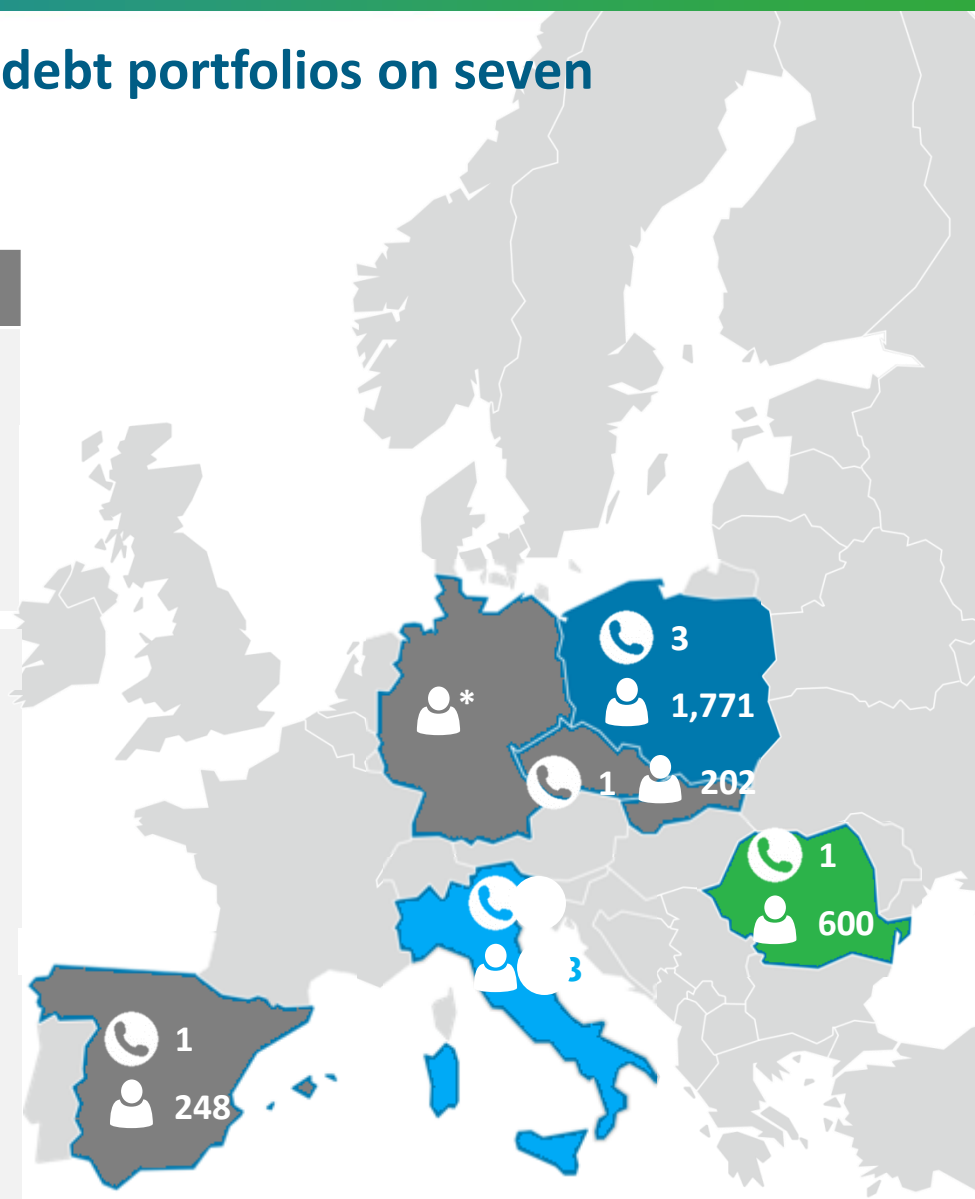
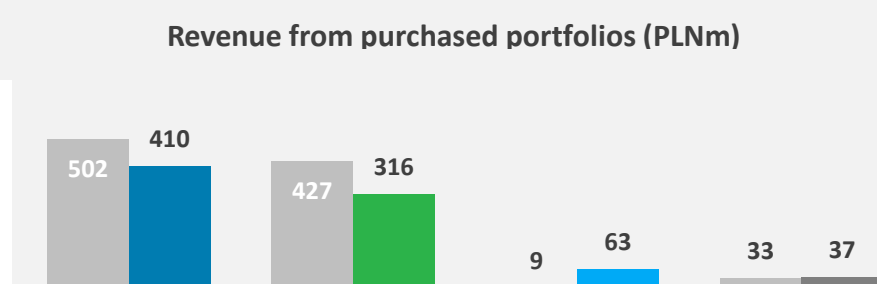
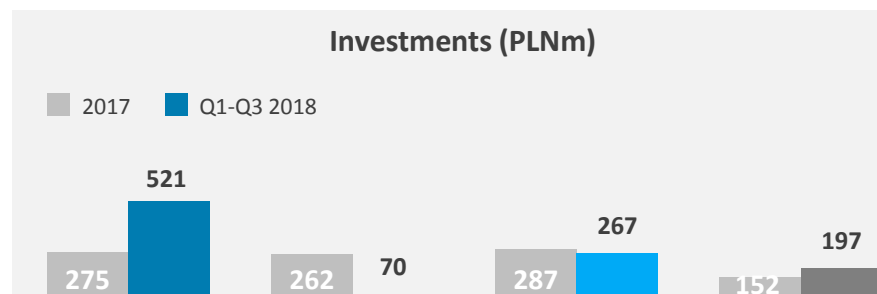
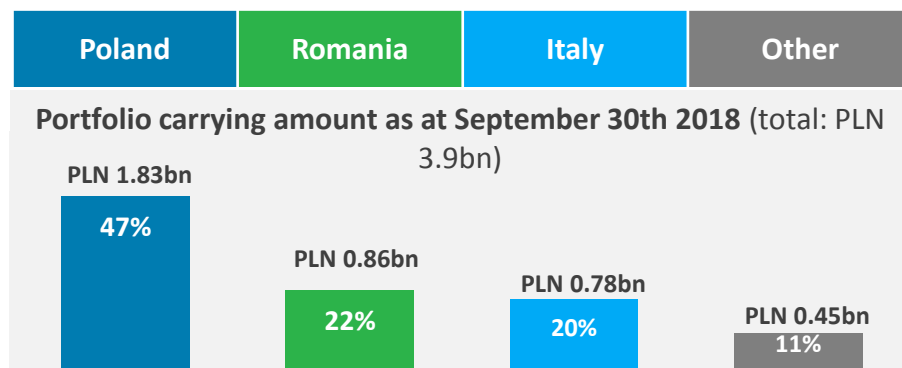


- Since the beginning of 2018, average monthly recoveries have exceeded PLN 120m.
- The macro situation supports positive debt recovery trends.
- Decrease of recoveries in Q3 2018 resulted mainly from lower than expected recoveries from corporate portfolio in Poland and Romania



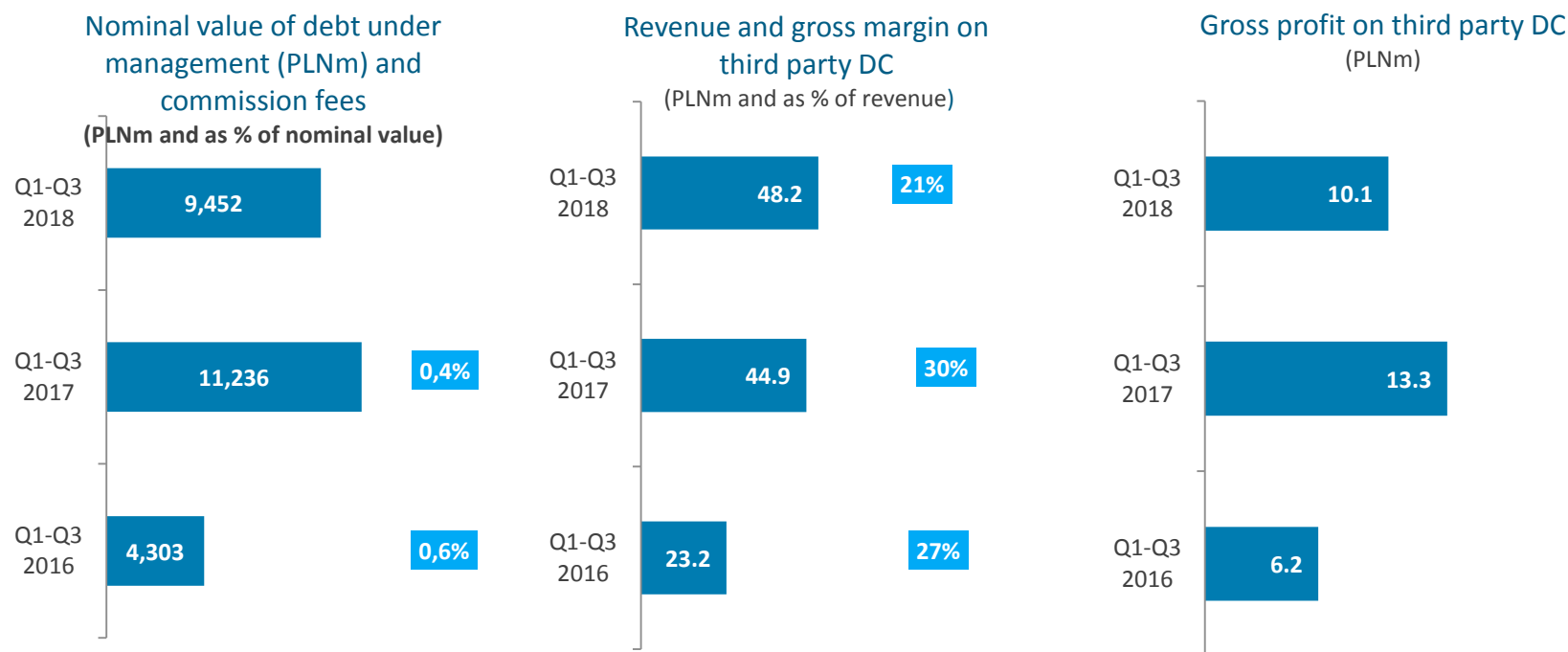
- In 2018, cost to recovery ratio was relatively higher year on year, as more cases were taken to courts in Italy.

The KRUK Group has invested in debt portfolios on seven European markets



(*) Germany – employees of the Polish-German organisation included in total for Poland.

KRUK fares well on the competitive third party debt collection market thanks to its high operational efficiency

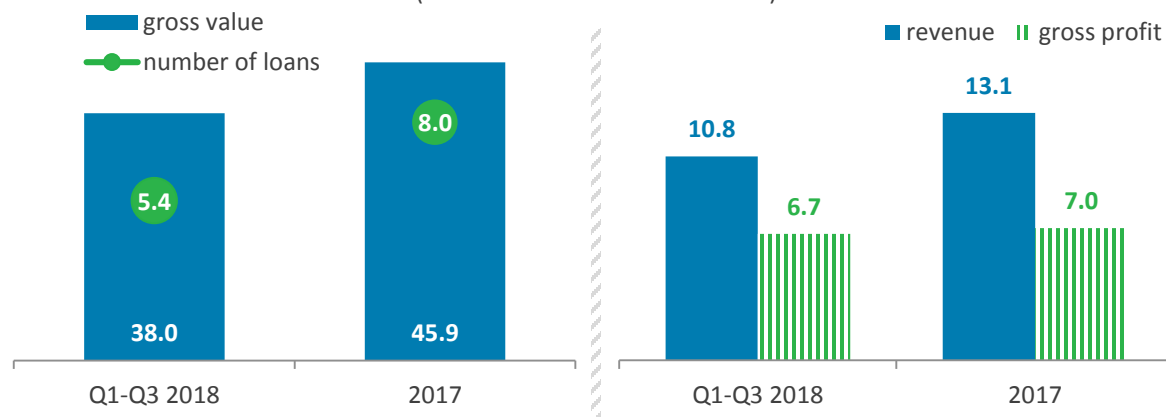


- The increase in the nominal value of debts outsourced for collection, revenue and margins in recent years is attributable to the acquisition of a servicing business in Spain (Espand) and in Italy (AgeCredit), and the effect of classification of the 33% share in the portfolio purchased together with IFC (International Finance Corporation) as the part serviced exclusively by the KRUK Group.
- KRUK performs well on the competitive third party debt collection market by leveraging economies of scale and high operational efficiency.

NOVUM and ERIF BIG businesses are a source of major support to the principal activities and positive contributors to overall performance

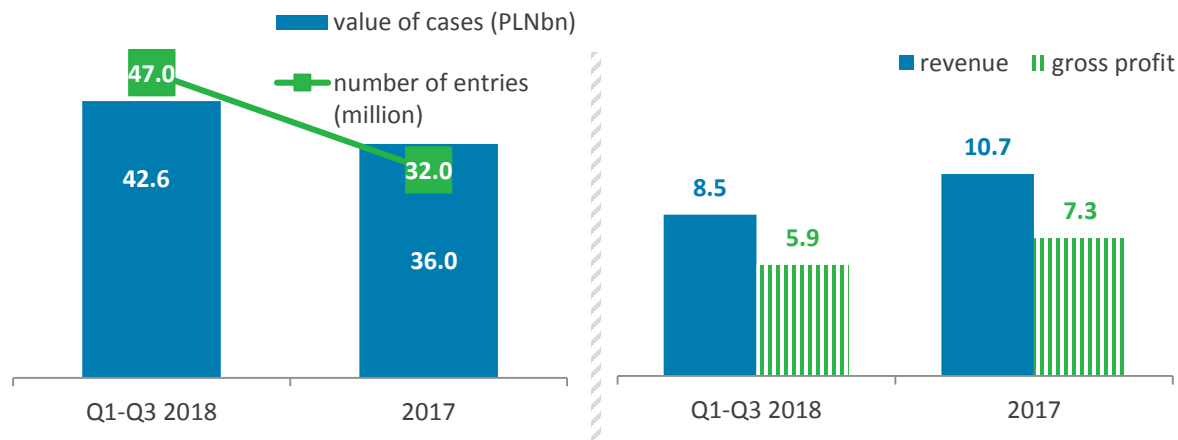
Novum year-on-year performance – financial highlights

(in PLNm and thousands of loans)



- The NOVUM service is dedicated to the KRUK Group's debtors in Poland and Romania who have repaid their debts or are repaying them in a timely manner, but bank loans are not available to them.
- NOVUM grants consumer loans of up to PLN 10,000 for periods from 3 to 30 months.

ERIF Biuro Informacji Gospodarczej – financial highlights



- ERIF BIG's revenue reached PLN 8.7m, with gross profit at 69%.
- The base rose significantly after the company entered into cooperation with a large partner from the telecom market.

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KRUK – fast-growing and highly profitable business with strong cash flows

PLNm	Q1-Q3 2017	Q1 2018	Q2 2018	Q3 2018	Q1-Q3 2018	2017	Q1-Q3 2018/ Q1-Q3 2017	% of 2017 full-year
Purchased debt portfolios								
Investments in debt portfolios	766.5	125.4	281.8	647.5	1,054.7	976.5	38%	108%
Recoveries	994.0	362.4	400.7	381.0	1,144.1	1,368.9	15%	84%
Statement of profit or loss								
Total revenue	806.9	285.3	319.6	288.6	893.5	1,055.5	11%	85%
Own debt portfolios	743.5	264.4	295.9	265	825.3	971.7	11%	85%
including revaluation	94.0	22.9	47.5	50.9	121.3	88.7	29%	137%
Third party debt collection	44.9	14.5	17.2	16.5	48.2	59.1	7%	82%
Other products and services	18.5	6.4	6.6	7.1	20.1	24.6	9%	82%
Gross profit	487.5	164.3	193.9	170.1	528.3	589.4	8%	90%
<i>Gross profit margin</i>	60%	58%	58%	-57%	59%	56%		
Own debt portfolios	462.2	157.3	186.3	162.3	505.9	559.2	9%	90%
Third party debt collection	13.3	3.1	3.8	3.2	10.1	14.9	-24%	68%
Other products and services	12.0	4.0	3.7	4.6	12.3	15.3	3%	80%
Overheads	-103.9	-38.2	-40.4	-36.9	-115.5	-147.4	11%	78%
EBITDA	380.6	125.0	152.0	131.8	408.8	439.4	7%	93%
<i>EBITDA margin</i>	47%	44%	48%		46%	42%		
NET PROFIT	291.3	90.7	98.6	90.0	279.3	295.2	-4%	95%
<i>Net profit margin</i>	36%	32%	31%	31%	31%	28%		
<i>ROE rolling</i>	24%	17%	16%	17%	17%	20%		
CASH EBITDA*	631.1	223.0	256.8	247.8	727.6	836.6	15%	87%

Source: KRUK S.A.
*Cash EBITDA = EBITDA + recoveries from purchased debt portfolios - revenue from collection of purchased debt.

The KRUK Group – P&L by geographical segments (presentation format)

PLNm	Q1-Q3 2017	Q1 2018	Q2 2018	Q3 2018	Q1-Q3 2018	2017	Q1-Q3 2018/ Q1-Q3 2017	% of 2017 full-year figure
Revenue	806.9	285.3	319.6	288.6	893.5	1,055.5	11%	85%
Poland	389.9	142.9	161.4	144.7	449.0	551.9	15%	81%
Romania	308.7	111.8	121.7	90.0	323.5	436.2	5%	74%
Italy	54.7	25.2	14.0	30.7	69.9	13.3	28%	526%
Other countries	53.6	6.3	21.6	23.1	51.0	54.1	-5%	94%
Gross profit	487.5	164.3	193.9	170.1	528.3	589.4	8%	90%
<i>Gross profit margin</i>	60%	58%	61%	59%	59%	56%		
Overheads	-103.9	-38.2	-40.4	-36.9	-115.5	-147.9	11%	78%
EBITDA	380.6	125.0	152	131.8	408.8	439.4	7%	93%
<i>EBITDA margin</i>	47%	44%	48%	46%	46%	42%		
Finance income/costs	-67.8	-30.5	-36.0	-28.3	-94.8	-85.6	40%	111%
including exchange rate change movements	-7.6	-8.9	-9.1	-6.8	-24.8	-1.1		
Net profit	291.3	90.7	98.6	90.0	279.3	295.2	-4%	95%
<i>Net profit margin</i>	36%	32%	31%	31%	31%	28%		

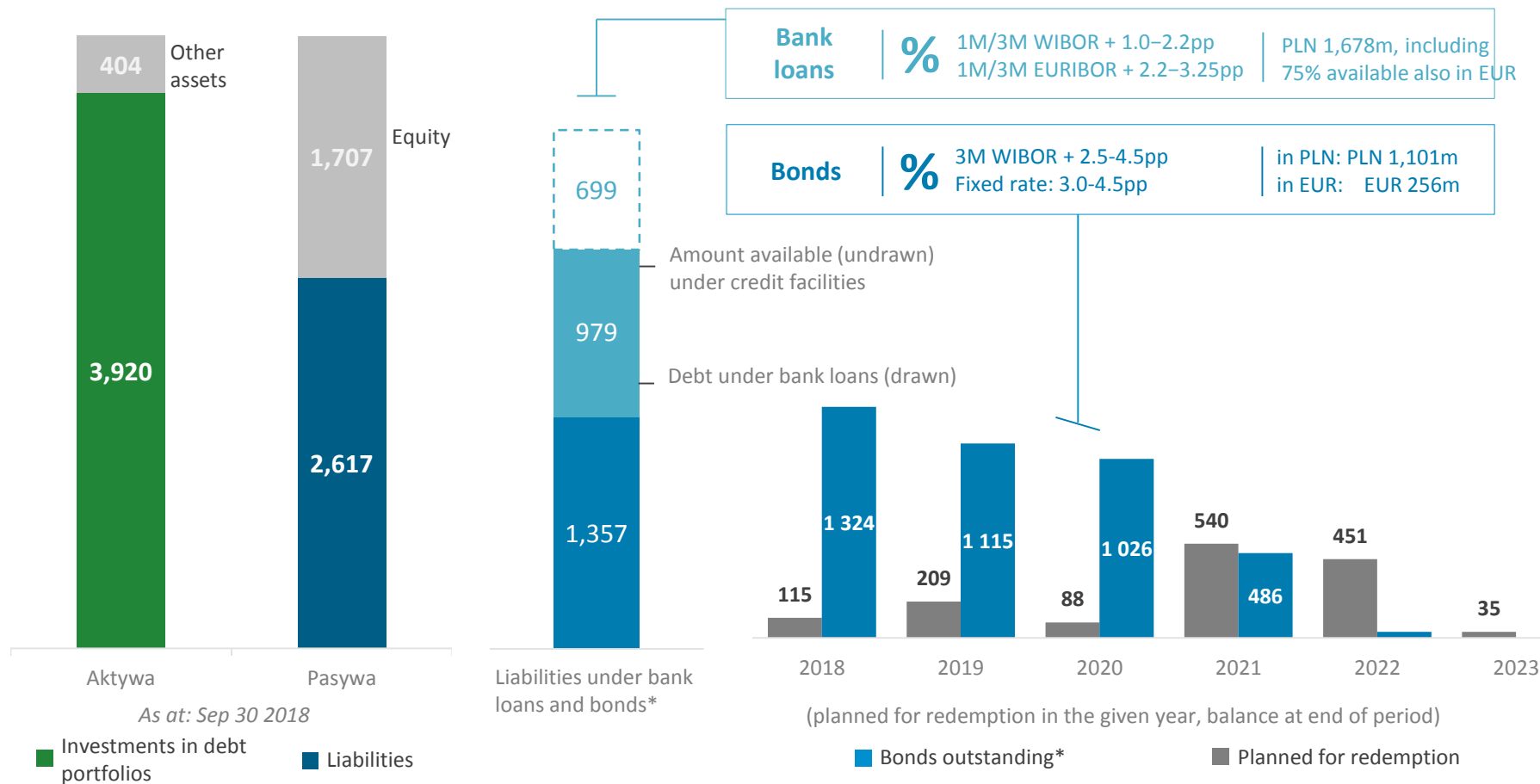
The KRUK Group – strong cash flows supporting high liquidity of operations

PLNm	Q1-Q3 2017	Q1 2018	Q2 2018	Q3 2018	Q1-Q3 2018	2017	Q1-Q3 2018/ Q1-Q3 2017	% of 2017 full-year figure
Cash flows from operating activities:	475.0	215.6	211.5	229.2	656.3	641.4	38%	102%
Recoveries from debtors – purchased debt portfolios	994.0	362.4	400.7	381.0	1,144.1	1,368.9	15%	84%
Operating costs – purchased debt portfolios	-281.3	-107.2	-112.5	-99.7	-319.4	-412.5	14%	77%
Operating margin – third party DC	13.3	3.1	3.8	3.2	10.1	14.9	-24%	68%
Administrative expenses	-103.9	-38.2	-40.4	-36.9	-115.5	-147.9	11%	78%
Other operating cash flow	-147.2	-4.5	-40.1	-18.4	-63.0	-182.0	-57%	35%
Cash flows from investing activities:	-777.8	-130.5	-288.1	-650.9	-1,069.5	-996.4	38%	107%
Investments debt portfolio purchases	-766.5	-125.4	-281.8	-647.5	-1,054.7	-976.5	38%	108%
Other investing cash flow	-11.3	-5.1	-6.3	-3.4	-14.8	-19.9	31%	74%
Cash flows from financing activities	165.2	-53.1	33.8	410.8	391.5	261.0	137%	150%
Issue of shares	0.0	0.0	0.0	0.0	0.0	0.0		
Increase in borrowings and lease liabilities	941.2	198.6	517.4	1,014.3	1,730.3	1,233.4	84%	140%
Issue of bonds	168.4	0.0	0.0	0.0	0.0	168.4		
Decrease in borrowings and lease liabilities	-911.5	-219.1	-384.5	-637.9	-1,241.5	-1,005.9	36%	123%
Redemption of bonds	-120.0	0.0	-15.0	-50.0	-65.0	-135.0	-46%	48%
Other financing cash flow	87.0	-44.0	-72.7	84.4	-32.3	0.1		
Net cash flows:	-137.8	32.0	-42.8	-10.9	-21.7	-94.1	-84%	23%

KRUK has ample room on its balance sheet and enjoys access to healthy financing sources to fund further investments

Net debt/equity 1.3x

Net debt/cash EBITDA: 2.3x



* Nominal value.

The KRUK Group – selected items of the statement of financial position (presentation format)

PLNm	Jun 30 2018	Dec 31 2017	Sep 30 2018
ASSETS			
Cash and cash equivalents	162.5	173.3	151.6
Investments in debt portfolios and loans	3,486.2	3,169.3	3,985.9
Other assets	200.1	217.5	186.5
Total assets	3,848.8	3,560.1	4,324.0
EQUITY AND LIABILITIES			
Equity	1,646.1	1,460.5	1,707.4
of which: Retained earnings	1,235.3	1,112.0	1,299.0
Liabilities	2,202.7	2,099.6	2,616.6
of which: Bank loans and leases	612.0	499.0	988.9
Bonds	1,394.9	1,398.3	1,340.1
Total equity and liabilities	3,848.8	3,560.1	4,324.0
METRICS			
Interest-bearing debt	2,006.9	1,897.2	2,329.0
Net interest-bearing debt	1,844.4	1,723.9	2,177.4
Net interest-bearing debt to equity	1.1	1.2	1.3
Interest-bearing debt to 12-month cash EBITDA	2.0	2.1	2.3

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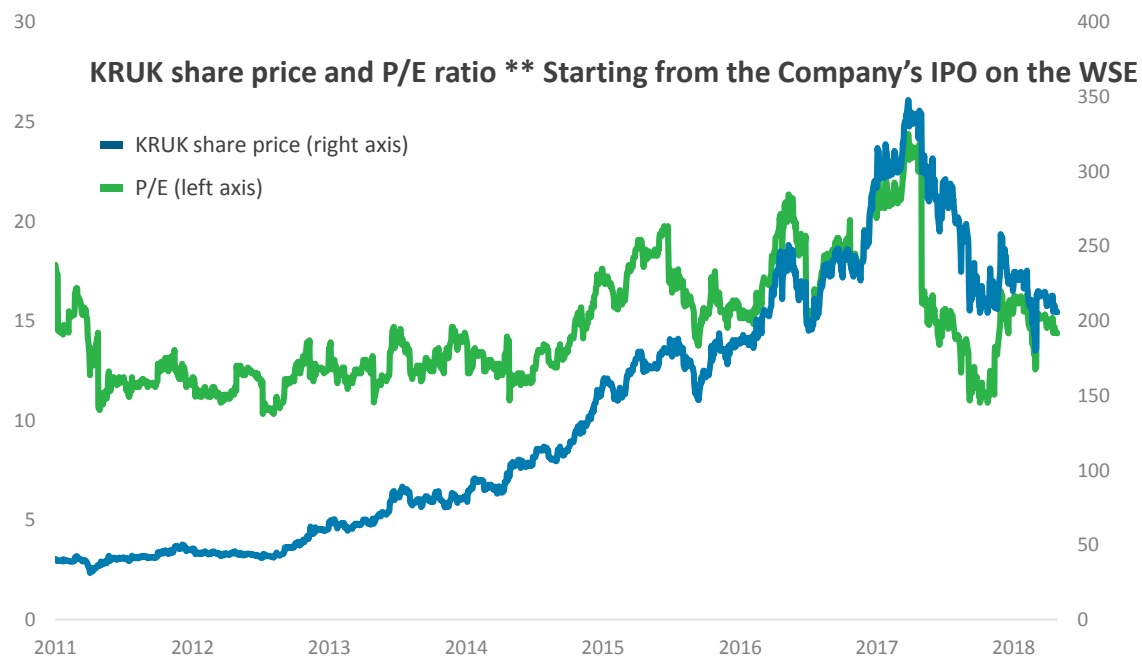
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20 years of KRUK's history and 7 years of KRUK's presence on the WSE: strong value growth based on healthy fundamentals

	2011	2012	2013	2014	2015	2016	2017	CAGR
EPS (PLN)	4.03	4.80	5.77	8.95	11.84	14.08	15.74	25.5%
EPS growth rate	72.2%	19.1%	20.2%	55.1%	32.3%	18.9%	11.8%	-
ROE rolling	27.9%	25.6%	23.5%	25.9%	26.0%	24.3%*	20.1%	-
Net profit	66.4	81.2	97.8	151.8	204.3	248.7	295.2	28.2%



KRUK shares on the WSE***

Share price PLN 200.80

Change since IPO / YTD +403% / -22%

1Y Max/Min PLN 293.58 / 170.00

Market capitalisation PLN 3.8bn

KRUK's position on the WSE in terms of market capitalisation: 37

Stock trading liquidity

Average daily trading volume PLN 10m

Free float**** 89%

KRUK's position on the WSE in terms of liquidity: 17

(*) Equity at end of period, excluding the share issue of December 2016.

(**) P/E – price-to-earnings ratio, calculated on the basis of performance in the last four quarters.

(***) Source: Stooq.com, GPWInfostrefa.pl, data as at October 23rd, 2018, or GPW.pl, data as at September 2018.

(****) Free float – shareholders with a holding of less than 10%.

IR events

Financial statements release dates in 2018

Date	Financial statements
March 19th	2017 full-year financial statements
April 26th	Q1 2018 financial statements
September 7th	H1 2018 financial statements
October 28th	Q3 2018 financial statements

Selected IR events planned for 2018

Date	Event
Mar 21-22	[London] PKO BP Polish Capital Market Conference
Mar 21-22	[Frankfurt, Vienna] Investor meetings
Mar 26-27	[Boston, NYC] Investor meetings
Apr 10	[Stockholm] Wood Polish Innovation & Growth Conference
May 23-24	[New York] Wood CEE Investor Days 2018 Conference
May 25-27	[Karpacz, Poland] Wall Street 2018 Conference
Jun 13-14	[Warsaw] Wood Emerging Europe Financials Conference
Sep 11	[Warsaw] Pekao IB/Emerging Europe Conference
Oct 1	[Bucharest] Raiffeisen Polish Day in Bucharest
Oct 5	[Warsaw] mBank Conference
Oct 11	[Stegersbach] Erste Investor Conference
Oct 29-30	[New York] Auerbach Frontier & Emerging Conference
Dec 6-7	[Prague] Wood Winter 2018 conference

Most recent recommendations

Date	Institution	Recommendation	Target price
September 2018	mBank	buy	293.0
July 2018	DM Trigon	hold	220.0
April 2018	DM BDM	buy	301.0

For more details, go to:

pl.kruk.eu/relacje-inwestorskie/raporty/raporty-analityczne

Sell-side analysts covering KRUK

Institution	Analyst	Email address
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