



# Presentation of 2019 results

## KRUK Group

# Agenda

## Introduction

Geographical and operating segments

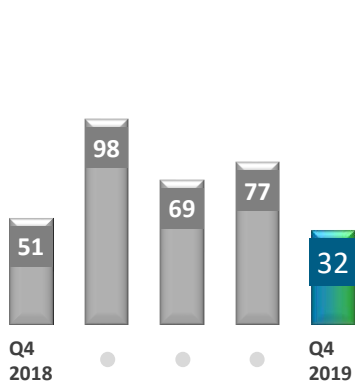
Financial results

Additional information

# KRUK in 2019 – record-high recoveries from purchased portfolios and strong cash EBITDA, with EPS down year on year

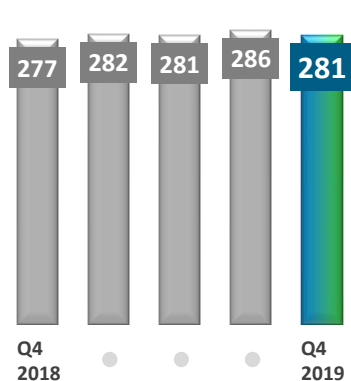
**NET PROFIT**  
**PLN 277m**

Q4 2019: PLN 32m  
FY 2018: PLN 330m



**CASH EBITDA\***  
**PLN 1,130m**

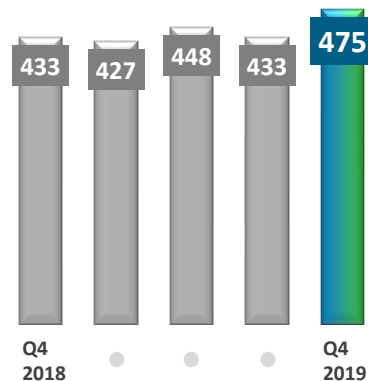
Q4 2019: PLN 281m  
FY 2018: PLN 1,005m



**RECOVERIES FROM  
PURCHASED DEBT PORTFOLIOS**

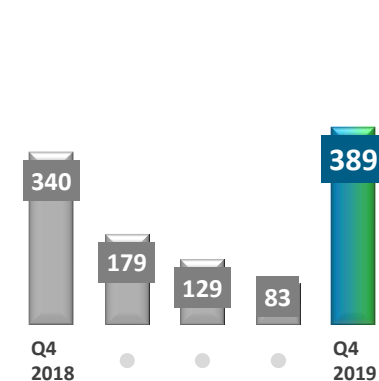
**PLN 1,782m**

Q4 2019: PLN 475m  
FY 2018: PLN 1,577m



**INVESTMENTS**  
**PLN 781m**

Q4 2019: PLN 389m  
FY 2018: PLN 1,395m



**EPS GROWTH RATE**

**-17%**

2018/2017 : 11%

**ROE LTM\*\***

**14%**

Sep 30 2019: 15%  
FY 2018: 19%

**PORTFOLIO  
CARRYING AMOUNT**

**PLN 4.2bn**

Sep 30 2019: PLN 4.1bn  
Dec 31 2018: PLN 4.1bn

**NET DEBT/  
Cash EBITDA**

**2.3x**

Sep 30 2019: 2.1x  
Dec 31 2018: 2.3x

\* Cash EBITDA = operating profit - depreciation/amortisation + recoveries from purchased debt portfolios - revenue from collection of purchased debt.  
\*\* Consolidated net profit for the last 12 months divided by equity at the period's end.

# KRUK in 2019 – decrease in net profit and investment amount, but strong cash EBITDA, good transaction returns and the first revaluation gain recorded on Italian portfolios in Q4

## Financial results

- In 2019, net profit was PLN 277m, down 16% year on year, driven by a revaluation loss on the Spanish portfolio, partial portfolio write-down and provision recognised in Slovakia, provision recognised for Wonga.pl, impairment loss on AgeCredit, and foreign exchange losses.
- In Q4 2019, net profit was PLN 32m, down 37% year on year.
- On the other hand, cash EBITDA delivered by KRUK in 2019 was record-high at PLN 1,130m, up 12% year on year.

## Recoveries from purchased debt portfolios

- Recoveries from purchased debt portfolios amounted to PLN 1,782m, up 13% on the year before. In the fourth quarter alone, KRUK recorded recoveries of PLN 475m.
- Recoveries from Polish and Romanian debtors accounted for 77% of the total.
- In Italy, recoveries amounted to PLN 185m, up over 46% on the full 2018 figure. In Q4 2019, on the back of solid recoveries and mass handling of cases at the court stage, KRUK recognised the first ever revaluation gain of PLN 13m.
- Spain recoveries for the reporting period were lower than expectations, what impacted with negative revaluation on portfolios.

## Investments in new portfolios

- In 2019, the KRUK Group invested PLN 781m in debt portfolios with an aggregate nominal value of PLN 8.3bn. In Q4 alone, investments amounted to PLN 389m, while the nominal amount of debt purchased was PLN 4.2bn. In Q4, debt purchases were resumed by KRUK in Italy, where it invested PLN 99m.
- Gross return rates on purchases made in 2019, estimated at the time of the investments, averaged over 24%, compared with 22% on the investments made in 2018 (gross return rates = gross IRR calculated as the internal rate of return on collections and expenditure).
- The carrying amount of the debt portfolio increased by 3% year on year, to PLN 4.2bn, with estimated remaining collections (ERC) of PLN 7.6bn (up 5% year on year). The shares of Poland, Romania, Italy and other markets in the total portfolio value were 45%, 24%, 19% and 12%, respectively.

# With a strong balance sheet and cash flow, KRUK is well positioned to step up investments in 2020 and beyond, and to deliver its strategy

## Sound balance sheet and good access to financing

- KRUK relies on access to bank debt. A significant item among its available revolving facilities was a syndicated bank facility granted to KRUK for debt portfolio investments. The amount currently committed under the facility is EUR 235m.
- In 2019, KRUK carried out bond issues with a total nominal value of PLN 215m. The bonds were issued to institutional and retail investors.
- With a net interest-bearing debt to equity ratio of 1.3x and flexible access to financing, KRUK is well positioned to increase its investment activity in Poland, Romania and other European countries.
- KRUK remains one of the least leveraged large companies in its sector in Europe.

## Income distribution

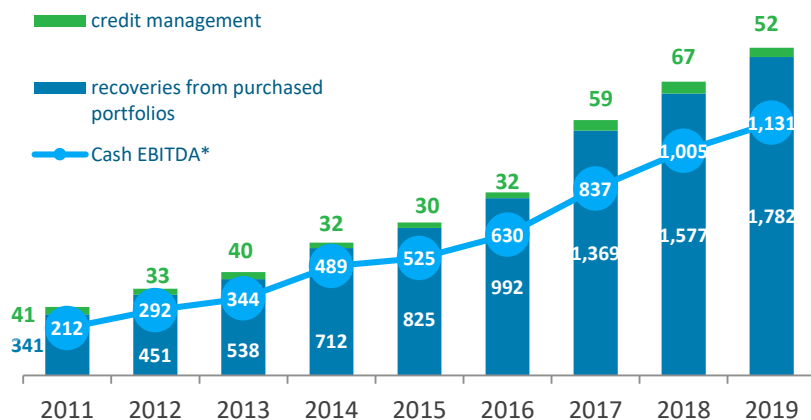
- As at the issue date of the 2019 Report, no decision was made by the Management Board on proposed distribution of profit for 2019.
- The Management Board wants KRUK to be an income-distributing company during the term of the Group's strategy for 2019–2024, with the amount of such distributions contingent on its financial performance and prevailing market conditions.

## Priorities and objectives

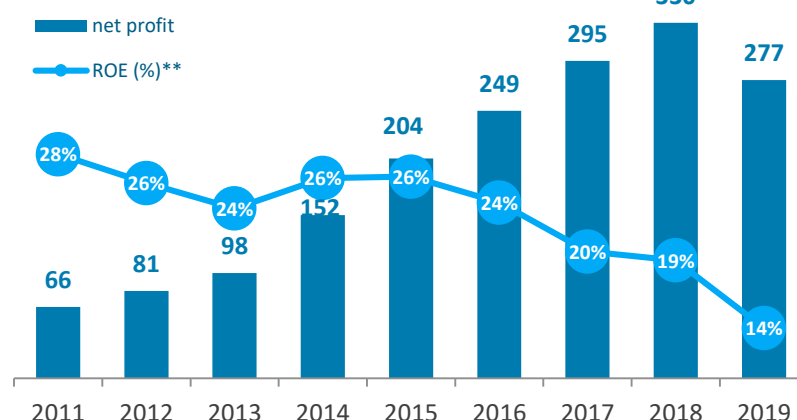
- Sustained increase in the Group's value and ability to distribute income to shareholders.
- Continued development of the Italian and Spanish operations combined with efforts to enhance portfolio valuation processes.
- Activity on debt purchase markets in countries where the KRUK Group is currently expanding its foothold, with conservative debt levels maintained.
- Systemic transition towards a lean management approach to optimise processes and teamwork.
- Development and implementation of the more efficient management model of KRUK Group in 2020 – i. a. separation of operational part and Head Office in Polish organization.

# In 2019, KRUK's cash earnings remained on an upward trend:

### Cash from credit management activities (PLNm)



### Financial performance (PLNm)



| PLNm              | 2011      | 2018       | 2019       | change yoy  | CAGR '11-'19 |
|-------------------|-----------|------------|------------|-------------|--------------|
| revenue           | 274       | 1 165      | 1 251      | 7%          | 21%          |
| EBIT              | 96        | 483        | 443        | -8%         | 21%          |
| Cash EBITDA       | 212       | 1 009      | 1 130      | 12%         | 23%          |
| <b>net profit</b> | <b>66</b> | <b>330</b> | <b>277</b> | <b>-16%</b> | <b>20%</b>   |

|                                                         | 2018  | 2019  |
|---------------------------------------------------------|-------|-------|
| Accumulated number of purchased debts (million)         | 7.7   | 8.8   |
| Accumulated expenditure on debt portfolios (PLNm)       | 6,474 | 7,255 |
| Accumulated recoveries from purchased portfolios (PLNm) | 7,426 | 9,208 |
| Employment (FTEs)***                                    | 3,184 | 3,263 |

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

\*\* Return on equity at the period's end.

\*\*\* FTEs – the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees.

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## Geographical and operating segments

## Financial results

## Additional information

# KRUK Group in 2019 by segment

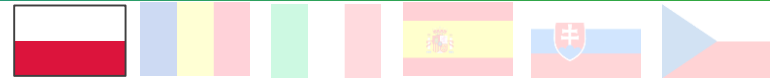
| (PLNm)                               | Poland |      | Romania |      | Italy |      | Other |      | Head Office |     | TOTAL |       |
|--------------------------------------|--------|------|---------|------|-------|------|-------|------|-------------|-----|-------|-------|
|                                      | 2019   | 2018 | 2019    | 2018 | 2019  | 2018 | 2019  | 2018 |             |     | 2019  | 2018  |
|                                      |        |      |         |      |       |      |       |      |             |     |       |       |
| EXPENDITURE ON DEBT PORTFOLIOS       | 338    | 627  | 254     | 148  | 99    | 268  | 90    | 352  | N/A         |     | 781   | 1,395 |
| RECOVERIES                           | 820    | 768  | 560     | 528  | 185   | 126  | 217   | 155  | N/A         |     | 1,782 | 1,577 |
| PORTFOLIO CARRYING AMOUNT<br>(PLNbn) | 1.9    | 1.7  | 1.0     | 0.9  | 0.8   | 0.7  | 0.5   | 0.4  | N/A         |     | 4.2   | 4.1   |
| REVENUE                              | 602    | 591  | 400     | 425  | 159   | 69   | 91    | 80   | N/A         |     | 1,251 | 1,165 |
| PURCHASED DEBT PORTFOLIOS            | 516    | 538  | 385     | 414  | 160   | 58   | 77    | 60   | N/A         |     | 1,138 | 1,070 |
| CREDIT MANAGEMENT<br>SERVICES        | 25     | 26   | 14      | 10   | -1    | 11   | 14    | 20   | N/A         |     | 52    | 67    |
| WONGA                                | 36     |      |         |      |       |      |       |      | N/A         |     | 36    | N/A   |
| OTHER ACTIVITIES                     | 24     | 27   | 0.6     | 0.4  | 0.0   | 0.0  | 0.0   | 0.0  | N/A         |     | 25    | 27    |
| EBITDA*                              | 308    | 331  | 294     | 328  | -7    | -66  | -38   | -31  | -71         | -59 | 487   | 503   |
| CASH EBITDA**                        | 612    | 560  | 470     | 442  | 18    | 2    | 102   | 64   | -71         | -59 | 1,130 | 1,010 |

\* EBITDA = operating profit - amortisation/depreciation - other income - other expenses (unallocated). EBITDA for year 2019 includes effect of IFRS 16 introduction.

\*\* CASH EBITDA = EBITDA - Revenue from purchased debt portfolios + cash recoveries.

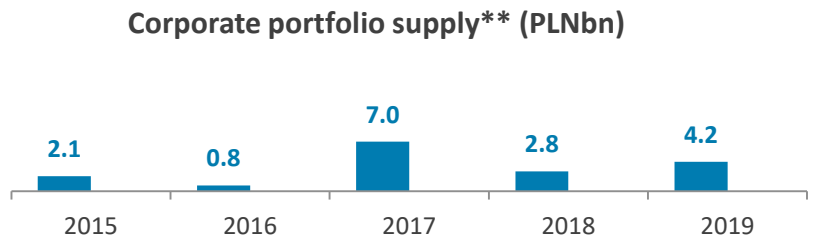
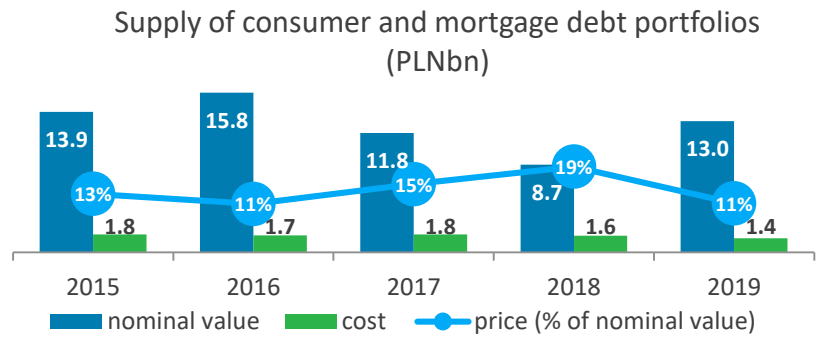
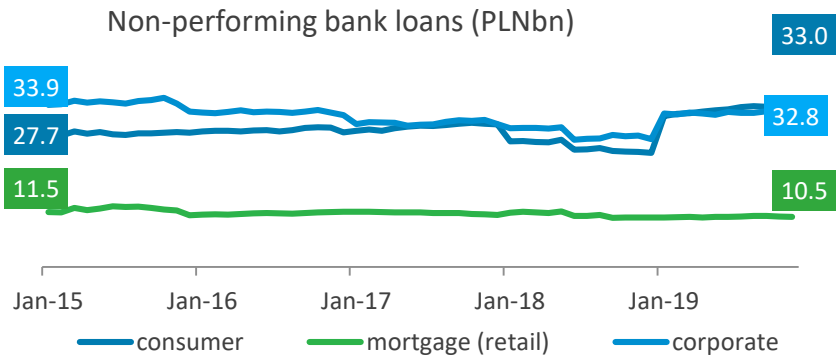


# Debt purchase market in Poland



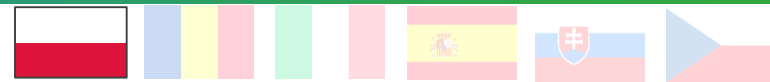
GDP growth in 2019  
**4.0%**  
 (2018: 5.1%)\*

Unemployment as at Dec 2019  
**5.2%**  
 (Dec 2018: 5.8%)\*



- Polish banks have maintained a flat level of non-performing debts. The total value of non-performing bank debts in Poland is PLN 77bn, of which 43% are consumer debts, 14% are mortgage debts, and 43% are corporate debts.
- The supply of retail debts in 2019 was below KRUK's expectations at PLN 13bn, with the expenditure of PLN 1.4bn. Unsecured retail debt accounted for 72% of the aggregate nominal amount of (PLN 12bn), and 84% of the expenditure (PLN 1.3bn) on, retail portfolios in Poland.
- In 2019, a major driver of the nominal value and average price of retail portfolios were transactions executed on the secondary market. Expenditure on the primary market reached PLN 1bn and were below KRUK's expectations.
- In Q4 2019, the supply of retail portfolios rose to a nominal amount of PLN 2.8bn, with the related expenditure of PLN 0.4bn.
- The nominal value of corporate debt portfolios sold in 2019 was 50% above the 2018 figure.

# KRUK Group's operations in Poland, excluding Wonga.pl



1,852\*\*

(including head office)



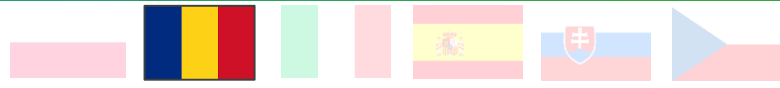
| (PLNm)                              | 2019  | 2018  | yoy  |
|-------------------------------------|-------|-------|------|
| EXPENDITURE ON DEBT PORTFOLIOS      | 338   | 627   | -46% |
| RECOVERIES                          | 820   | 768   | +7%  |
| PORTFOLIO CARRYING AMOUNT           | 1 884 | 1 842 | +2%  |
| REVENUE                             | 566   | 591   | -4%  |
| INCLUDING FROM PURCHASED PORTFOLIOS | 516   | 538   | -4%  |
| INCLUDING FROM REVALUATION          | 36    | 80    | -56% |
| CREDIT MANAGEMENT SERVICES          | 25    | 26    | -3%  |
| OTHER ACTIVITIES                    | 24    | 27    | -11% |
| EBITDA                              | 318   | 331   | -4%  |
| CASH EBITDA                         | 622   | 560   | +11% |
| PORTFOLIO PROFITABILITY (LTM)*      | 28%   | 33%   | -15% |

The OTHER ACTIVITIES section does not include WONGA's results.

- On the smaller-than-expected market, KRUK purchased 145 debt portfolios with a total nominal value of PLN 3.3bn for PLN 338m. KRUK's share was 21%, compared with 33% a year earlier. Excluding transactions on the secondary market, KRUK's market share in 2019 would be similar to that achieved in the previous year.
- In 2019, recoveries from purchased debt portfolios were above expected levels, continuing on a robust trend.
- The amount recognised on account of revaluation was PLN 36m, down PLN 45m year on year, which contributed to a decline in the portfolio profitability. Net interest income margin in 2019 was comparable to that recorded in 2018.
- The returns on transactions in 2019 were higher than on purchases made over the previous two years.
- Revenue from credit management and other activities (ERIF credit reference agency, Novum loans excl. Wonga) came to PLN 49m in 2019, down 7% year on year, driven by worse top-line performance of each business line.

\* LTM portfolio profitability calculated as the sum of revenue from portfolios purchased in the last 12 months divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.  
 \*\* FTE employment - the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.

# Debt purchase market in Romania



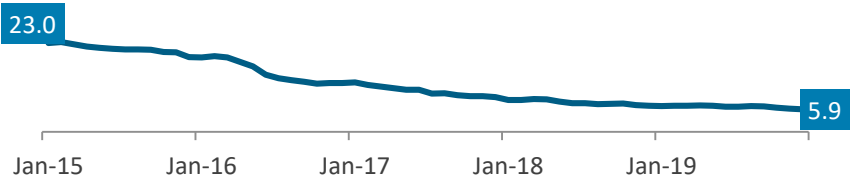
GDP growth in 2019

**4.2%**  
(2018: 4.1%)\*

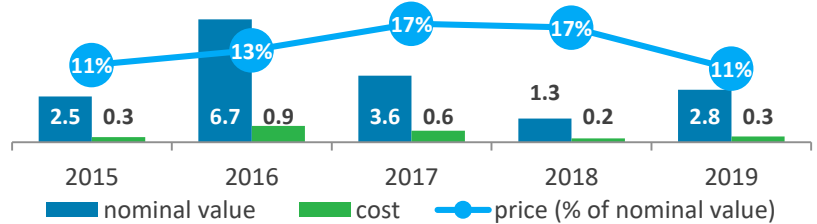
Unemployment as at Dec 2019

**3.9%**  
(Dec 2018: 3.8%)\*

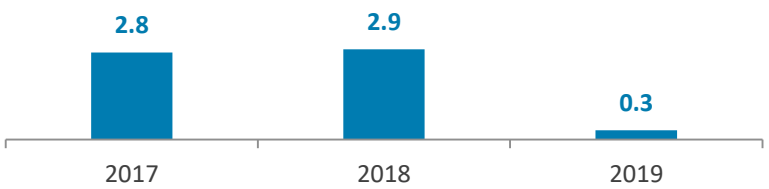
Impaired bank loans (PLNbn)



Supply of consumer debt portfolios (PLNbn)



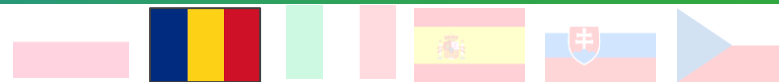
Corporate portfolio supply (PLNbn)



- Non-performing debts in the Romanian banking system levelled out at PLN 5.9bn as a result of active debt sales over recent years across all segments – consumer, mortgage and corporate.
- According to the Group’s estimates, in 2019 the nominal value of debt sold by Romanian financial institutions for collection by third parties was PLN 3.1bn (2018: PLN 1.8bn). The market is adapting to the changes in taxation of banking institutions enacted in 2018, as confirmed by a marked year-on-year increase in the value of bank portfolios put out for sale.
- Excluding the secondary market transaction between GetBack and the KRUK Group, the supply of consumer portfolios was PLN 1.4bn, while the average price remained close to that recorded in 2018.

\* Source: INS

# KRUK Group's operations in Romania



684\*\*



| (PLNm)                              | 2019 | 2018 | yoy  |
|-------------------------------------|------|------|------|
| EXPENDITURE ON DEBT PORTFOLIOS      | 254  | 148  | +72% |
| RECOVERIES                          | 561  | 528  | +6%  |
| PORTFOLIO CARRYING AMOUNT           | 994  | 932  | +7%  |
| REVENUE                             | 400  | 425  | -6%  |
| INCLUDING FROM PURCHASED PORTFOLIOS | 385  | 414  | -7%  |
| INCLUDING FROM REVALUATION          | 104  | 155  | -33% |
| CREDIT MANAGEMENT SERVICES          | 14   | 10   | +38% |
| OTHER ACTIVITIES                    | 0.6  | 0.4  | +50% |
| EBITDA                              | 294  | 328  | +11% |
| CASH EBITDA                         | 470  | 442  | +6%  |
| PORTFOLIO PROFITABILITY (LTM)*      | 254  | 148  | +72% |

- Having purchased over 50 portfolios, KRUK secured a 76% share in the market, its transaction with GetBack included. Excluding that transaction, KRUK's market share would amount to 73%, still an improvement on 2018.
- In 2019, recoveries from purchased debt portfolios were above expected levels, continuing on a robust trend.
- The amount recognised on account of revaluation was PLN 104m, down PLN 51m year on year, which contributed to a decline in the portfolio profitability. Net interest income margin in 2019 was comparable to that recorded in 2018.
- KRUK significantly expanded its credit management business, having reported revenue of PLN 14m, up 37% year on year. The expansion was achieved through new business relationships and increased business with existing partners.

\* LTM portfolio profitability calculated as the sum of revenue from portfolios purchased in the last 12 months divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.

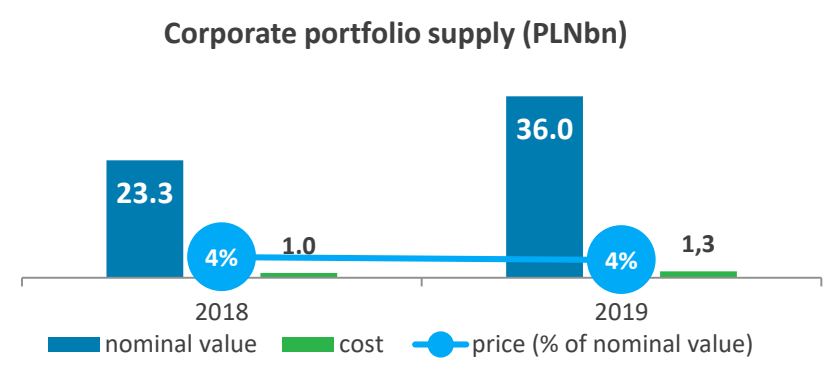
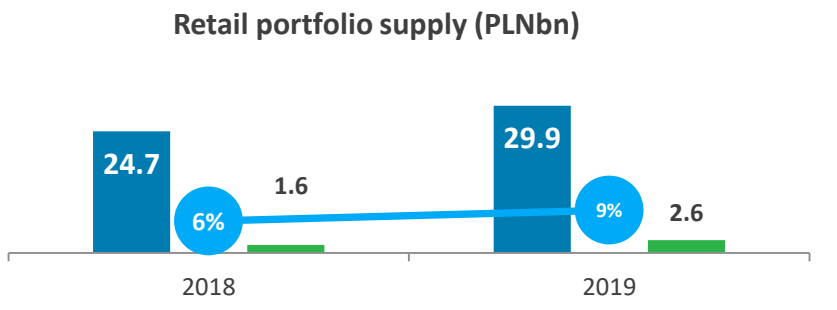
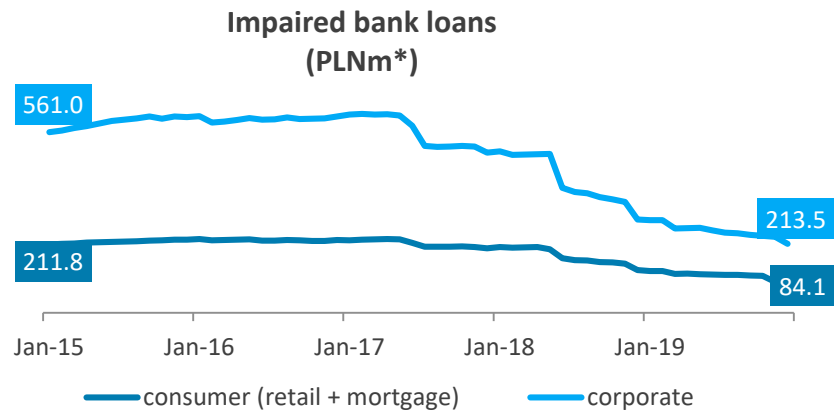
\*\* FTE employment - the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.

# Debt purchase market in Italy



GDP growth in 2019 **0.0%**  
(2018: 1.0%) \*

Unemployment as at Dec 2019 **9.8%**  
(Dec 2018: 10.6%) \*



Non-performing debts in Italy continue at high levels, rendering the country one of the most active debt markets in Europe.

In 2018, the supply of consumer and corporate debts in Italy amounted to PLN 66bn and the related expenditure was PLN 4bn (average price: 6% of nominal value), with corporate debts accounting for more than 50% of all cases. The supply amount does not include one-off sales of entire platforms to external investors.

\* Source: ISTAT, Bank of Italy

# KRUK Group's operations in Italy



279\*\*



| (PLNm)                              | 2019 | 2018 | yoy   |
|-------------------------------------|------|------|-------|
| EXPENDITURE ON DEBT PORTFOLIOS      | 99   | 268  | -63%  |
| RECOVERIES                          | 185  | 126  | +47%  |
| PORTFOLIO CARRYING AMOUNT           | 812  | 743  | +9%   |
| REVENUE                             | 159  | 69   | +131% |
| INCLUDING FROM PURCHASED PORTFOLIOS | 160  | 58   | +176% |
| INCLUDING FROM REVALUATION          | -14  | -87  | +84%  |
| CREDIT MANAGEMENT SERVICES          | -1.1 | 11   | -110% |
| EBITDA                              | -6.8 | -66  | +90%  |
| CASH EBITDA                         | 18   | 2.1  | +748% |
| PORTFOLIO PROFITABILITY (LTM)*      | 21%  | 9%   | +133% |

- During the first three quarters KRUK reduced its investment activity, shifting its focus towards operational efficiency improvements. Investments were resumed in the fourth quarter, when KRUK purchased debt portfolios with a nominal value of PLN 1.3bn for PLN 99m. In 2018, KRUK had invested PLN 268m in debt with a nominal value of PLN 2bn. With the investment activity temporarily suspended, KRUK's market share in 2019 was estimated at a mere 3% of total expenditure, which shows the market's huge investments' increase potential.
- In 2019, recoveries from purchased debt portfolios substantially increased. Recoveries in Q4 were higher than accounting forecast.
- In Q4 2019, KRUK recognised the first ever revaluation gain of PLN 13m. This was the effect of mass handling of cases at the court stage and high cash recoveries.
- Negative revenue from credit management services reflected the recognition of a full impairment loss on the Italian subsidiaries (AgeCredit S.r.l and KRUK Italia S.r.l. active in the credit management business), attributable to operating losses posted by these companies in 2019. At the same time, a turnaround process was launched in 2019 to generate profit from the business in 2021.

\* LTM portfolio profitability calculated as the sum of revenue from portfolios purchased in the last 12 months divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.

\*\* FTE employment - the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.

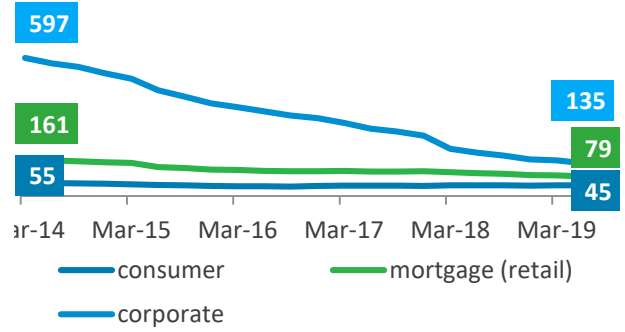
# Debt purchase market:

## Spain

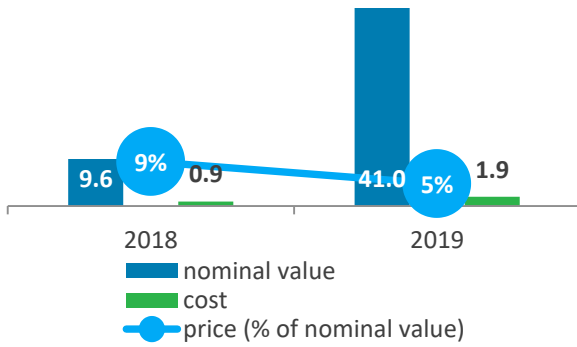


GDP growth in 2019: **1.8%** (2018: 2.3%)\*  
 Unemployment as at Dec 2019 **13.8%** (Dec 2018: 14.5%)\*

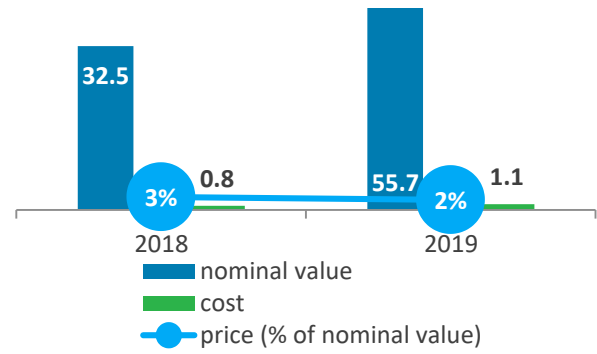
Impaired bank loans (PLNbn\*)



Retail portfolio supply (PLNbn)



Corporate portfolio supply (PLNbn)



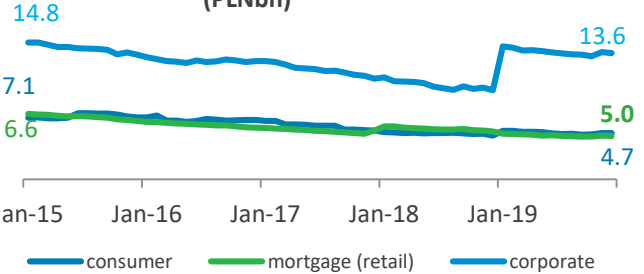
Spanish economy has been growing and coping successfully with excessive levels of debt, i.a. through active sales of debts.

In 2019, the supply of debt portfolios amounted to PLN 97bn while the related expenditure was PLN 3bn (average price: 3% of nominal value), with mixed retail and corporate debts accounting for a vast majority of transactions in Spain.

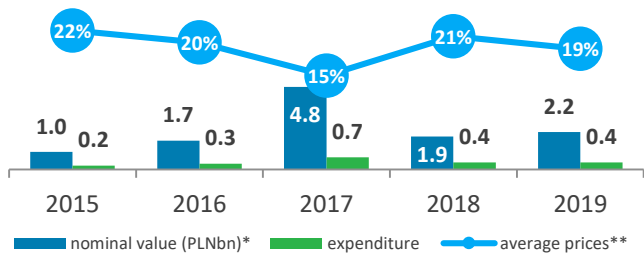
## Czech Republic and Slovakia

GDP growth in 2019  
 Czech Republic **1.7%** (2018: 3.0%)\*\*  
 Slovakia **1.3%** (2018: 4.0%)\*\*  
 Unemployment as at Dec 2019  
 Czech Republic **2.0%** (2018: 2.2%)\*\*  
 Slovakia **5.9%** (2018: 5.0%)\*\*

Non-performing bank loans (PLNbn)



Retail portfolio supply (PLNbn)



- For several years now, lending activity in the Czech Republic and Slovakia has been on the rise, while the level of non-performing debts in the banking sector has been declining.
- In 2019, the supply of debt portfolios rose to PLN 2.2bn, with the expenditure of PLN 0.4bn (average price: 19% of the nominal value). The one-off increase in 2017 was mainly attributable the sale of all assets of one of the consumer loan providers.

# KRUK Group's operations – other markets



Spain 273\*\*  
Czech Republic/Slovakia 175\*\*



| (PLNm)                              | 2019 | 2018 | yoy  |
|-------------------------------------|------|------|------|
| EXPENDITURE ON DEBT PORTFOLIOS      | 90   | 348  | -74% |
| RECOVERIES                          | 217  | 156  | +40% |
| PORTFOLIO CARRYING AMOUNT           | 507  | 561  | -10% |
| REVENUE                             | 91   | 80   | +13% |
| INCLUDING FROM PURCHASED PORTFOLIOS | 77   | 60   | +28% |
| INCLUDING FROM REVALUATION          | -65  | -41  | -57% |
| CREDIT MANAGEMENT SERVICES          | 14   | 20   | -32% |
| EBITDA                              | -38  | -31  | -22% |
| CASH EBITDA                         | 102  | 64   | +59% |
| PORTFOLIO PROFITABILITY (LTM)*      | 14%  | 14%  | 0%   |

- In Spain we opted for selective approach to debt purchases, investing in 2019 nearly PLN 44m in debt portfolios with a nominal value of over PLN 897m. A year earlier, the respective amounts were PLN 304m and PLN 2.2bn. Our market share in 2019 is estimated at 1%.
- In 2019, recoveries from purchased debt portfolios in Spain were below the expected amounts, which contributed to a revaluation loss of PLN -46m.
- In Slovakia, a PLN 19m revaluation loss was recognised by KRUK as it had implemented post-inspection recommendations from the National Bank of Slovakia and suspended collection of debt purchased from a financial institution.
- Revenue from credit management services went down 32% year on year on a lower volume and value of debts managed by KRUK as banks chose to sell their debt portfolios.
- The low rate of return on portfolios in the 'Other markets' segment results from relatively large impairment losses reducing revenue for the period.

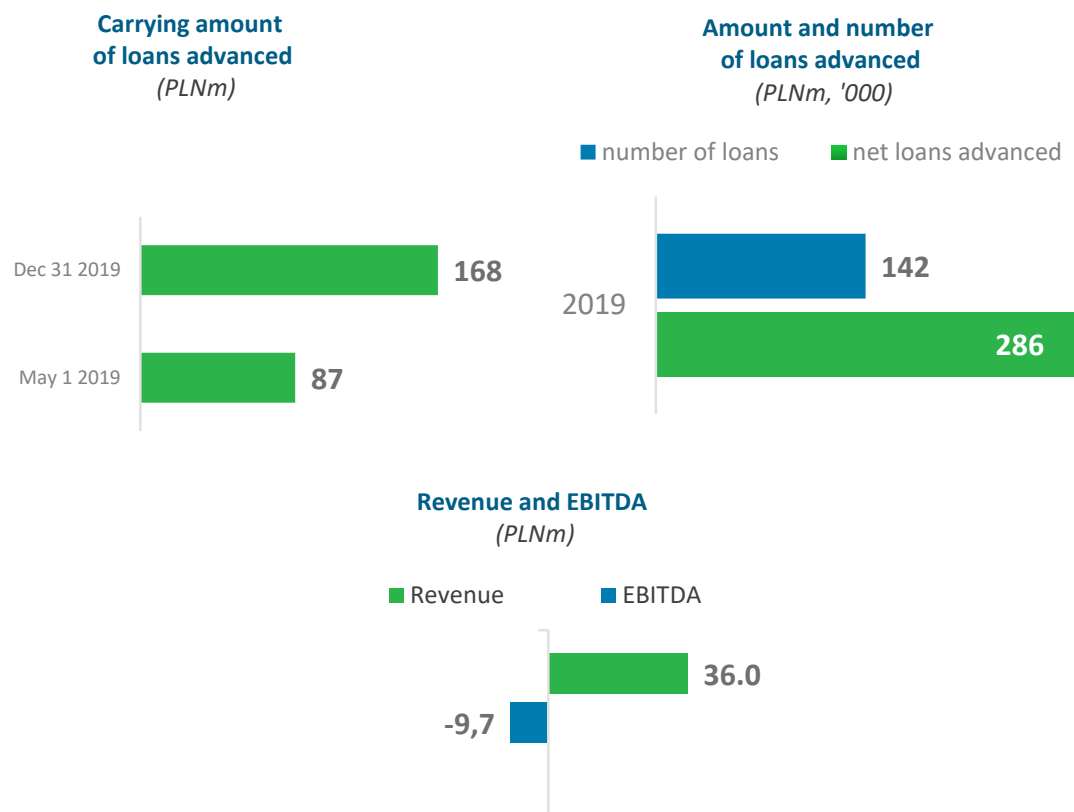
\* LTM portfolio profitability calculated as the sum of revenue from portfolios purchased in the last 12 months divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.

\*\* FTE employment - the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.



## Other business lines - Wonga

Wonga is an online lender operating in Poland. The company launched its operations in Poland in April 2013, and in April 2019 it was incorporated into the KRUK Group. Wonga is a new-technology company, focusing on modern and innovative solutions. The company offers its products to customers who know how to manage their budgets and financial liquidity. Such customers are provided with convenient online access to financial products. Wonga focuses on selling instalment loans, which today account for 90% of its portfolio.



- The company's operating activities and financial performance in the first months following the transaction are in line with the expectations at the time of its acquisition.
- The scale of the company's business was significantly expanded, as a result of which the carrying amount of loans went up 90% within eight months of its acquisition.
- The loss posted in 2019 was due to a one-off item – the recognition of a provision and adjustment of revenue to account for a difference between the method of reimbursement of early repayment fees applied by Wonga and the straight-line method. The company decided to adjust revenue and expenses in connection with relevant decisions issued by the Office of Competition and Consumer Protection (UOKiK) in January and February 2020. Wonga is reimbursing early repayment fees charged since 2012, i.e. since the start of its operations.

\* Wonga was acquired on April 30th 2019 and the KRUK Group's performance was only affected by eight months from that reporting period.

# Agenda

Introduction

Geographical segments

**Financial results**

Additional information

# KRUK Group – historical recovery to expenditure curve for 2005–2019

## Historical recoveries on portfolios purchased in 2005–2019

| Weighted average recovery rate for portfolios acquired in calendar years | TOTAL | 1Y  | 2Y  | 3Y  | 4Y  | 5Y  | 6Y  | 7Y  | 8Y  | 9Y  | 10Y | 11Y | 12Y | 13Y | 14Y | 15Y |
|--------------------------------------------------------------------------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Investments made in 2005–2019                                            | 371%  | 14% | 32% | 31% | 31% | 32% | 30% | 31% | 29% | 28% | 29% | 23% | 17% | 17% | 19% | 8%  |

Factors with a bearing on the recovery curve:

- Effectiveness of the tools used:
  - Effectiveness of conciliation activities, including telephone calls, doorstep collection, and media communication
  - Effectiveness of court collection
  - Effectiveness of ERIF BIG
- Debtor behaviour
- Macroeconomic situation
- Legal environment.

The assumed recovery amount for portfolios purchased in 2005–2019 relative to the expenditure incurred during that period is 2.3x. The recovery amount is the aggregate of historical recoveries and forecast future recoveries.

Gross return rates on purchases made in 2019, estimated at the time of the investments, averaged over 24%, compared with 22% on the investments made in 2018 (gross return rates = gross IRR calculated as the internal rate of return on collections and expenditure).

## Recoveries (as at the end of 2019, PLNm)

| PLNm            | Historical data | Expected ERC** |
|-----------------|-----------------|----------------|
| Cash recoveries | 9,074           | 7,563          |

## Estimated remaining collections (ERC)\*

| Period/PLN '000      | As at Dec 31 2019 | % of total | Cumulatively | Cumulatively as % of total |
|----------------------|-------------------|------------|--------------|----------------------------|
| up to 12 months      | 1,662,753         | 22%        | 1,662,753    | 22%                        |
| from 13 to 24 months | 1,585,210         | 21%        | 3,247,963    | 43%                        |
| from 25 to 36 months | 1,277,781         | 17%        | 4,525,744    | 60%                        |
| from 37 to 48 months | 938,026           | 12%        | 5,463,770    | 72%                        |
| from 49 to 60 months | 706,581           | 9%         | 6,170,351    | 82%                        |
| Over 61 months       | 1,392,865         | 18%        | 7,563,217    | 100%                       |
| <b>Total</b>         | <b>7,563,217</b>  |            |              |                            |

\* ERC – estimated remaining undiscounted collections from portfolios purchased before the end of 2019.

# KRUK – P&L by business segments (presentation format)

| PLNm                               | 2019         | Q1 2019    | Q2 2019    | Q3 2019    | Q4 2019    | 2018         | 2019/2018    |
|------------------------------------|--------------|------------|------------|------------|------------|--------------|--------------|
| <b>Purchased debt portfolios</b>   |              |            |            |            |            |              |              |
| Expenditure on debt portfolios     | 781          | 180        | 129        | 83         | 389        | 1,395        | -44%         |
| Recoveries                         | 1,782        | 427        | 448        | 433        | 475        | 1,577        | 13%          |
| <b>Statement of profit or loss</b> |              |            |            |            |            |              |              |
| <b>Operating income</b>            | <b>1,251</b> | <b>306</b> | <b>316</b> | <b>327</b> | <b>303</b> | <b>1,165</b> | <b>7%</b>    |
| Purchased debt portfolios          | 1,138        | 281        | 283        | 288        | 287        | 1,070        | 6%           |
| including revaluation              | 61           | 25         | 6,8        | 21         | 8,3        | 107          | -43%         |
| Credit management services         | 52           | 18         | 16         | 15         | 3,3        | 67           | -23%         |
| Other products and services        | 61           | 7,2        | 16         | 24         | 13         | 27           | 121%         |
| <b>Gross profit</b>                | <b>665</b>   | <b>178</b> | <b>164</b> | <b>183</b> | <b>140</b> | <b>664</b>   | <b>0%</b>    |
| <i>Gross profit margin</i>         | 53%          | 58%        | 52%        | 56%        | 46%        | 57%          |              |
| Purchased debt portfolios          | 661          | 170        | 158        | 174        | 159        | 633          | 4%           |
| Credit management services         | -1.3         | 3.8        | 2.4        | 1.7        | -9.2       | 15           | -109%        |
| Other products and services        | 5.6          | 4.4        | 4.0        | 7.3        | -10.1      | 16           | -66%         |
| <b>Administrative expenses</b>     | <b>-178</b>  | <b>-40</b> | <b>-45</b> | <b>-42</b> | <b>-51</b> | <b>161</b>   | <b>-211%</b> |
| <b>EBITDA</b>                      | <b>487</b>   | <b>136</b> | <b>117</b> | <b>141</b> | <b>93</b>  | <b>498</b>   | <b>-2%</b>   |
| <i>EBITDA margin</i>               | 39%          | 45%        | 37%        | 43%        | 31%        | 43%          |              |
| <b>NET PROFIT</b>                  | <b>277</b>   | <b>98</b>  | <b>69</b>  | <b>78</b>  | <b>32</b>  | <b>330</b>   | <b>-16%</b>  |
| <i>Net profit margin</i>           | 22%          | 32%        | 22%        | 24%        | 11%        | 28%          |              |
| <i>ROE rolling</i>                 | 14%          | 18%        | 17%        | 15%        | 14%        | 19%          |              |
| <b>CASH EBITDA*</b>                | <b>1,130</b> | <b>282</b> | <b>281</b> | <b>286</b> | <b>280</b> | <b>1,005</b> | <b>12%</b>   |

\*Cash EBITDA = EBITDA + recoveries from purchased debt portfolios - revenue from collection of purchased debt.  
Cash EBITDA includes the effect of CJEU sentence on Wonga revenues.

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

| PLNm                           | 2019         | Q1 2019    | Q2 2019    | Q3 2019     | Q4 2019    | 2018         | 2019/2018   |
|--------------------------------|--------------|------------|------------|-------------|------------|--------------|-------------|
| <b>Operating income</b>        | <b>1,251</b> | <b>306</b> | <b>316</b> | <b>327</b>  | <b>303</b> | <b>1,165</b> | <b>7%</b>   |
| Poland                         | 602          | 146        | 174        | 141         | 141        | 591          | 2%          |
| Romania                        | 400          | 75         | 111        | 107         | 107        | 425          | -6%         |
| Italy                          | 159          | 45         | 21         | 46          | 46         | 69           | 131%        |
| Other countries                | 91           | 39         | 11         | 32          | 8,8        | 80           | 13%         |
| <b>Gross profit</b>            | <b>665</b>   | <b>178</b> | <b>164</b> | <b>183</b>  | <b>140</b> | <b>664</b>   | <b>0%</b>   |
| <i>Gross profit margin</i>     | 53%          | 58%        | 52%        | 56%         | 46%        | 57%          |             |
| <b>Administrative expenses</b> | <b>-178</b>  | <b>-40</b> | <b>-45</b> | <b>-42</b>  | <b>-51</b> | <b>-161</b>  | <b>11%</b>  |
| EBITDA                         | 487          | 136        | 117        | 141         | 93         | 498          | -2%         |
| <i>EBITDA margin</i>           | 39%          | 45%        | 37%        | 43%         | 31%        | 43%          |             |
| <b>Finance income/costs</b>    | <b>-126</b>  | <b>-32</b> | <b>-27</b> | <b>-43</b>  | <b>-24</b> | <b>-126</b>  | <b>0%</b>   |
| Income tax                     | <b>-37</b>   | <b>3.8</b> | <b>-13</b> | <b>-5.0</b> | <b>-23</b> | <b>-22</b>   | <b>68%</b>  |
| <b>Net profit</b>              | <b>277</b>   | <b>98</b>  | <b>69</b>  | <b>78</b>   | <b>32</b>  | <b>330</b>   | <b>-16%</b> |
| <i>Net profit margin</i>       | 22%          | 32%        | 22%        | 24%         | 11%        | 28%          |             |

# The KRUK Group – cash flow (presentation format)

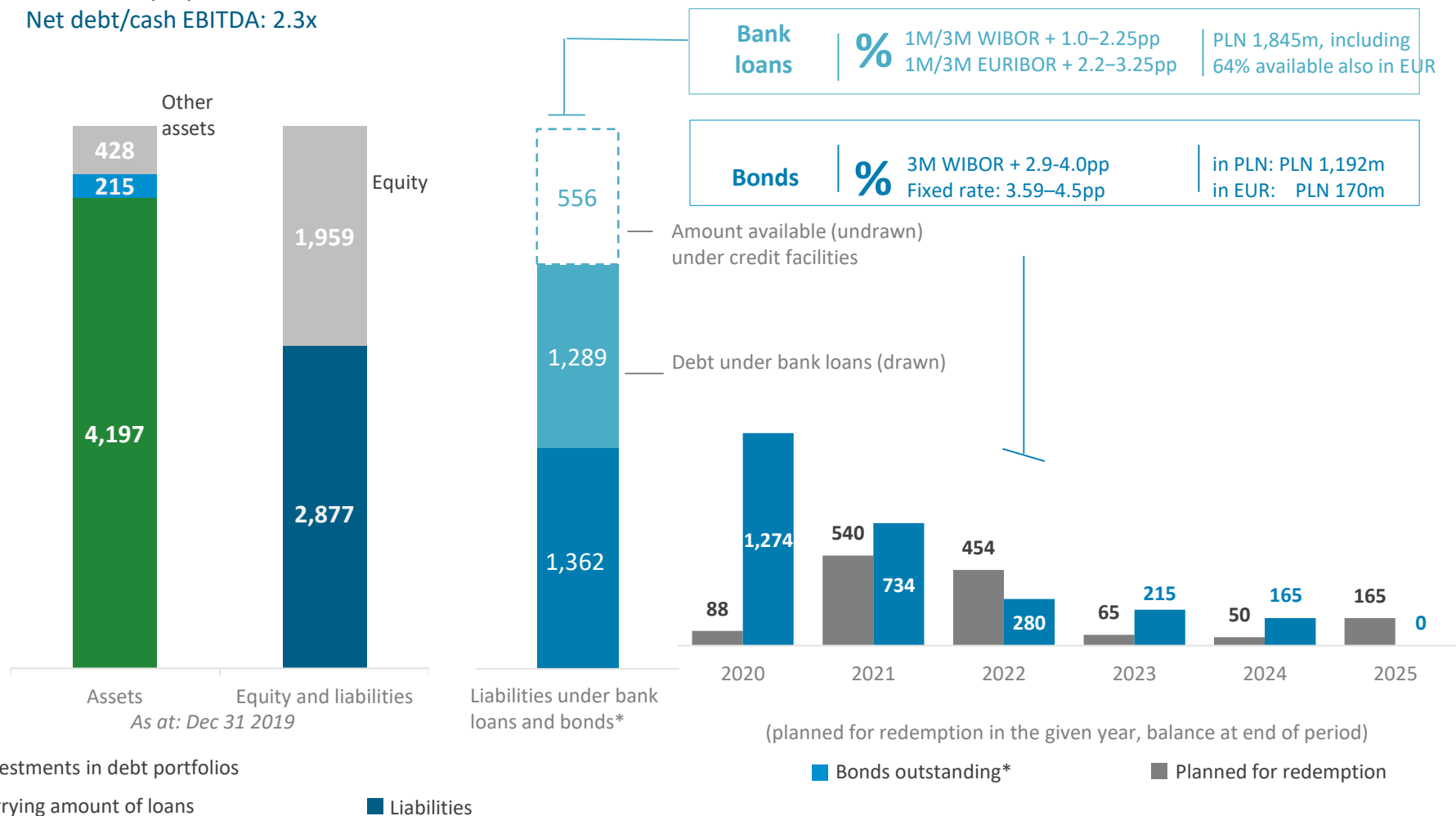
| PLNm                                                | 2019        | Q1 2019     | Q2 2019     | Q3 2019     | Q4 2019     | 2018          | 2019/2018    |
|-----------------------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|--------------|
| <b>Cash flows from operating activities:</b>        | <b>901</b>  | <b>238</b>  | <b>238</b>  | <b>216</b>  | <b>208</b>  | <b>898</b>    | <b>0%</b>    |
| Recoveries from debtors – purchased debt portfolios | 1,782       | 427         | 448         | 433         | 475         | 1,577         | 13%          |
| Operating costs – purchased debt portfolios         | -478        | -111        | -126        | -114        | -128        | -437          | 9%           |
| Operating margin – credit management                | -1.2        | 3.8         | 2.4         | 1.7         | -9.1        | 15            | -108%        |
| Administrative expenses                             | -178        | -40         | -45         | -42         | -51         | -161          | 11%          |
| Other operating cash flow                           | -225        | -42         | -41         | -63         | -79         | -96           | 135%         |
| <b>Cash flows from investing activities:</b>        | <b>-891</b> | <b>-184</b> | <b>-211</b> | <b>-87</b>  | <b>-409</b> | <b>-1,412</b> | <b>-37%</b>  |
| Expenditure on debt portfolio purchases             | -781        | -180        | -129        | -83         | -389        | -1,395        | -44%         |
| Other investing cash flow                           | -110        | -4.6        | -81         | -4.3        | -20         | -17           | 542%         |
| <b>Cash flows from financing activities</b>         | <b>-6.9</b> | <b>-9.0</b> | <b>180</b>  | <b>-348</b> | <b>170</b>  | <b>488</b>    | <b>-101%</b> |
| Issue of shares                                     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 94            | -100%        |
| Dividend                                            | -95         | 0.0         | 0.0         | -95         | 0.0         | -94           | 1%           |
| Increase in borrowings and lease liabilities        | 2,102       | 353         | 538         | 546         | 665         | 2,395         | -12%         |
| Issue of bonds                                      | 215         | 140         | 50          | 25          | 0,0         | 65            | 231%         |
| Decrease in borrowings and lease liabilities        | -1,944      | -462        | -419        | -644        | -419        | -1,755        | 11%          |
| Redemption of bonds                                 | -213        | 0.0         | -50         | -88         | -75         | -115          | 85%          |
| Other financing cash flow                           | -72         | -40         | 61          | -92         | -0.6        | -7.9          | 809%         |
| <b>Net cash flows:</b>                              | <b>3.0</b>  | <b>45</b>   | <b>191</b>  | <b>-219</b> | <b>-15</b>  | <b>-26</b>    | <b>-112%</b> |

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

| PLNm                                              | Dec 31 2019  | Dec 31 2018  | Dec 31 2017  |
|---------------------------------------------------|--------------|--------------|--------------|
| <b>ASSETS</b>                                     |              |              |              |
| Cash and cash equivalents                         | 150          | 147          | 173          |
| Investments in debt portfolios and loans          | 4,411        | 4,157        | 3,169        |
| Other assets                                      | 278          | 178          | 218          |
| <b>Total assets</b>                               | <b>4,840</b> | <b>4,482</b> | <b>3,560</b> |
| <b>EQUITY AND LIABILITIES</b>                     |              |              |              |
| <b>Equity</b>                                     | <b>1,959</b> | <b>1,733</b> | <b>1,461</b> |
| of which: Retained earnings                       | 1,558        | 1,376        | 1,112        |
| <b>Liabilities</b>                                | <b>2,881</b> | <b>2,749</b> | <b>2,100</b> |
| of which: Bank borrowings and leases              | 1,345        | 1,140        | 499          |
| Bonds                                             | 1,361        | 1,360        | 1,398        |
| <b>Total equity and liabilities</b>               | <b>4,840</b> | <b>4,482</b> | <b>3,560</b> |
| <b>METRICS</b>                                    |              |              |              |
| <b>Interest-bearing debt</b>                      | <b>2,706</b> | <b>2,500</b> | <b>1,897</b> |
| <b>Net interest-bearing debt</b>                  | <b>2,555</b> | <b>2,353</b> | <b>1,724</b> |
| Net interest-bearing debt to equity               | 1.3          | 1.4          | 1.2          |
| Net interest-bearing debt to 12-month cash EBITDA | 2.3          | 2.3          | 2.1          |

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

Net debt/equity 1.3x  
 Net debt/cash EBITDA: 2.3x



\* - Nominal values as at December 31st 2019.



# Agenda

Introduction

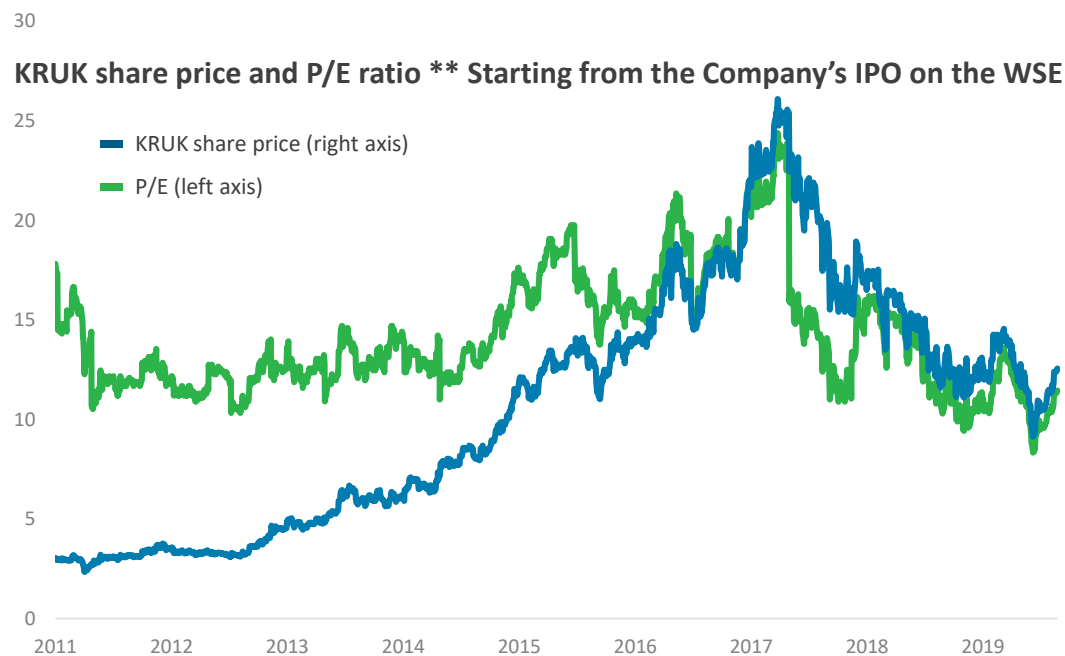
Geographical segments

Financial results

**Additional information**

# KRUK's net profit has been growing at 20% CAGR since 2011

|                 | 2011 | 2012 | 2013 | 2014 | 2015  | 2016* | 2017  | 2018  | 2019         | CAGR       |
|-----------------|------|------|------|------|-------|-------|-------|-------|--------------|------------|
| EPS (PLN)       | 4.03 | 4.80 | 5.77 | 8.95 | 11.84 | 14.08 | 15.74 | 17.51 | <b>14.61</b> | <b>18%</b> |
| EPS growth rate | 72%  | 19%  | 20%  | 55%  | 32%   | 19%   | 12%   | 11%   | <b>-17%</b>  | -          |
| ROE rolling*    | 28%  | 26%  | 24%  | 26%  | 26%   | 24%   | 20%   | 19%   | <b>14%</b>   | -          |
| Net profit      | 66   | 81   | 98   | 152  | 204   | 249   | 295   | 330   | <b>277</b>   | <b>20%</b> |



| KRUK shares on the WSE***                                               |                       |
|-------------------------------------------------------------------------|-----------------------|
| Share price                                                             | PLN 167.50            |
| Change 1Y/3M                                                            | 6.9% / 10.6%          |
| 1Y Max/Min                                                              | PIN 194.10/PLN 121.80 |
| Market capitalisation                                                   | PLN 3.2bn             |
| <b>KRUK's position on the WSE in terms of market capitalisation: 29</b> |                       |
| Stock trading liquidity                                                 |                       |
| Average daily trading volume (yoy)                                      | PLN 7.6m              |
| Free float****                                                          | 90.03%                |
| <b>KRUK's position on the WSE in terms of liquidity: 21</b>             |                       |

\* ROE for the last four quarters; 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, GPW.pl, data for December 2019  
 \*\*\*\* Free float – shares held by OFEs and shareholders holding less than 10% (except Piotr Krupa).

# The KRUK Group operates in compliance with applicable legal regulations, standards and principles of corporate social responsibility



## Our mission

- Our client base includes individuals and businesses facing the problem of excessive debt.
- We build positive relations and help our clients regain creditworthiness.
- We safeguard compliance with social norms and legal rules requiring that liabilities incurred must be settled.

## We listen to and understand our customers

**We treat debtors with respect, and we help them escape the debt trap.**

- First, we agree with the debtor optimum repayment terms that are adjusted to their financial situation.
- **For several years now, we have conducted customer satisfaction surveys among customers who have had interaction with the KRUK Group. We achieved the following indicators in 2019:**
  - ✓ NPS\* for cooperation with field consultants: 95 (2018: 94)
  - ✓ NPS\* for cooperation with call centre consultants: 90 (2018: 84)
  - ✓ for years **customers who have interacted with our employees have been highly appreciative of their work and attitude**
- **We strive to understand the life situation of our customers as best as we can** – only with that insight can we adjust the schedule of repayments to their circumstances – we regularly gather information on the needs and opinions of our customers.
- We conducted **17 internal surveys** in 2019. We gathered **18,500** customer opinions in total. We also had **10** surveys carried out by third parties (including six surveys for the purposes of educating the public).
- The surveys informed us of the current customer needs. This knowledge helps us to improve our debtor service processes and to develop new products and repayment plans. It is also provided the basis for educational activities.
- The KRUK Group handles legal and enforcement proceedings in accordance with applicable laws.

## We respect standards and principles. We change our external environment for better

- **For over 20 years, we have been changing the general perception and image of the credit management industry in Poland and wider Europe.**
- KRUK is a member of the Association of Financial Companies in Poland, United Nations Global Compact, PKPP Lewiatan, ACA International, Polish Association of Listed Companies, AIA, AMCC, RAC, UNIREC, TSEI, 4CLegal, AIDP, and Confindustria.
- KRUK contributed to the writing of, and in 2019 to amending, a code of ethics called the Code of Best Practice (as part of a project run by the Association of Financial Companies in Poland), which aims to ensure higher standards of service for customers (including debtors).
- We have received the **Ethical Business** title in a prestigious awards programme run by Puls Biznesu (subject to thorough audit by E&Y) every year since 2017.

# KRUK educates and promotes sustainable development

We empower  
our customers  
and Poles with  
financial  
education (but not  
only that)

One of the key needs of our customers we have identified is financial education – **62.8%** of respondents believe credit management companies should educate the public on how to get out of debt, **49.4%** – on how to manage personal finances, and **14%** – on supporting environmental initiatives.

KRUK Group's selected educational initiatives:

- ✓ **Day without Debts** – established by the KRUK Group and held in Poland, Romania, the Czech Republic and Slovakia. In each of these countries, we carry out educational campaigns addressing home budget management, debt repayment, escaping a debt trap, etc.
- ✓ Live Debt Free – an online course prepared in collaboration with Tomasz Jaroszek, a financial blogger (over 890 users).
- ✓ **Let's Pay Our Debt to the Earth** – an educational campaign seeking to draw people's attention to the problem of over-consumption that drives excessive use of natural resources. The project shows the relation between excessive consumerism and incurring financial liabilities on the one hand, and the climate crisis that affects everyone on the other. The campaign included **the 2xEKO webinar on how to live economically and sustainably**, which aimed to demonstrate that zero waste living has positive impacts on the home budget and the environment.
- ✓ **Kapitalni.org** – Wonga's online educational platform – 11,000 users, 5,600 completed courses.
- ✓ **Wonga's Pre.kapitalni educational game** – the first game of this type on the Polish market (850,000 visitors).

We build our  
organisation on  
respect and  
cooperation

- The KRUK Group is one of few companies in Poland where **over 60% of employees are women, with the proportion being the same in managerial positions**. Three women and two men sit on the Management Board.
- **Employee development** – our employees receive external and internal training, improving their competencies and qualifications – in 2019, 9,825 people (5.2 training/person) were trained across the KRUK Group as part of stationary courses and 7,312 as part of e-learning courses (1.8 e-learning/person).
- **Diversity policy** – we are a member of the Diversity Charter and we take steps to promote social cohesion and equality. The Diversity Policy guarantees equal opportunities for promotion and professional development for each employee regardless of their gender, age, disability, health condition, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion.
- **We listen to our employees and we encourage them to improve our organisation** – 1,394 employee suggestions were received in 2019, of which 170 have already been implemented.

# IR events

## Financial statements release dates in 2020

| Date          | Financial statements                |
|---------------|-------------------------------------|
| March 5th     | 2019 full-year financial statements |
| May 7th       | Q1 2020 financial statements        |
| September 9th | H1 2020 financial statements        |
| November 5th  | Q3 2020 financial statements        |

## Most recent recommendations

| Date          | Institution | Recommendation | Target price |
|---------------|-------------|----------------|--------------|
| December 2019 | DM Trigon   | buy            | 190.0        |
| June 2019     | Vestor DM   | accumulate     | 211.0        |
| April 2019    | DM PKO BP   | buy            | 236.0        |

For more information, go to <https://en.kruk.eu/investor-relations/reports/analytical-reports>

## Selected IR events planned for H1 2020

| Date       | Event                                                        |
|------------|--------------------------------------------------------------|
| Jan 14     | J.P. Morgan CEEMEA Opportunities Conference, London          |
| Jan 14     | TRIGON Investor Day 2020-Top Picks, Warsaw                   |
| Jan 21     | Santander 2020 CEE Outlook Conference, Warsaw                |
| Mar 16-17  | PKO BP CEE Capital Markets Conference, London                |
| Mar 23     | Pekao IB Financial Sector in Poland-outlook for 2020, Warsaw |
| Mar 25     | Carnegie Debt Collectors Day, Stockholm                      |
| Mar 25-26  | Wood EME NYC - New York EME conference, New York             |
| May 29-31  | WallStreet 2020, Zakopane                                    |
| June 17-18 | Wood EME Financials, Warsaw                                  |

## Shareholders with ownership interests above 3%\*

| Shareholder               | Ownership interest |
|---------------------------|--------------------|
| OFE Nationale-Nederlanden | 10.60%             |
| Piotr Krupa               | 9.97%              |
| OFE PZU Żłota Jesień      | 9.67%              |
| OFE Aviva Santander       | 9.19%              |
| OFE Metlife               | 4.51%              |
| OFE Allianz Polska        | 3.97%              |
| OFE Generali              | 3.65%              |
| OFE Aegon                 | 3.01%              |

## Research coverage

| Brokerage house | Analyst                   | Email address                      |
|-----------------|---------------------------|------------------------------------|
| BDM             | Michał Fidelus            | michal.fidelus@bdm.com.pl          |
| DM mBanku       | Michał Konarski           | michal.konarski@mdm.pl             |
| DM PKO BP       | Jaromir Szortyka          | jaromir.szortyka@pkobp.pl          |
| DM Trigon       | Grzegorz Kujawski         | grzegorz.kujawski@trigon.pl        |
| Erste Group     | Michał Pilch              | michal.pilch@erstegroup.com        |
| Ipopema         | Łukasz Jańczak            | lukasz.janczak@ipopema.pl          |
| JP Morgan       | Michał Kuzawiński         | michal.kuzawinski@jpmorgan.com     |
| Santander BM    | Kamil Stolarski           | kamil.stolarski@santander.pl       |
| Wood & Co.      | Marta Jeżewska-Wasilewska | marta.jezewska-wasilewska@wood.com |

\*Source: stooq.pl

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