



Presentation of H1 2018 results KRUK Group

September 7th 2018



Agenda

Introduction

Debt market

Operating activities

Financial performance

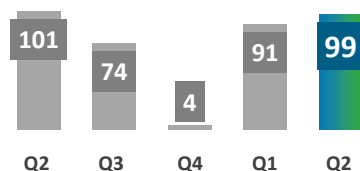
Additional information

KRUK in H1 2018: strong cash generation and solid investments in debt portfolios

NET PROFIT

PLN 189m

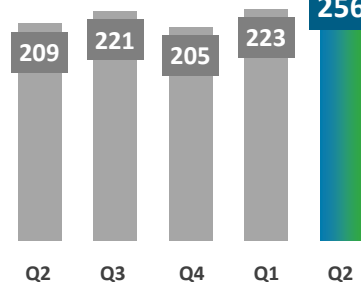
FY 2017: PLN 295m



CASH EBITDA*

PLN 480m

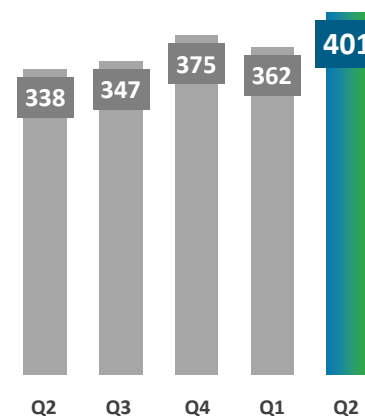
FY 2017: PLN 837m



RECOVERIES FROM PURCHASED DEBT PORTFOLIOS

PLN 763m**

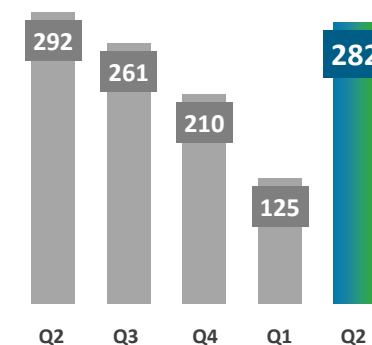
FY 2017: PLN 1,369m



INVESTMENTS

PLN 407m

FY 2017: PLN 977m



NET MARGIN

31%

FY 2017: 28%

MARKET CAPITALISATION

PLN 3.8bn**

Dec 31 2017: PLN 4.9bn

PORTFOLIO CARRYING AMOUNT

PLN 3.4bn

Dec 31 2017: PLN 3.2bn
Dec 31 2016: PLN 2.7bn

NET DEBT/ EQUITY

1.1x

Dec 31 2017: 1.2x
Dec 31 2016: 1.1x

In H1 2018, KRUK recorded continued growth in recoveries from its debt portfolio. New investments came mainly from the Polish market

Net profit	<ul style="list-style-type: none">▪ Net profit for H1 2018 came in at PLN 189m, down 13% year on year.▪ Net profit for Q2 2018 reached PLN 99m, down 3% on Q2 2017.
Record high recoveries	<ul style="list-style-type: none">▪ In H1 2018, recoveries amounted to PLN 763m*, which represented 56% of the recoveries figure for the previous year.▪ In the second quarter alone, KRUK recorded recoveries of PLN 401m, the best quarterly performance in its history.▪ Total repayments for the last four quarters were PLN 1.5bn.
Portfolio investments	<ul style="list-style-type: none">▪ In H1 2018, the KRUK Group invested PLN 407m in debt portfolios with a total nominal value of PLN 2.5bn. The value of investments in Q2 2018 alone reached PLN 282m, and the nominal value of purchased debt was PLN 1.9bn.▪ Most of the investments in the first six months of the year (72% of investments) were made in the Polish market.▪ After the end of the first half of the year, KRUK concluded an agreement to purchase a debt portfolio from Servicios Financieros Carrefour of Spain, with a total nominal value of EUR 248m, won an auction to purchase two consumer and SME debt portfolios with a total nominal value of PLN 500m in Poland, and an auction to purchase a portfolio with a nominal value of over EUR 300m in the Italian market.
Sound balance sheet and good access to financing	<ul style="list-style-type: none">▪ With a net interest-bearing debt to equity ratio of 1.1x and flexible access to financing, KRUK is well positioned to increase its investment activity in Europe.
Foreign expansion	<ul style="list-style-type: none">▪ KRUK focuses on the continuous development of its operations in Italy and Spain. As at the end of June 2018, the number of KRUK employees in the two countries rose to more than 500.▪ In April, KRUK acquired Agecredit srl, which employs 68 people. The transaction will fuel the growth of one of the Group's key business segments, which is the provision of third party debt collection services.

*Including PLN 6m from sale of properties as part of the debt management process.

Strategy for shareholders

Revision of strategic options

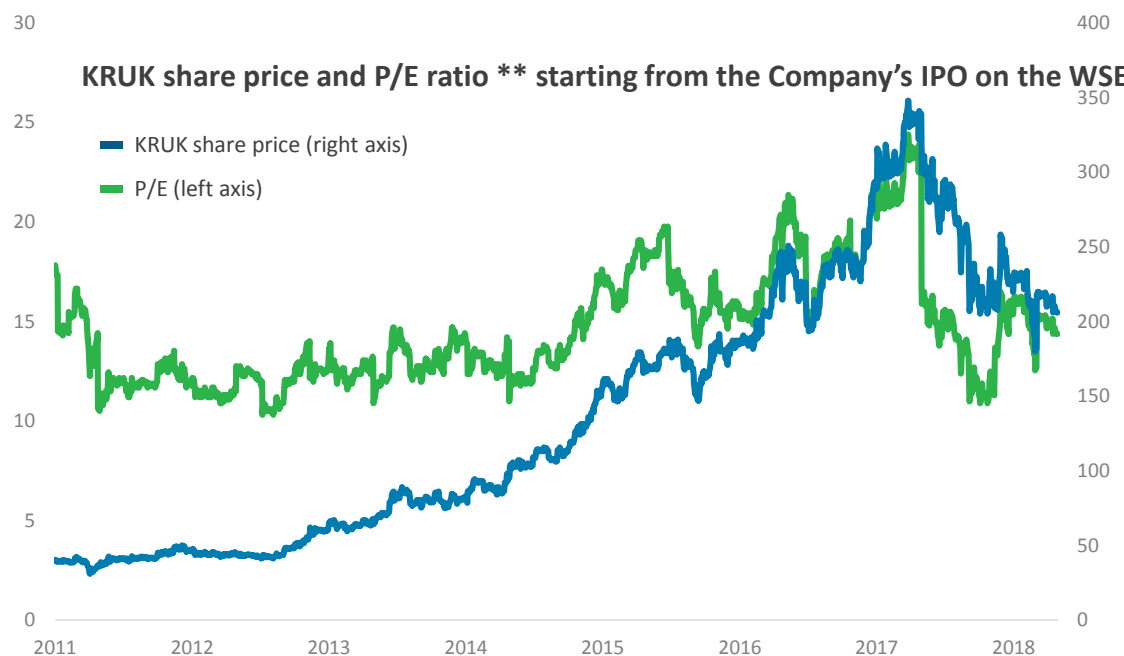
- On July 9th 2018, KRUK announced a review of strategic options supporting further growth of the Group.
- The purpose of the review of strategic options is to choose the best way to achieving the Company's long-term objective of creating a leading player on the debt management market in Europe.
- As a result of the review, KRUK will either decide to continue working for its existing shareholders as a listed company or will obtain the support of a financial investor, who will announce a tender offer for the Company's shares.
- The Management Board expects the review of strategic options to be completed by the end of 2018.

Dividend

- On April 27th 2018, KRUK paid another dividend of PLN 5.00 per share, i.e. PLN 94.0m in total.
- KRUK started to pay out dividends in 2015. Since then, the Company's shareholders received dividends totalling more than PLN 190m.

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 206.00

Change since IPO / 3M +419% / -9%

1Y Max/Min PLN 337.50 / PLN 170.00

Market capitalisation PLN 3.9bn

KRUK's position on the WSE in terms of market capitalisation: 38

Stock trading liquidity

Average daily trading volume PLN 20.0m

Free float**** 78.7%

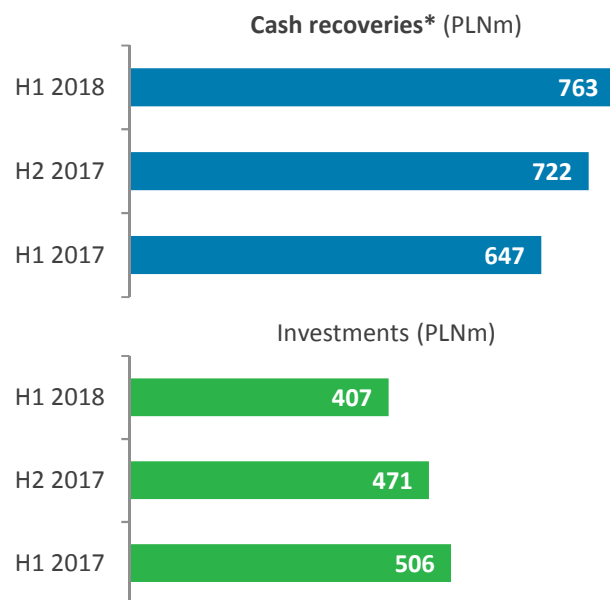
KRUK's position on the WSE in terms of liquidity: 9



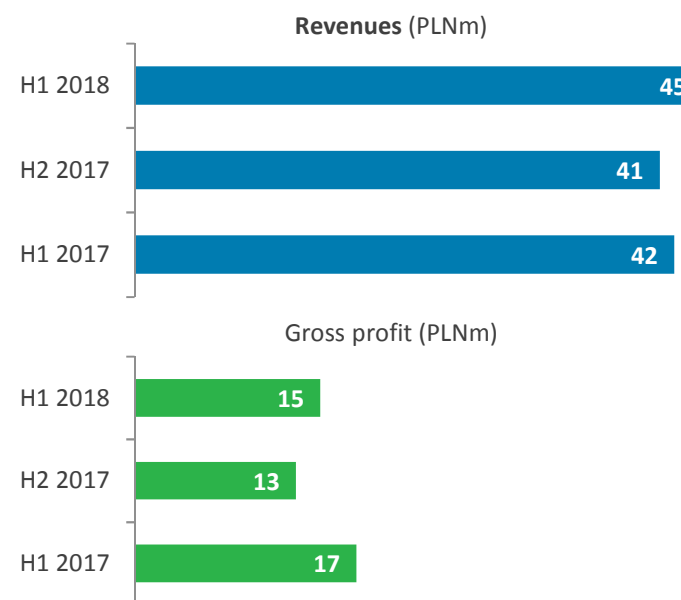
- (*) Equity at end of period, excluding the share issue of December 2016.
- (**) P/E – price-to-earnings ratio, calculated on the basis of performance in the last four quarters.
- (***) Source: Stooq.com, GPWInfostrefa.pl, data as at September 4th 2018, or GPW.pl, data as at July 2018.
- (****) Free float - shareholders with a holding of less than 10%.

In H1 2018, KRUK generated almost two thirds of its net profit for the whole year 2017

Purchased debt portfolios



Third party DC and other services**



(PLNm)	H1 2017	18/17	H1 2018	2017	actual
Revenue	547.5	+10%	604.9	1,055.5	57%
EBIT	260.2	+3%	266.9	420.8	63%
Cash EBITDA	410.5	+17%	479.8	836.6	57%
Net profit	217.0	-13%	189.3	295.2	64%
ROE rolling	25.7%	-	16.3%	20.2%	-

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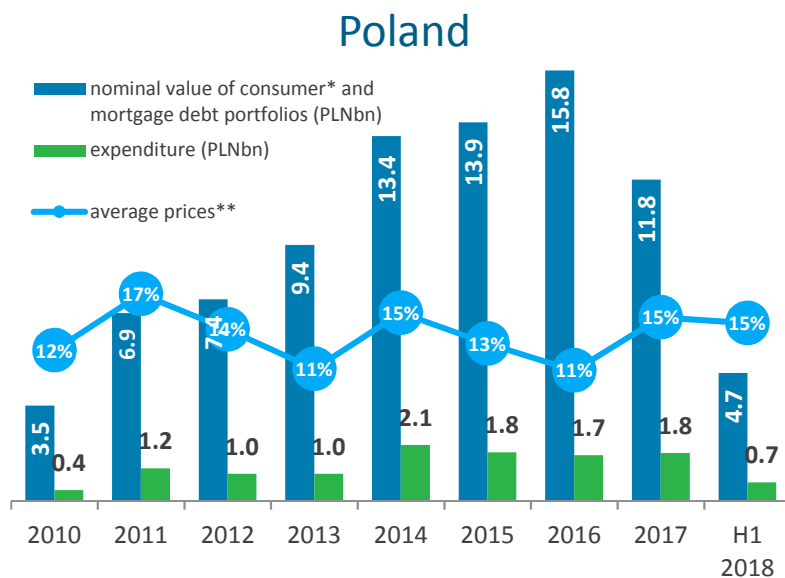
Debt market

Operating activities

Financial performance

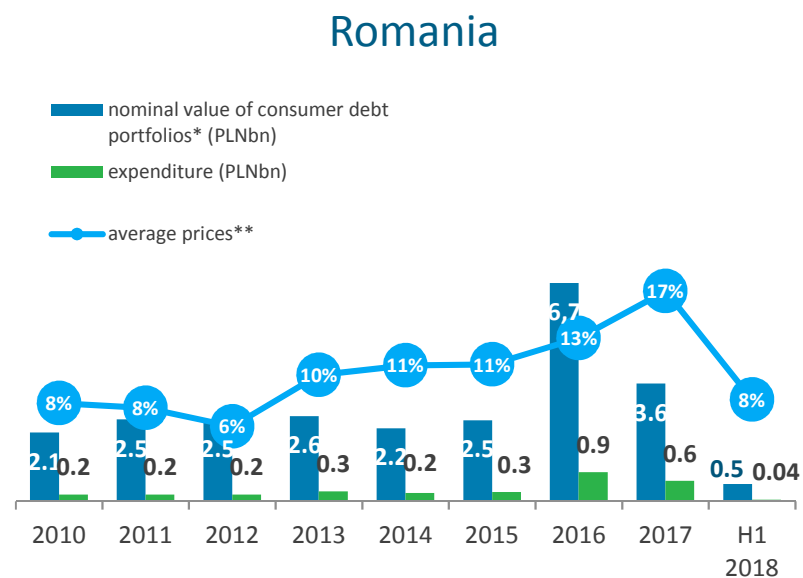
Additional information

In H1 2018, the supply of debt in Poland remained strong



- In H1 2018, the supply of retail debt amounted to PLN 4.7bn, at a cost of PLN 0.7bn. KRUK expects that in the second half of the year banks will show more readiness to sell debt.

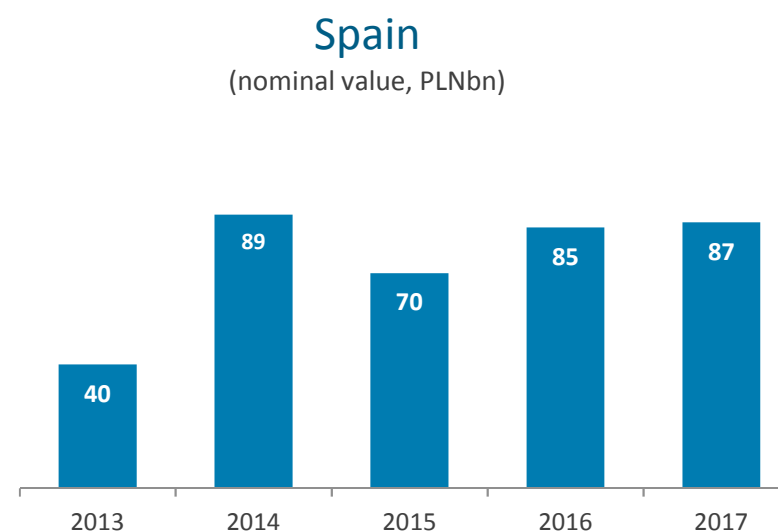
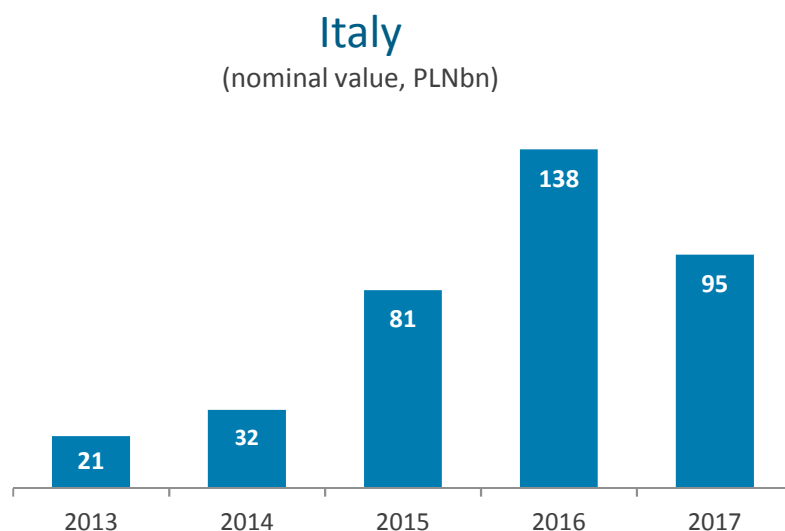
- As a result of legislative changes in Poland, the quality of debt portfolios sold in our country has been improving.
- Since the beginning of 2018, KRUK has been successfully participating in auctions to purchase debt portfolios and expects the prices to become even more reasonable.



- Due to fiscal changes, in H1 2018 banks in Romania were not active in selling consumer debt – a vast majority of the supply was generated by non-bank financial institutions, selling lower quality cases.

- KRUK expects a significant increase in the supply of debt, including from banks, in the second half of 2018.

Italy and Spain: much larger markets for sale of non-performing debt portfolios than Poland



- The supply of non-performing debts in 2017 amounted to PLN 95bn, coming close to the PLN 100bn threshold for the third consecutive time.
- In terms of supply, the Italian market was the most active of all European markets.
- In the Italian market, the supply of debt reaches high levels in the second half of the year.
- In September, KRUK won a tender to purchase a portfolio of nearly 50 thousand cases, with a total nominal value of over EUR 300m, from an Italian financial institutions.

- In recent years, Spanish banks have shown consistent and significant interest in selling their non-performing debt portfolios, at around PLN 80bn.
- Mixed portfolios, comprising primarily corporate debt, represent the largest share of the debt market in Spain.
- The Spanish market, just like Italian, is characterised by a high supply of debt in the second half of the year.
- In August, KRUK entered into an agreement to purchase a portfolio of 100 thousand debt claims, with a total nominal value of EUR 248m, from Servicios Financieros Carrefour.

Source: In-house analysis based on the Company's supply data and publicly available information. Supply of debt means the sum of debt portfolios sold at nominal value.

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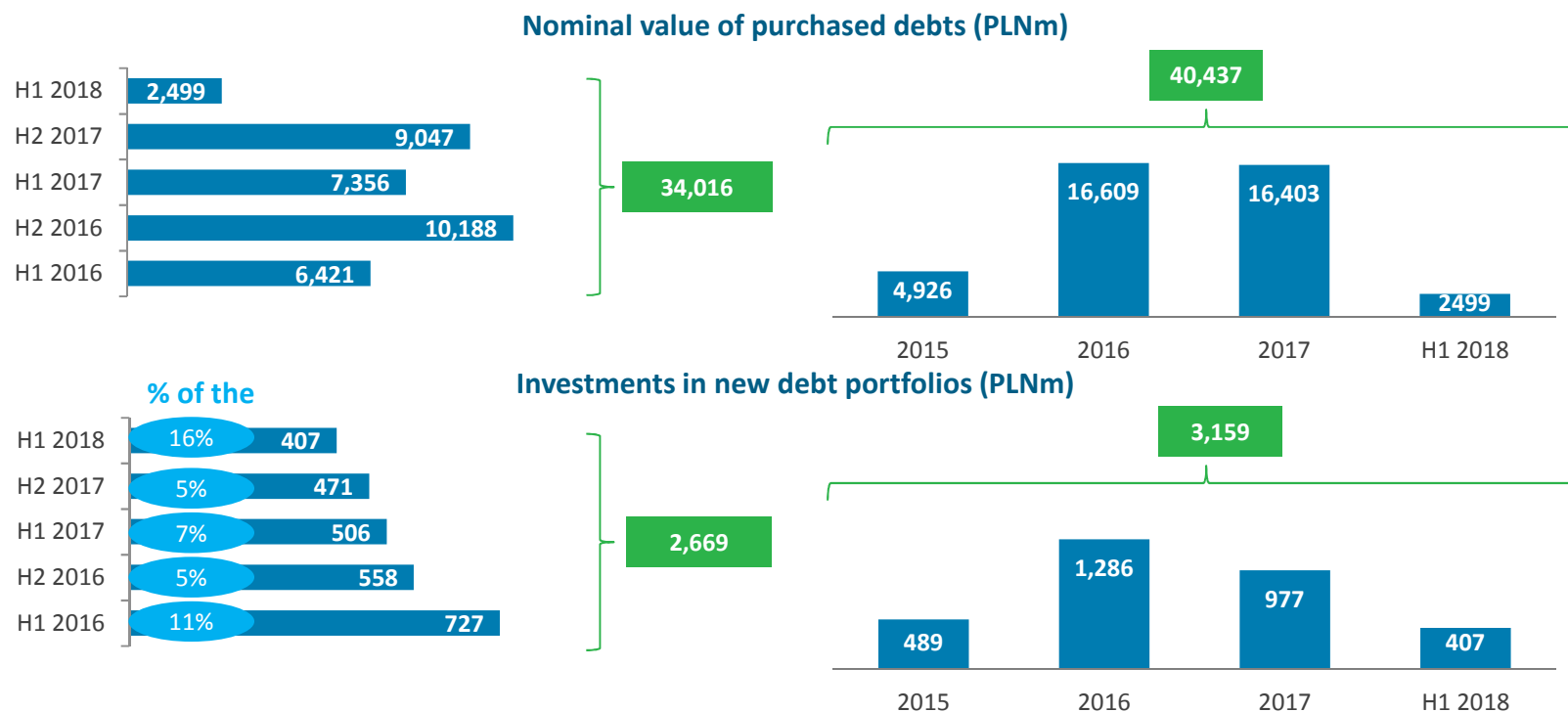
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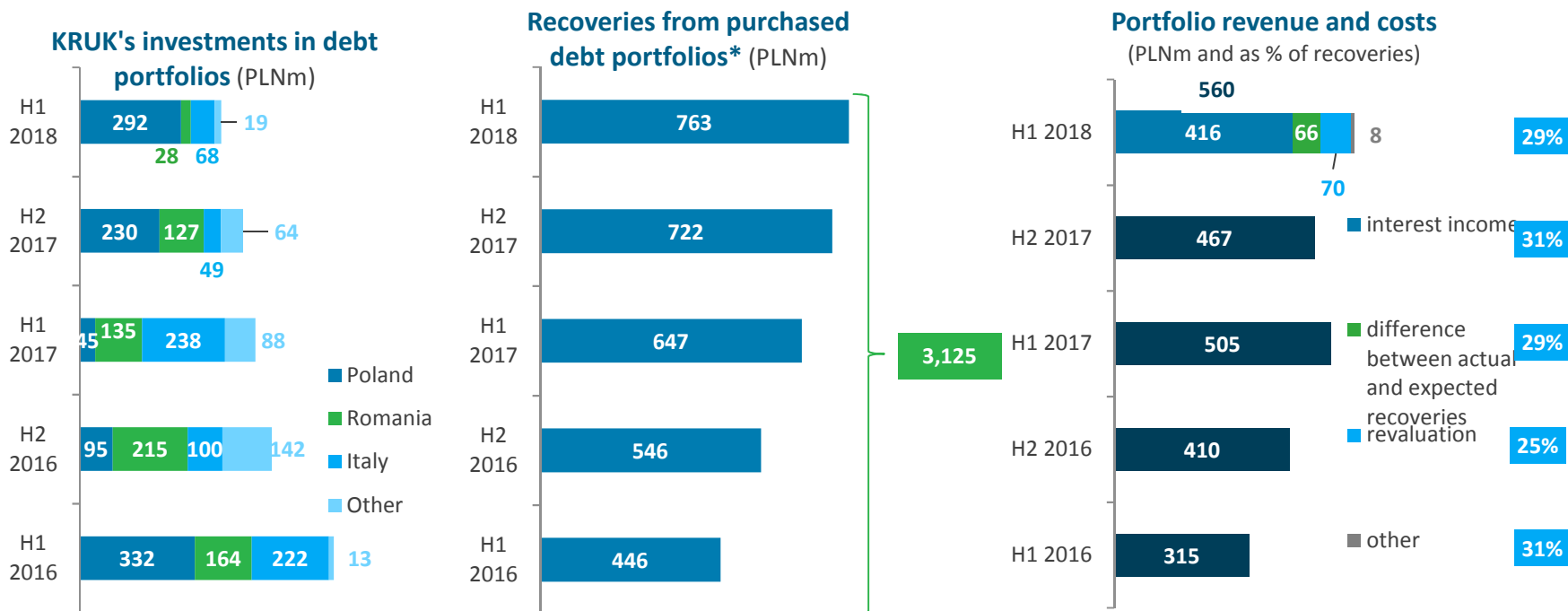
Additional information

In H1 2018, KRUK invested PLN 407m, mainly in the Polish market



- During the first half of 2018, KRUK purchased 90 portfolios with a nominal value of PLN 2.5bn, for a total of PLN 407m. Most of the investments (72%) was made in the Polish market, where KRUK purchased mainly better quality debt portfolios from non-banking financial institutions.
- KRUK expects to intensify its purchasing activities in Poland and abroad in the second half of the year.
- After the end of the first half of the year, KRUK concluded an agreement to purchase a debt portfolio from Servicios Financieros Carrefour of Spain, with a total nominal value of EUR 248m, won an auction to purchase two consumer and SME debt portfolios with a total nominal value of PLN 500m in Poland, and an auction to purchase a portfolio with a value of over EUR 300m in the Italian market.

Recoveries in H1 2018 reached a record-breaking level of PLN 763m, of which PLN 401m was received in the second quarter



- In H1 2018, a vast majority of the investments in debt portfolios were made in the Polish market.
- The Romanian market was not active in H1 – KRUK is expecting the trend to reverse in the second half of the year.

- In the first half of 2018, recoveries from purchased portfolios reached PLN 763m, the highest level in the Company's history.
- KRUK benefits from improvement in its operating efficiency and in the macroeconomic environment in Poland and Romania.

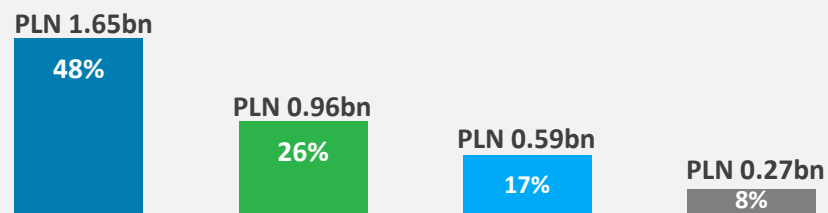
- KRUK changed the presentation of its revenue by breaking it into interest income, income from the difference between actual and expected recoveries, revaluations and other.
- The cost-to-recovery ratio in H1 2018 remained unchanged from the previous year, due to higher costs of court proceedings in Italy.

*Including proceeds from sale of properties as part of the debt management process.

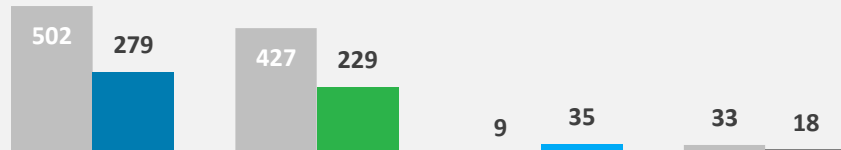
The KRUK Group operates on seven European markets

Poland	Romania	Italy	Other
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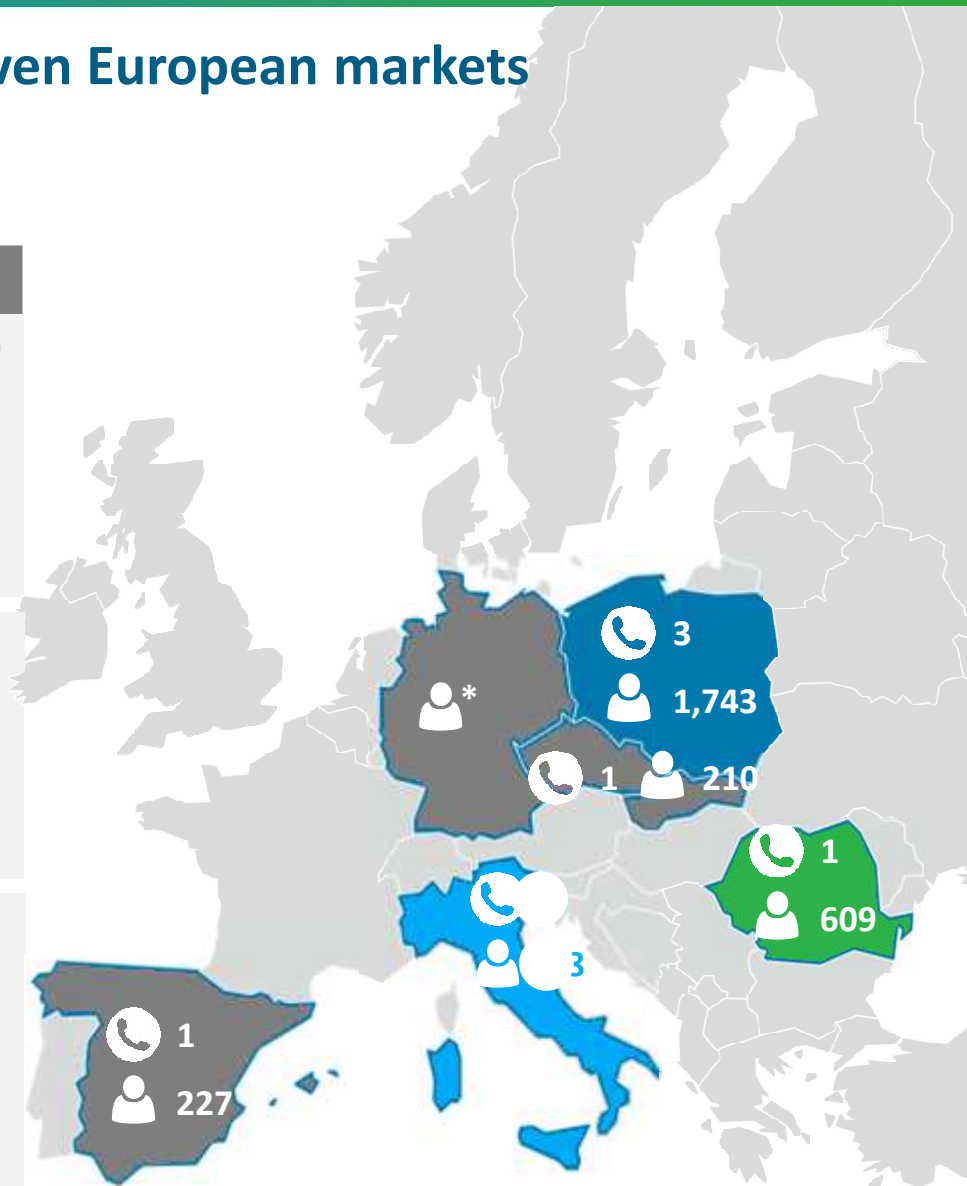
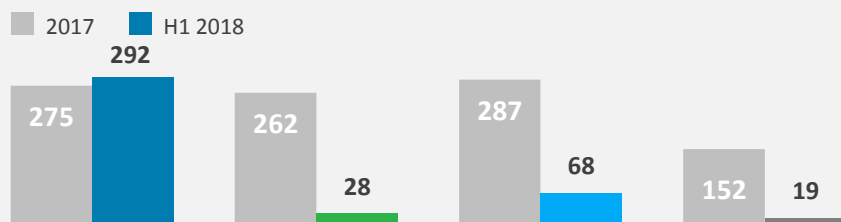
Portfolio carrying amount as at June 30th 2018 (total: PLN 3.4bn)



Revenue from purchased portfolios (PLNm)

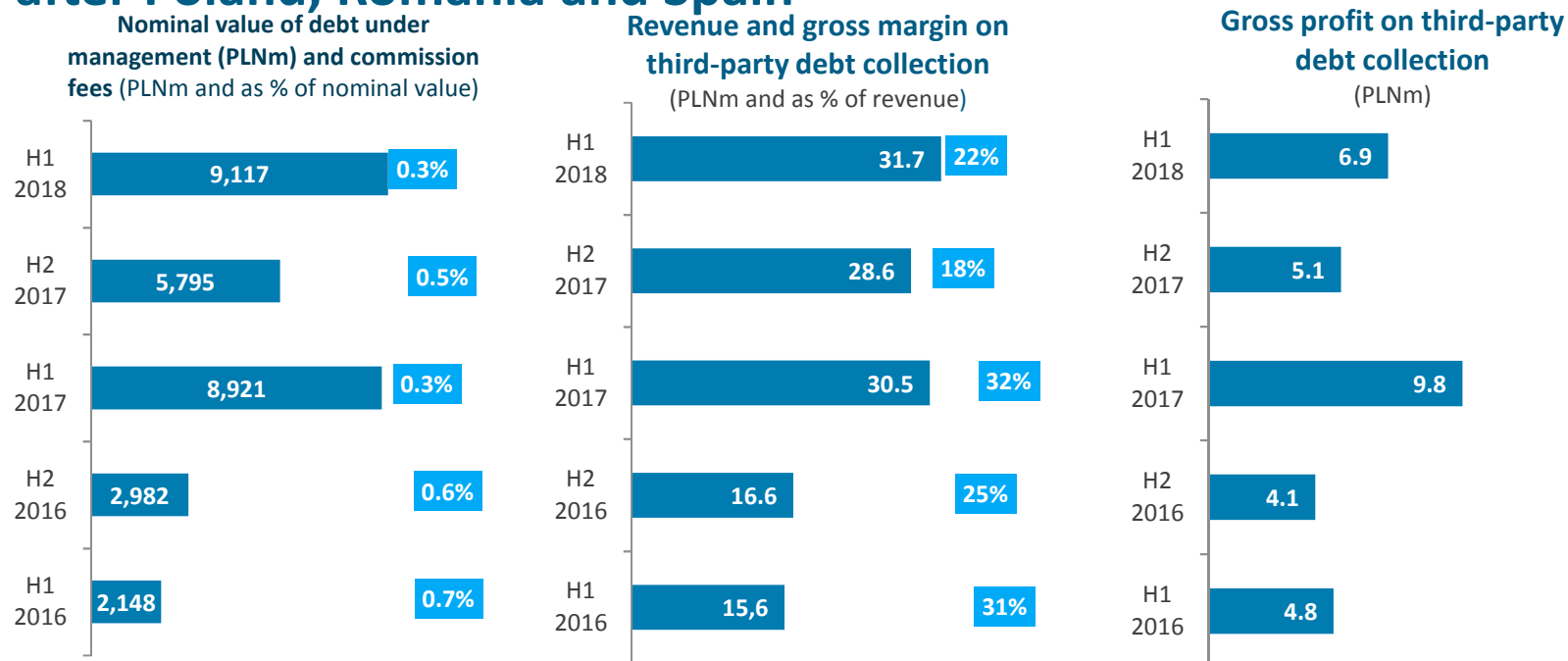


Investments (PLNm)



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

Following the acquisition of Agecredit in Italy, KRUK has been developing third party debt collection services on that market too, after Poland, Romania and Spain

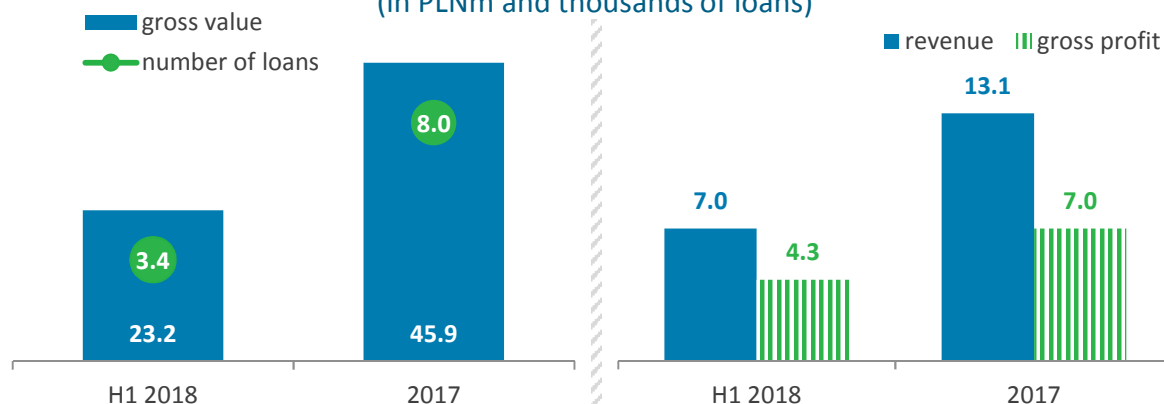


- The increase in the nominal value of third party DC cases as well as rising revenues and margins are attributable to the acquisition of servicing businesses in Spain (Espand) and Italy (Agecredit) and the effect of accounting for the 33% interest in the portfolio purchased together with IFC.
- KRUK performs well on the competitive third party DC market by leveraging economies of scale and high operational efficiency.
- The third party DC business offers important synergies in combination with the debt purchasing business line.

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

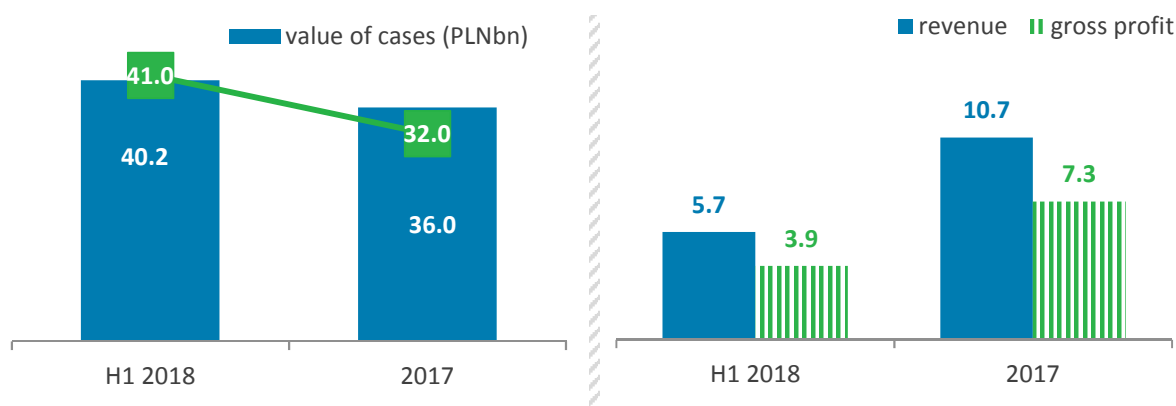
Novum year-on-year performance – financial highlights

(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 5.7m, with gross profit at 68%.
- The base rose significantly after the company entered into cooperation with a large partner from the telecom market.

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KRUK – a fast-growing and highly profitable business generating strong cash flows (quarterly data)

PLNm	Q1 2018	Q2 2018	H1 2018	Q1 2017	Q2 2017	H1 2017	Q2 2018/ Q2 2017	H1 2018/ H1 2017
Purchased debt portfolios								
Investments in debt portfolios	125.4	281.8	407.2	213.5	292.1	505.6	-4%	-19%
Recoveries*	362.4	400.7	763.1	309.3	337.9	647.2	+19%	+18%
Statement of profit or loss								
Operating income	285.3	319.6	604.9	264.1	283.4	547.5	+13%	+10%
Own debt portfolios	264.4	295.9	560.3	242.6	262.4	505.0	+13%	+11%
including revaluation	22.9	47.5	70.4	28.7	25.1	53.8	+89%	+31%
Collection services	14.5	17.2	31.7	15.8	14.7	30.5	+17%	+4%
Other products and services	6.4	6.6	13.0	5.7	6.2	11.9	+6%	+9%
Gross profit	164.3	193.9	358.2	166.6	171.0	337.6	+13%	+6%
<i>Gross profit margin</i>	58%	58%	59%	63%	60%	62%		
Own debt portfolios	157.3	186.3	343.6	157.4	162.8	320.2	+14%	7%
Collection services	3.1	3.8	6.9	5.6	4.2	9.8	-10%	-30%
Other products and services	4.0	3.7	7.7	3.6	4.1	7.7	-10%	+0%
Overheads	-38.2	-40.4	-78.6	-30.4	-36.9	-67.3	+9%	+17%
EBITDA	125.0	152.0	277.0	135.1	133.2	268.3	+14%	+3%
<i>EBITDA margin</i>	44%	48%	46%	51%	47%	49%		
NET PROFIT	90.7	98.6	189.3	115.5	101.5	217.0	-3%	-13%
<i>Net profit margin</i>	32%	31%	31%	44%	36%	40%		
<i>ROE rolling</i>	17%	16%	16%	23%	26%	26%		
CASH EBITDA	223.0	256.8	479.8	201.8	208.7	410.5	+23%	+17%

*Including proceeds from sale of properties as part of the debt management process.

Source: KRUK S.A.

KRUK – a fast-growing and highly profitable business generating strong cash flows (half-yearly data)

PLNm	H1 2018	H1 2017	H2 2017	2017	H1 2016	H2 2016	yoy
Purchased debt portfolios							
Investments in debt portfolios	407.2	505.6	470.9	976.5	727.5	558.4	-19%
Recoveries*	763.1	647.2	721.7	1368.9	446.5	545.9	+18%
Statement of profit or loss							
Operating income	604.9	547.5	508.0	1,055.5	341.1	442.3	+10%
Own debt portfolios	560.3	505.0	466.7	971.7	315.4	409.5	+11%
including revaluation	70.4	53.8	34.9	88.7	34.9	49.3	+31%
Collection services	31.7	30.5	28.6	59.1	15.6	16.6	+4%
Other products and services	13.0	11.9	12.7	24.6	10.0	16.3	+9%
Gross profit	358.2	337.6	251.8	589.4	187.6	289.0	+6%
<i>Gross profit margin</i>	<i>59%</i>	<i>62%</i>	<i>50%</i>	<i>56%</i>	<i>55%</i>	<i>65%</i>	
Own debt portfolios	343.6	320.2	239.0	559.2	178.6	275.7	7%
Collection services	6.9	9.8	5.1	14.9	4.8	4.1	-30%
Other products and services	7.7	7.7	7.6	15.3	4.1	9.3	0%
Administrative expenses	-78.6	-67.3	-80.1	-147.4	-48.5	-68.8	+17%
EBITDA	277.0	268.3	171.1	439.4	137.8	224.8	+3%
<i>EBITDA margin</i>	<i>46%</i>	<i>49%</i>	<i>34%</i>	<i>42%</i>	<i>40%</i>	<i>51%</i>	
NET PROFIT	189.3	217.0	78.2	295.2	111.3	137.4	-13%
<i>Net profit margin</i>	<i>31%</i>	<i>40%</i>	<i>15%</i>	<i>28%</i>	<i>33%</i>	<i>31%</i>	
<i>ROE rolling</i>	<i>16%</i>	<i>26%</i>	<i>20%</i>	<i>20%</i>	<i>23%</i>	<i>20%</i>	
CASH EBITDA	479.8	410.5	426.1	836.6	268.8	361.2	17%

*Including proceeds from sale of properties as part of the debt management process.

Source: KRUK S.A.

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

PLNm	H1 2018	H1 2017	H2 2017	2017	H1 2016	H2 2016	yoy
Operating income	604.9	547.5	508.0	1,055.5	341.1	442.3	+10%
Poland	304.3	273.0	278.9	551.9	174.0	249.8	+11%
Romania	233.5	202.2	234	436.2	143.0	168.9	+15%
Italy	39.2	33.1	-19.8	13.3			+18%
Other countries	27.9	39.2	14.9	54.1	24.1	14.5	-29%
Gross profit	358.2	337.6	251.8	589.4	187.6	289.0	+6%
<i>Gross profit margin</i>	<i>59%</i>	<i>62%</i>	<i>50%</i>	<i>56%</i>	<i>55%</i>	<i>65%</i>	
Overheads	-78.6	-67.3	-80.6	-147.9	-48.5	-68.8	+17%
EBITDA	277	268.3	171.1	439.4	137.8	224.8	+3%
<i>EBITDA margin</i>	<i>46%</i>	<i>49%</i>	<i>34%</i>	<i>42%</i>	<i>40%</i>	<i>51%</i>	
Finance income/costs	-66.5	-37.7	-47.9	-85.6	-20.0	-42.7	+76%
Net profit	189.3	217.0	78.2	295.2	111.3	137.4	-13%
<i>Net profit margin</i>	<i>31%</i>	<i>40%</i>	<i>15%</i>	<i>28%</i>	<i>33%</i>	<i>31%</i>	

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

PLNm	H1 2018	H1 2017	H2 2017	2017	H1 2016	H2 2016	yoy
Cash flows from operating activities:	427.1	296.2	345.2	641.4	254.2	317.9	44%
Recoveries from debtors – purchased debt portfolios*	763.1	647.2	721.7	1,368.9	446.5	545.9	+18%
Operating costs – purchased debt portfolios	-219.7	-184.9	-227.6	-412.5	-136.8	-133.4	+19%
Operating margin – third party DC	6.9	9.8	5.1	14.9	4.8	4.1	-30%
Administrative expenses	-78.6	-67.3	-80.6	-147.9	-48.5	-68.8	+17%
Other operating cash flow	-43.9	-108.6	-73.4	-182.0	-11.7	-30.3	-60%
Cash flows from investing activities:	-418.6	-511.0	-485.4	-996.4	-738.6	-622.8	-18%
Investments in debt portfolio purchases	-407.2	-505.6	-470.9	-976.5	-730.7	-555.2	-19%
Other investing cash flow	-11.4	-5.4	-14.5	-19.9	-7.9	-67.6	+110%
Cash flows from financing activities	-19.3	67.5	193.5	261.0	481.4	434.5	-129%
Issue of shares	0.0	0.0	0	0.0	0.0	215.0	
Increase in borrowings and lease liabilities	716.0	696.8	536.6	1,233.4	761.9	828.5	+3%
Issue of bonds	0.0	168.5	-0.1	168.4	457.9	375.4	-100%
Decrease in borrowings and lease liabilities	-603.6	-678.3	-327.6	-1,005.9	-779.7	-777.3	-11
Redemption of bonds	-15.0	-120.0	-15	-135.0	-84.0	-70	-88%
Other financing cash flow	-116.7	0.5	-0.4	0.1	125.3	-141.8	
Net cash flows:	-10.8	-147.3	53.2	-94.1	-2.9	129.5	-93%

*Including proceeds from sale of properties as part of the debt management process.

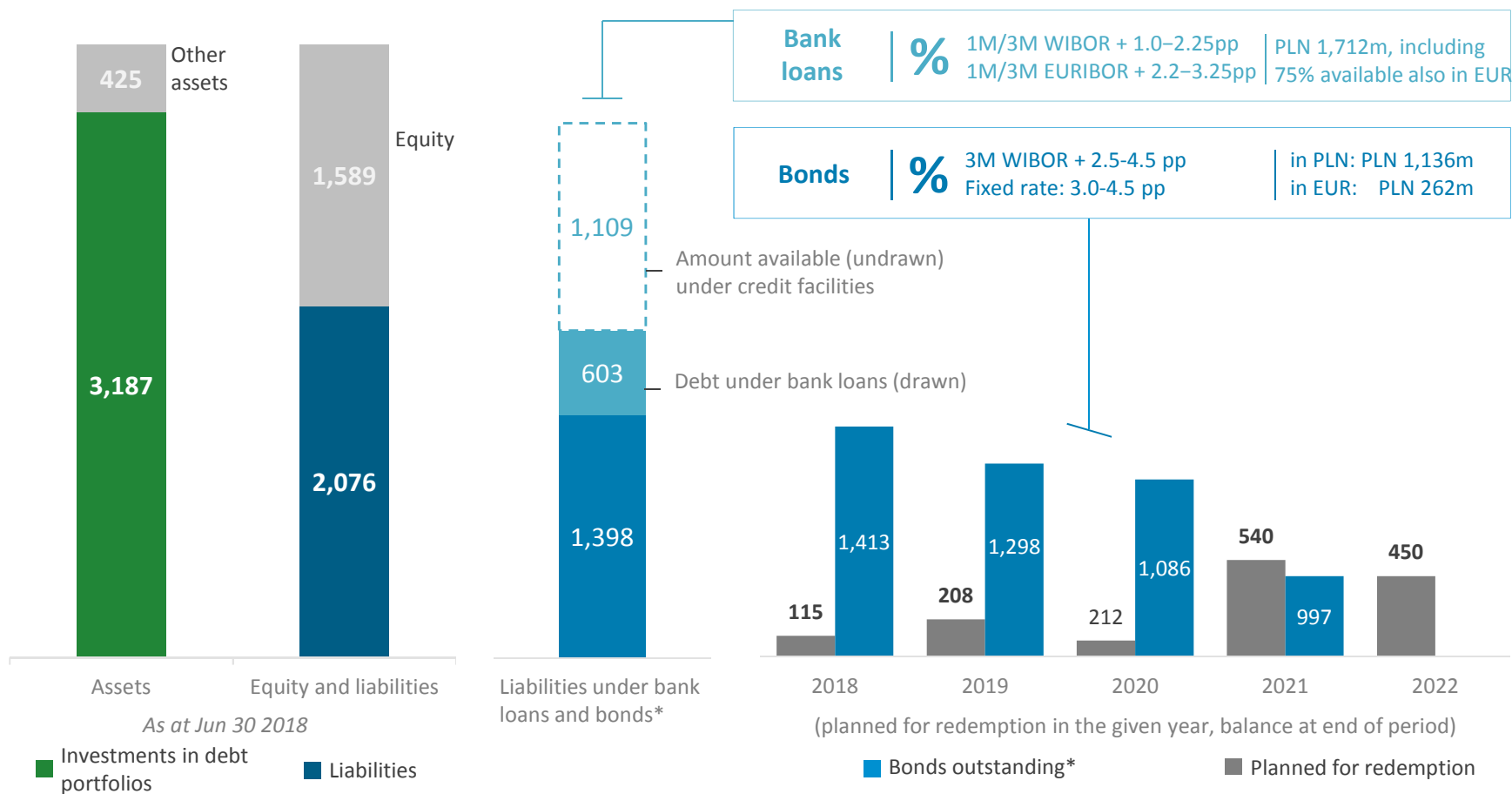
Source: KRUK S.A.

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

PLNm	Jun 30 2018	Dec 31 2017	Jun 30 2017
ASSETS			
Cash and cash equivalents	162.5	173.3	120.1
Investments in debt portfolios and loans	3,486.2	3,169.3	2,985.7
Other assets	200.1	217.5	177.3
Total assets	3,848.8	3,560.1	3,283.1
EQUITY AND LIABILITIES			
Equity	1,646.1	1,460.5	1,380.7
of which: Retained earnings	1,235.3	1,112.0	1,033.8
Liabilities	2,202.7	2,099.6	1,902.4
of which: Bank loans and leases	612.0	499.0	297.0
Bonds	1,394.9	1,398.3	1,411.4
Total equity and liabilities	3,848.8	3,560.1	3,283.1
METRICS			
Interest-bearing debt	2,006.9	1,897.2	1,708.5
Net interest-bearing debt	1,844.4	1,723.9	1,588.4
Net interest-bearing debt to equity	1.1	1.2	1.1
Interest-bearing debt to 12-month cash EBITDA	2.0	2.1	2.1

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

Net debt/equity 1.1x
 Net debt/cash EBITDA: 2.0x



Agenda

Introduction

Debt market

Operating activities

Financial performance

Additional information

Marketing and PR activities in Q2 2018

Marketing and PR activities

- A Gala Event “We build bridges between people” organised at the National Forum of Music of Wrocław to mark the 20th anniversary of the establishment of KRUK.
- Continuation of the “KRUK... and everything will be fine” campaign.
- May 21st – the Good Credit Record Day. As part of its educational efforts, ERIF BIG carried out a survey and an educational and promotional campaign in the Internet and on the social media.
- The Group participated in and sponsored a number of important debt collection industry conferences in Poland and Italy, including CVSPRINGDAY, NPL Investing & Collection Summit in Milan, 12th International Conference “Insurance and the Challenges of the 21st Century” in Rydzyna, 4th Debt Enforcement Process Management Forum in Wrocław, NPL SmithNovak in Milan, and the Loan Sector Congress in Warsaw.

CSR activities:

- For the sixth time, KRUK acted as the main sponsor of the ‘Business Run’ in Wrocław.
- In Romania, KRUK joined forces with the United Way Romania Foundation and participated in a programme that supports young people in their further education and helps them start their adult lives.
- In Romania, the KRUK Group employees conducted educational classes on financial management in ten Romanian high schools in Bucharest, Pitesti, Ploști, Constanța and Iași.
- KRUK was a partner in the ‘Finansomania’ Financial Knowledge Competition organised by the Faculty of Economics of the Poznań University of Economics.

We received the following awards:

- Gazela Biznesu – Business Gazelle
- Etyczna Firma – Ethical Company
- Laur Konsumenta – Consumer Laurel



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
July 2018	DM Trigon	hold	220.0
April 2018	DM BDM	buy	301.0
March 2018	Vestor	buy	286.0

For more details, go to:

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

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