



## Presentation of 2018 full-year results KRUK Group



# Agenda

## Introduction

Geographical segments

Operating segments

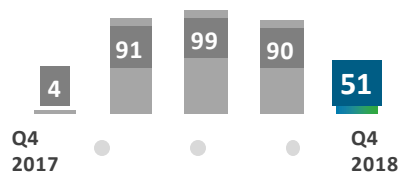
Financial performance

Additional information

# In 2018, KRUK's net profit rose by 12%, with ROE at 19%

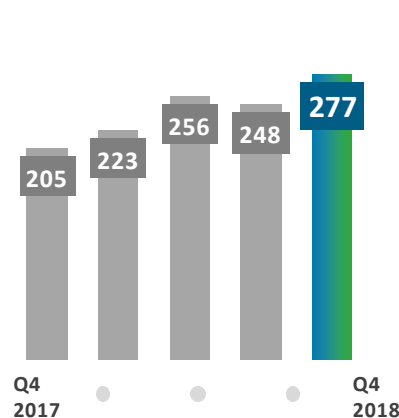
## NET PROFIT PLN 330m

Q4: PLN 51m  
FY 2017: PLN 295m



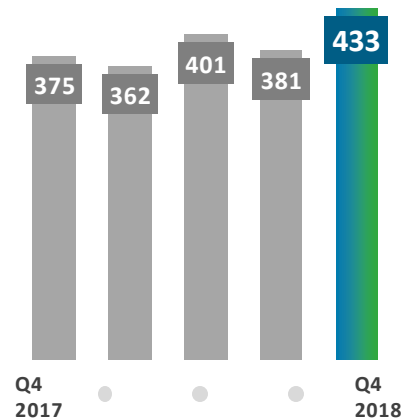
## CASH EBITDA\* PLN 1,005m

Q4: PLN 277m  
FY 2017: PLN 837m



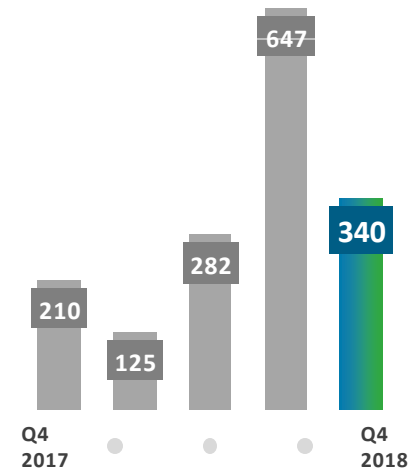
## RECOVERIES FROM PURCHASED DEBT PORTFOLIOS PLN 1,577m

Q4: PLN 433m  
FY 2017: PLN 1,369m



## INVESTMENTS PLN 1,395m

Q4: PLN 340m  
FY 2017: PLN 977m



### EPS GROWTH

11%

2017/2016: 12%

### ROE

19%

2017: 20%

### PORTFOLIO CARRYING AMOUNT

PLN 4.1bn

Sep 30 2018: PLN 3.9bn  
Dec 31 2017: PLN 3.1bn

### NET DEBT/ Cash EBITDA

2.3x

Sep 30 2018: 2.3x  
Dec 31 2017: 2.1x

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

# In 2018, KRUK invested PLN 1.4bn in new debt portfolios while maintaining a low level of debt

<b>Increase in net profit</b>	<ul style="list-style-type: none"> <li>▪ In 2018, the KRUK Group reported net profit of PLN 330m, which represents an increase of 12% on 2017 and the Group's best result on record.</li> <li>▪ In Q4 2018, net profit was PLN 51m.</li> </ul>
<b>Recoveries on the rise</b>	<ul style="list-style-type: none"> <li>▪ Recoveries from purchased debt portfolios reached a record-breaking level of PLN 1.6bn, up 15% on 2017.</li> <li>▪ The highest recoveries in 2018 were reported in Poland (PLN 768m/49%) and Romania (PLN 528m/33%). At PLN 126m, recoveries made on the Italian market accounted for 8% of the total recoveries. The other markets generated PLN 156m in recoveries (10% share).</li> <li>▪ In Q4 alone, recoveries came in at PLN 433m, the highest figure on record for KRUK.</li> </ul>
<b>Investments in new portfolios</b>	<ul style="list-style-type: none"> <li>▪ In 2018, the Group invested a total of PLN 1,395m in debt portfolios with a nominal value of PLN 8.9bn, compared with PLN 977m and PLN 16.4bn in 2017, respectively.</li> <li>▪ Throughout 2018, KRUK made the largest investments in Poland (45%), Spain (22%), Italy (19%), and Romania (11%).</li> <li>▪ In Q4, investments amounted to PLN 340m, for which KRUK acquired portfolios with a nominal value of PLN 2.6bn. The largest investments were made in Spain and in Poland.</li> <li>▪ The carrying amount of the debt portfolio increased by 31% year on year, to PLN 4.1bn, with expected future cash flows (ERC) of PLN 7.2bn. Poland, Romania, Italy, and other markets accounted for 45%, 23%, 18%, and 14% of the portfolio carrying amount, respectively.</li> </ul>
<b>Solid financing sources and low debt</b>	<ul style="list-style-type: none"> <li>▪ In 2018, KRUK:               <ul style="list-style-type: none"> <li>✓ increased the total value of credit facilities to PLN 2.0bn at the end of 2018;</li> <li>✓ issued two series of bonds with a total value of PLN 65m;</li> <li>✓ redeemed five series of bonds totalling PLN 115m.</li> </ul> </li> <li>▪ KRUK is working to increase the available credit facilities. In February 2019, KRUK issued another series of bonds offered to retail investors, worth PLN 25m.</li> <li>▪ KRUK maintains a conservative approach to debt – the net debt to cash EBITDA ratio at the end of 2018 was 2.3x.</li> </ul>

# In 2019, KRUK will focus on growth in the Group's existing markets

## Priorities for 2019

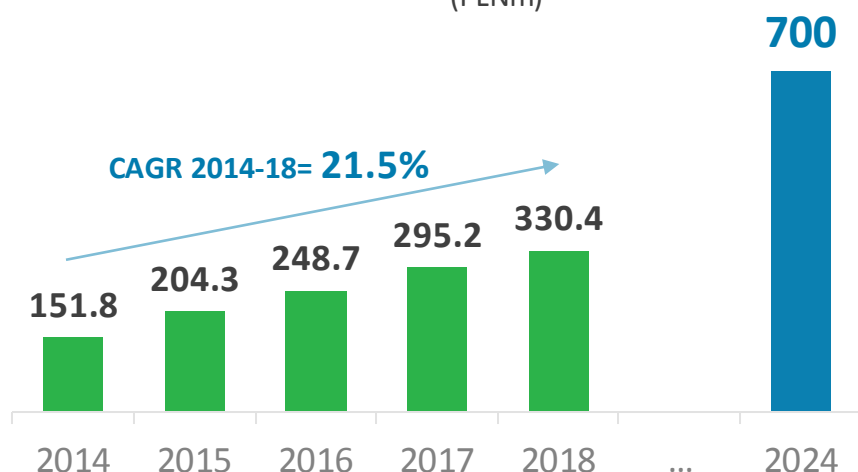
- Tapping debt purchase opportunities on the Polish, Romanian, Czech and Slovak markets.
- Selective purchases of unsecured retail debt and SME/corporate portfolios on the Italian and Spanish markets
- Opportunistic purchases of competitors' assets in Poland or Romania
- Further enhancement of operational performance in Italy and Spain, creation of a benchmark for a more accurate valuation of revenue from enforcement of court-ordered debt collections
- Focus on efficiency improvement
- Maintaining conservative debt levels and ability to pay dividends.

## Dividend for 2018

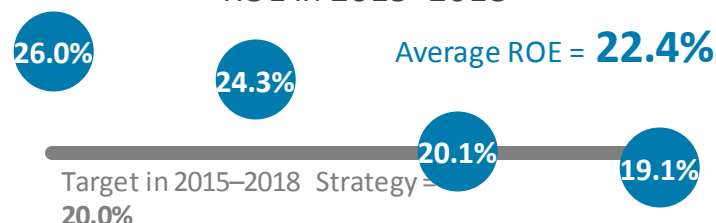
- As at the issue date of the 2018 Report, no decision was made by the Management Board on proposed distribution of profit for 2018.
- The Management Board wants KRUK to be a dividend-paying company during the term of the Group's Strategy for 2019–2024, with the amount of the dividend contingent on its financial performance and market position.

# In the period covered by the 2015–2018 Strategy, KRUK doubled its net profit from PLN 152m to PLN 330m, delivering EPS CAGR of 18.3%

Net profit in 2015–2018 and target net profit for 2024 (PLNm)



ROE in 2015–2018

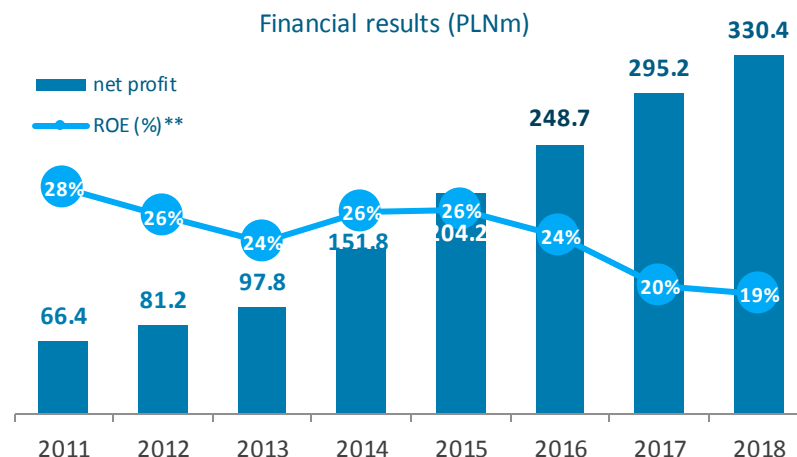
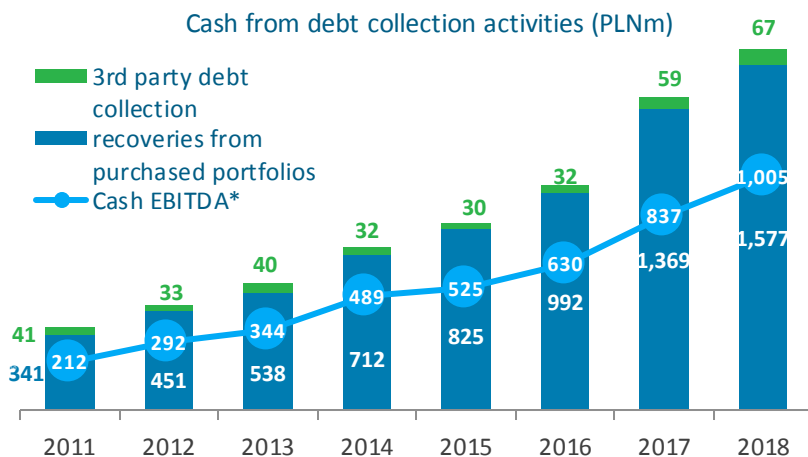


EPS growth in 2015–2018



- The average EPS growth in 2015–2018 was 18.3%, while the target minimum EPS growth assumed in the 2015–2018 Strategy was 15% a year. In 2017 and 2018, the EPS growth was below the strategic growth rate, at 11.8% and 11.3%, respectively.
- In 2015–2018, average ROE stood at 22.4%, while the 2015–2018 Strategy assumed a ROE of above 20%. ROE fell short of the assumed target only in 2018, when it came in at 19.1%, i.e. 0.9pp below the level provided for in the Strategy.
- According to its new strategy for 2019–2024, KRUK will continue growth and reach PLN 700m in net profit in 2024, while maintaining a conservative level of debt and the ability to pay dividend.

# In 2018, KRUK continued to improve financial performance while maintaining high returns on equity and strong cash generation



PLNm	2011	2017	2018	change yoy	CAGR '11-'18		2017	2018
Revenue	274.0	1,055.5	1,164.8	+10%	23%	Accumulated number of purchased debts (million)	6.7	7.7
EBIT	96.0	420.8	478.3	+14%	26%	Accumulated investments in debt portfolios (PLNm)	5,079	6,474
Cash EBITDA	212.2	836.6	1,005.0	+20%	25%	Accumulated recoveries from purchased portfolios (PLNm)	5,849	7,426
Net profit	66.4	295.2	330.4	+12%	26%	Employment (FTEs)***	3,086	3,184

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

\*\* Return on equity at year 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 segments

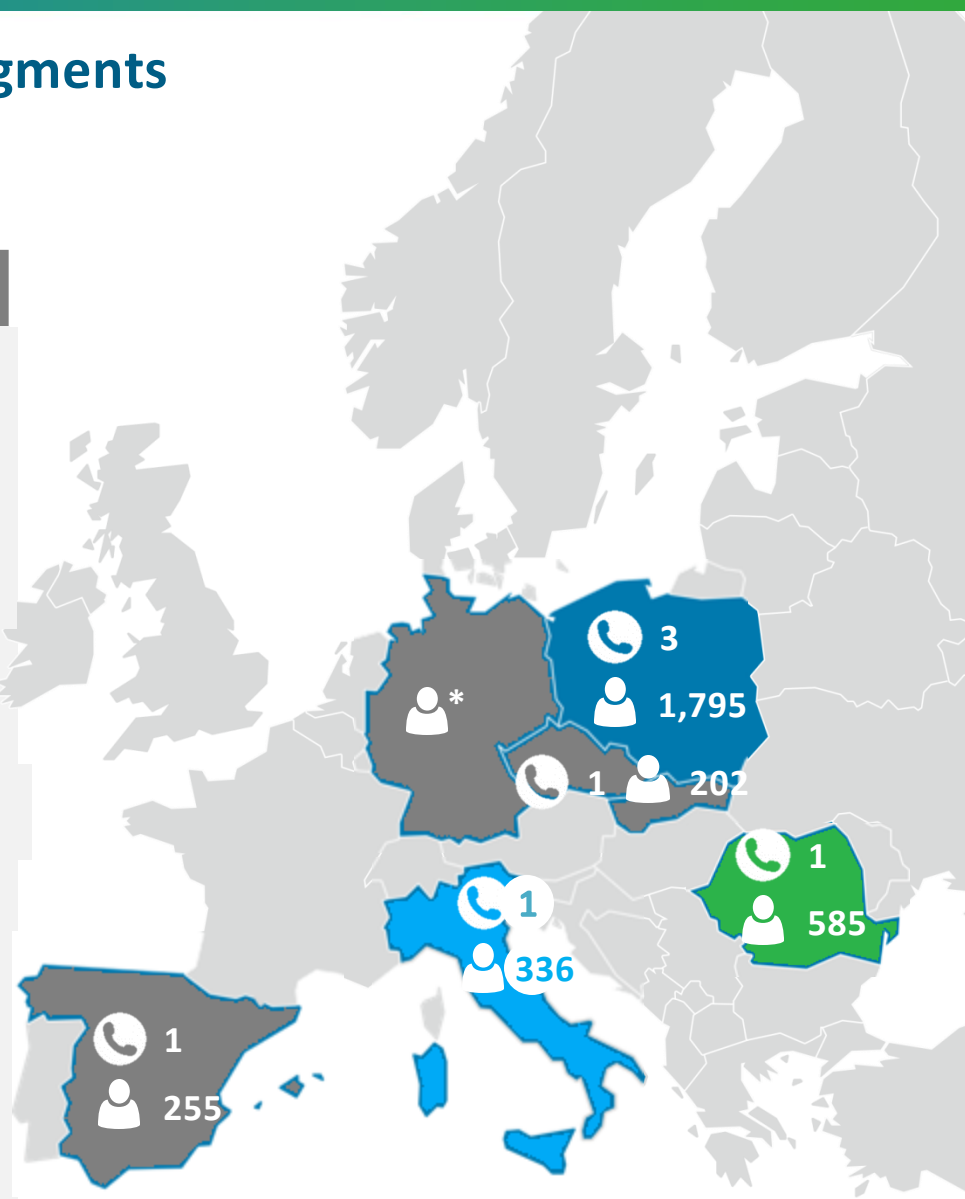
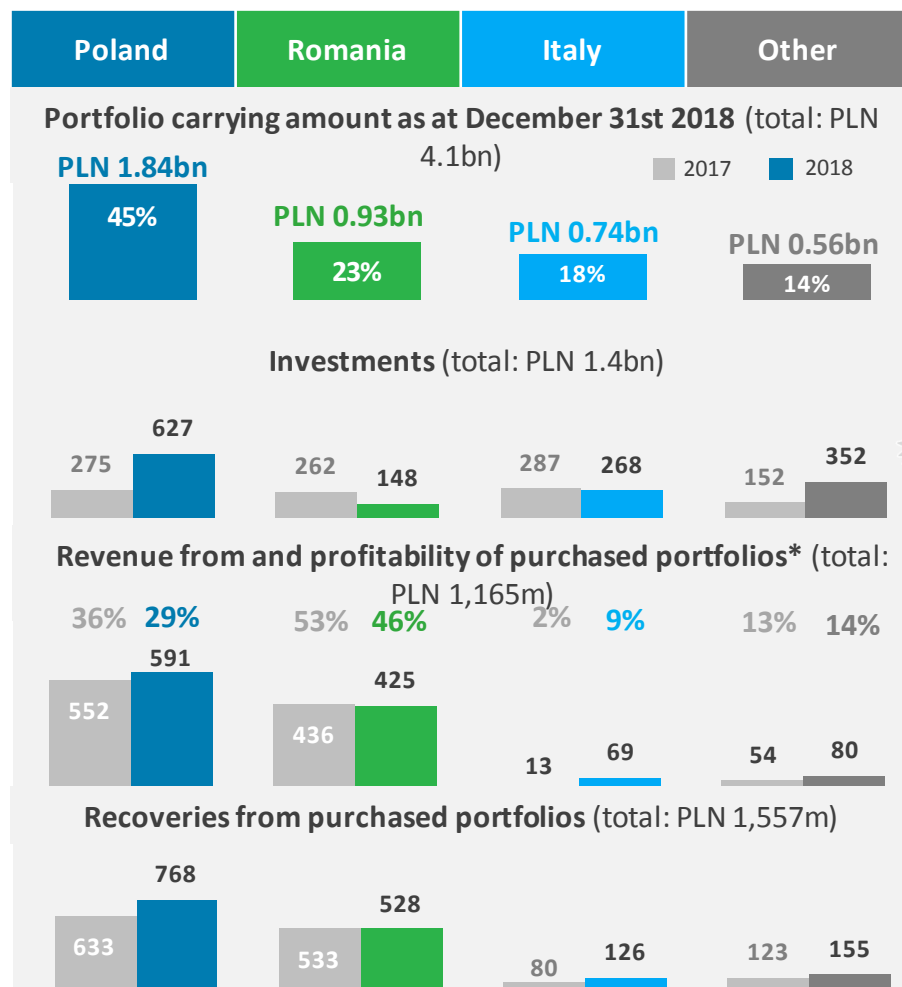
## Operating segments

## Financial performance

## Additional information



# KRUK in 2018 by geographical segments



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

# Favourable macroeconomic environment in Poland is conducive to higher recoveries. The supply of debt portfolios remains strong



GDP growth in 2018

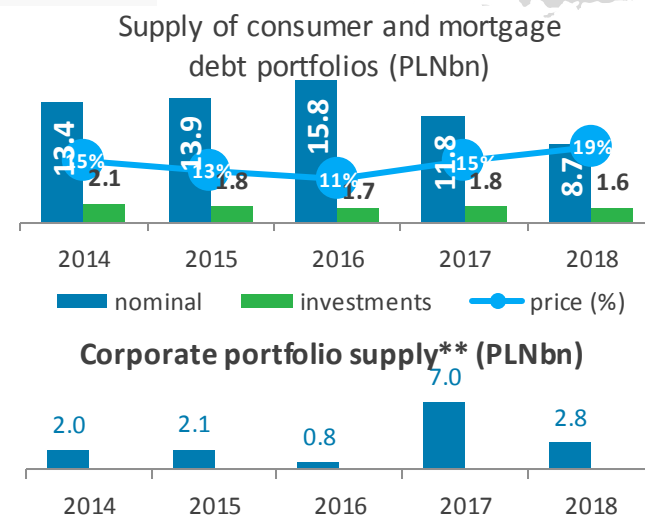
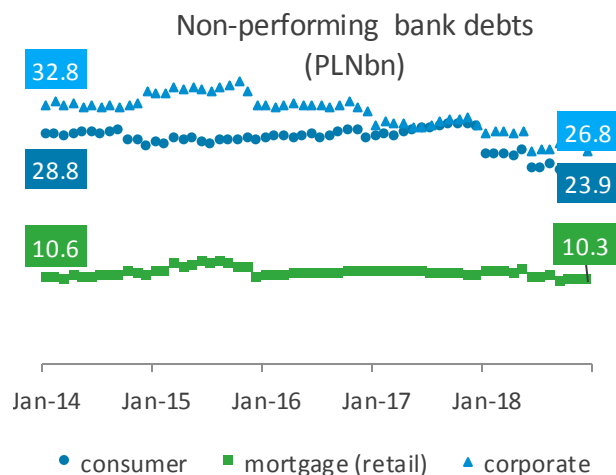
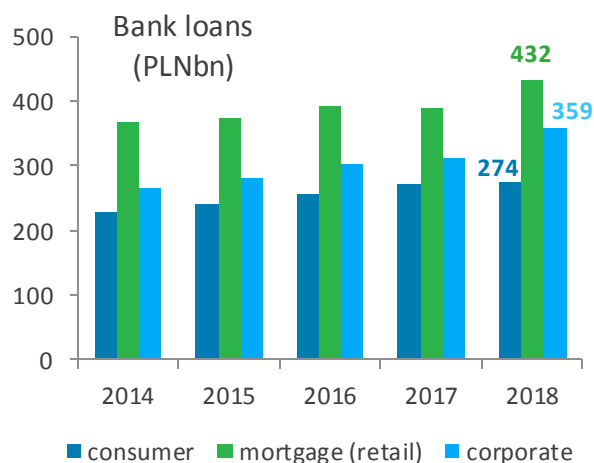
**5.1%**

(2017: 4.8%)\*

Unemployment as at Dec 2018

**5.8%**

(Dec 2017: 6.6%)\*



- Polish banks have maintained a flat level of non-performing debts. The total value of non-performing bank debts in Poland is PLN 61bn, of which 44% are consumer debts, 17% are mortgage debts, and 39% are corporate debts.
- The supply of consumer and mortgage debts in 2018 amounted to PLN 8.7bn, at a cost of PLN 1.6bn. The average price increase to 19% of the nominal value of debt is due to more fresh debts sold in Poland (including due to new regulations on statute of limitations). Decline in the supply of retail debt is attributable to a shift in supply by certain banks.

\* Source: Statistics Poland

\*\* at nominal value; figure for 2017 includes acquisition of a large corporate portfolio by KRUK on the secondary market

# In 2018, KRUK improved its success rates in debt auctions in Poland and invested PLN 627m, the highest numer historically



**1,795**  
(including  
head office)



PLNm	Q4 2017	Q4 2018	2017	2018	change yoy	Share in the total for the Group
<b>Revenue</b>	162.0	142.0	551.9	591.1	+7%	<b>51%</b>
<i>including from purchased portfolios</i>	149.8	128.1	501.7	538.0	+7%	<b>50%</b>
<i>portfolio profitability*</i>	-	-	36%	29%		
<b>Recoveries</b>	-	-	632.6	767.5	+21%	<b>49%</b>
<b>Portfolio investments</b>	80.7	105.3	275.2	626.6	+128%	<b>45%</b>
<b>Portfolio carrying amount</b>	1,434.2	1,841.9	1,434.2	1,841.9	+28%	<b>45%</b>

- In 2018, recoveries from purchased debt portfolios remained strong, supported by improved efficiency at KRUK and favourable macroeconomic climate
- With a lower competitive pressure, KRUK improved its success rates in debt auctions in 2018 and was thus able to invest PLN 627m in Poland, which accounted for over 30% of the market's total investments (on all types of debt).
- KRUK sees significant investment opportunities in Poland and expects to improve returns on debt portfolios.

# In Romania, the supply of debt portfolios declined in 2018 following changes in legislation. Growth is expected in 2019



GDP growth in 2018

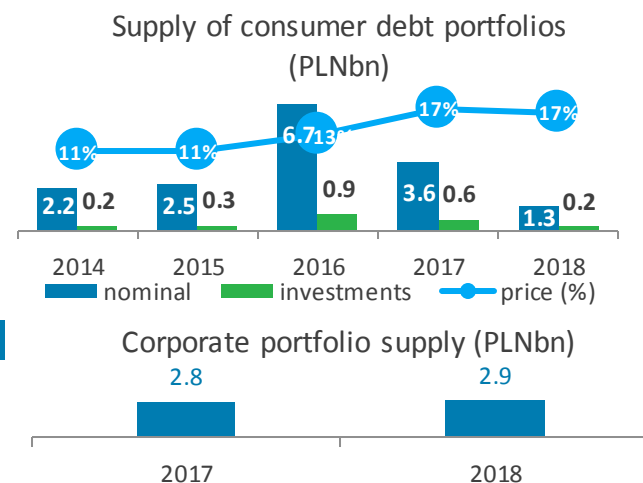
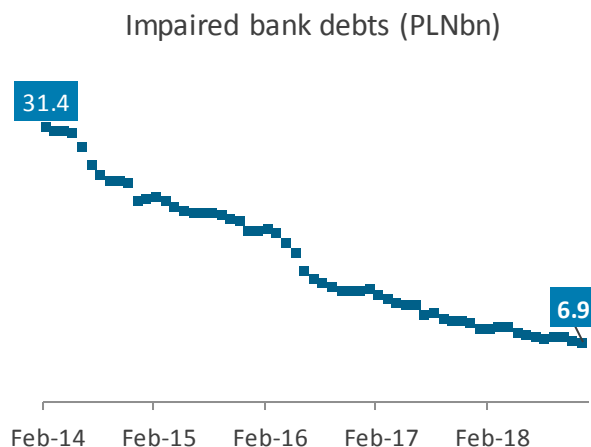
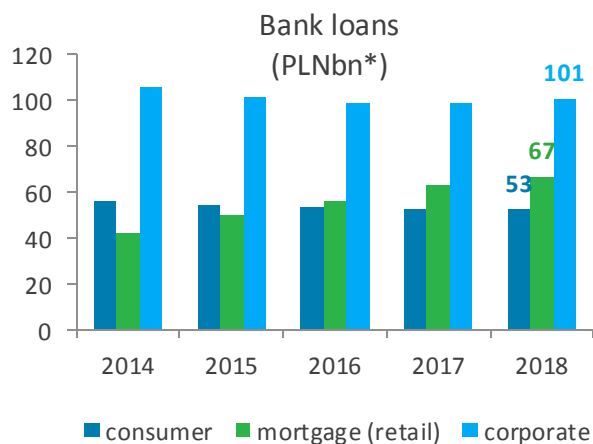
**4.1%**

(2017: 7.0%)\*

Unemployment as at Dec 2018

**3.8%**

(Dec 2017: 4.6%)\*



- Non-performing debts in the Romanian banking system levelled out at PLN 7bn as a result of active debt sales over recent years across all segments – consumer, mortgage and corporate
- The supply of consumer debts declined in 2018 following changes in legislation. Supply was up in the second half of 2018. We expect an increase in debt supply in 2019 unless a bill proposing to cap debt recoveries to double the price allocated to a relevant debt is passed into law

\* Source: INS

# KRUK reports higher recoveries from its Romanian portfolio than expected



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PLNm	Q4 2017	Q4 2018	2017	2018	change yoy	Share in the total for the Group
<b>Revenue</b>	127.5	101.2	436.2	424.7	-3%	<b>36%</b>
<i>including from purchased portfolios</i>	125.0	98.2	427.2	414.0	-3%	<b>39%</b>
<i>portfolio profitability*</i>	-	-	53%	46%		
<b>Recoveries</b>	-	-	533.1	527.7	-1%	<b>33%</b>
<b>Portfolio investments</b>	72.4	78.8	261.8	147.7	-44%	<b>11%</b>
<b>Portfolio carrying amount</b>	857.1	932.2	857.1	932.2	+9%	<b>23%</b>

- The strong financial position of Romanian households had a positive effect on recoveries in 2018.
- Despite reduced supply from banks, KRUK continued to successfully participate in debt auctions and invested close to PLN 150m in new debt portfolios in Romania, mostly comprising retail debts
- The carrying amount of the Romanian portfolio increased by 9%, to PLN 932m.

# The supply of debt portfolios in Italy remains among the highest in Europe



GDP growth in 2018

**1.0%**

(2017: 1.6%)

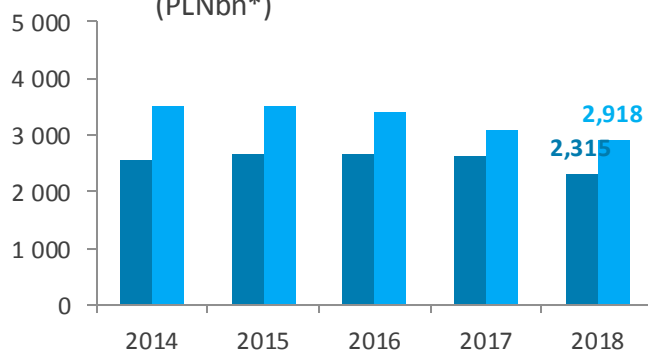
Unemployment as at Dec 2018

**10.6%**

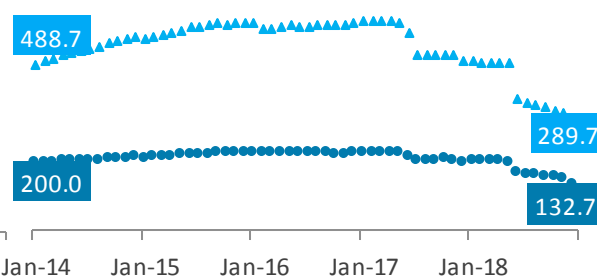
(Dec 2017: 11.3%)



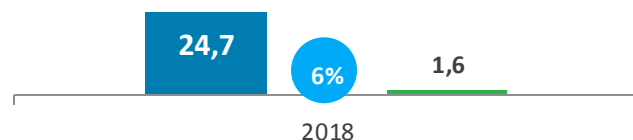
Bank loans  
(PLNbn\*)



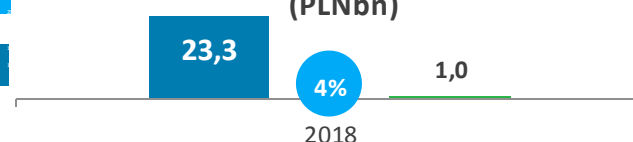
Impaired bank loans (PLNm\*)



Supply of retail portfolios (PLNbn)



Supply of corporate portfolios  
(PLNbn)



■ retail (consumer and mortgage) ■ corporate ● consumer (retail + mortgage) ▲ corporate ■ nominal ■ investments ● price (%)

- 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 debt in Italy amounted to PLN 48bn at a cost PLN 2.6bn (average price: 5% of nominal value), with retail debts accounting for more than 50% of total debts. Presented supply does not include one-off transactions to sell NPL platforms.

\* Source: ISTAT

# Recoveries in Italy were below expectations. KRUK will continue to enhance operational efficiency and calibrate valuation models



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PLNm	Q4 2017	Q4 2018	2017	2018	change yoy	Share in the total for the Group
<b>Revenue</b>	-41,4*	-1,0*	13.3	68.9	+418%	<b>6%</b>
<i>including from purchased portfolios</i>	-42,3*	-5,2*	9.4	57.9	+516%	<b>5%</b>
<i>portfolio profitability*</i>			2%	9%		
<b>Recoveries</b>	-	-	80.4	126.0	+57%	<b>8%</b>
<b>Portfolio investments</b>	23.9	1.6	286.9	268.3	-6%	<b>19%</b>
<b>Portfolio carrying amount</b>	534.4	742.9	534.4	742.9	+39%	<b>18%</b>

- Recoveries from Italian portfolios in 2018 fell short of our expectations, which resulted in a material impairment of the Italian assets.
- In Q4 2018, relying on historical data, KRUK decided to defer expected court-ordered collections by few months months, which resulted in recognition of impairment losses on the portfolio as at the end of 2018.
- KRUK believes that the current target volume of court-ordered collections may be exceeded in the coming years, with more debts referred for legal action. However, there is a risk of more delays in the enforcement process.
- KRUK intends to selectively purchase debt portfolios on the Italian market in 2019, expecting a decrease in the valuation risk following a review of the actual success rate of court-ordered collections

# Spanish economy has returned to growth, with the banking sector generating significant supply of debt



GDP growth in 2018

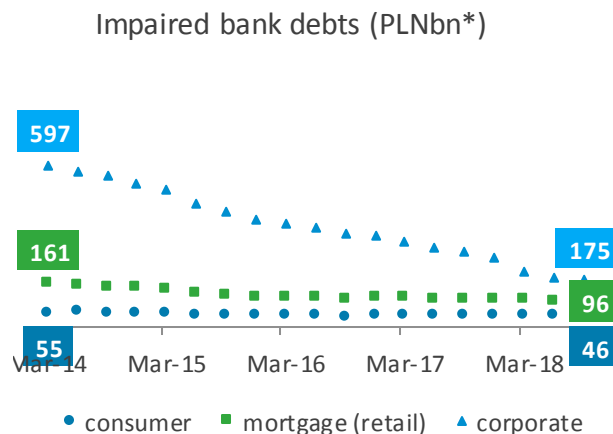
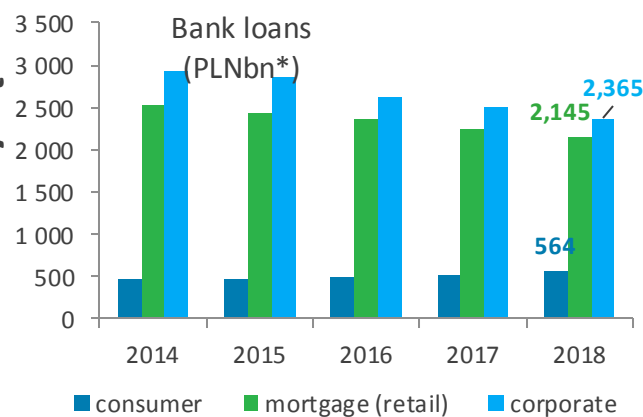
**2.3%**

(2017: 3.0%)

Unemployment as at Dec 2018

**14.5%**

(Dec 2017: 16.5%)

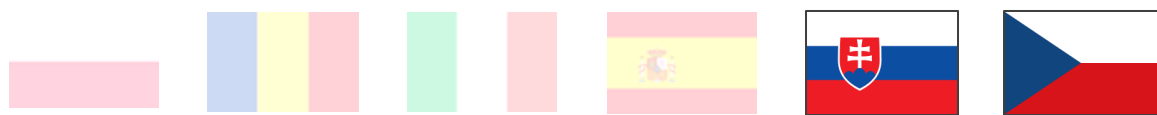


- Spanish economy has been growing and coping successfully with excessive levels of debt, primarily through active sales of debts
- In 2018, the supply of debt portfolios amounted to PLN 42bn at a cost of PLN 1.7bn (average price: 4% of nominal value), with SME and corporate debts accounting for a vast majority of total debts

\* Source: Bank of Spain

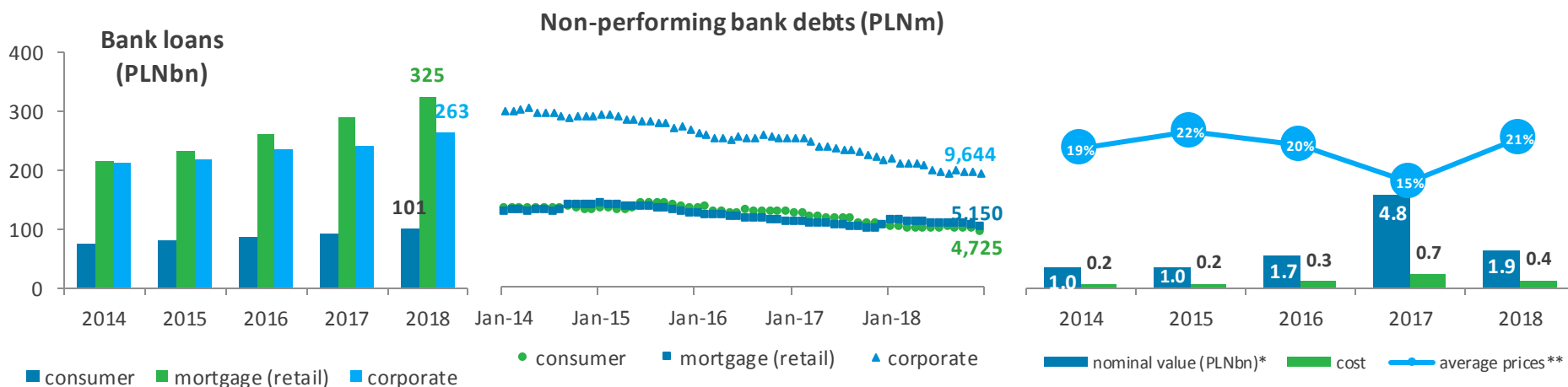
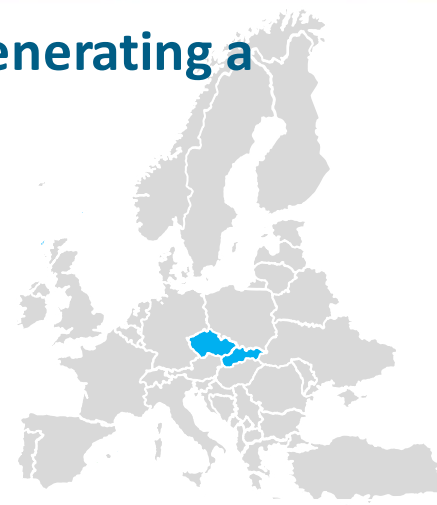


# The Czech Republic and Slovakia are stable markets generating a sustainable supply of debt



**GDP growth in 2018**  
 Czech Republic **3.0%** (2017: 4.5%)\*  
 Slovakia **4.0%** (2017: 3.5%)\*\*

**Unemployment as at Dec 2018**  
 Czech Republic **2.2%** (2017: 2.4%)\*  
 Slovakia **5.0%** (2017: 5.9%)\*\*



- 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 2018, the supply of debt portfolios returned to the average levels for the past few years. The one-off increase in 2017 was mainly attributable the sale of all assets of one of the consumer loan providers.

\* Source: CZSO

\*\* Slovak Labour, Social Affairs and the Family Centre

## In 2018, KRUK made significant investments on the Spanish market, which offers considerable potential for growth



PLNm	Q4 2017	Q4 2018	2017	2018	change yoy	Share in the total for the Group
<b>Revenue</b>	0.5	29.1	54.1	80.1	+48%	<b>7%</b>
<i>including from purchased portfolios</i>	-4.4	23.6	33.4	60.2	+80%	<b>6%</b>
<i>portfolio profitability*</i>	-	-	13%	14%		
<b>Recoveries</b>	-	-	122.9	155.5	+27%	<b>10%</b>
<b>Portfolio investments</b>	33.3	155.3	152.4	351.9	+131%	<b>25%</b>
<b>Portfolio carrying amount</b>	294.9	560.6	294.9	560.6	+90%	<b>14%</b>

- In 2018, KRUK's made significant investments in Spain, the Czech Republic, Slovakia, and Germany, worth a total of PLN 352m, of which 86% was invested on the Spanish market.
- As a result, the carrying amount of debt portfolios held in these markets almost doubled, reaching PLN 561m at the end of 2018.

# Agenda

Introduction

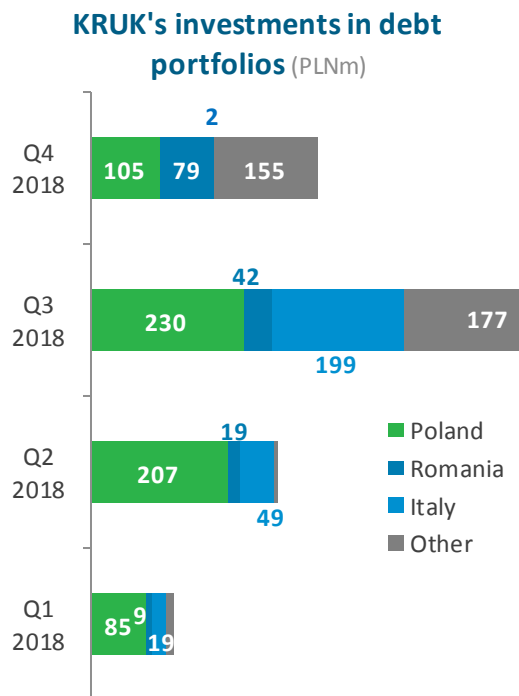
Geographical segments

**Operating segments**

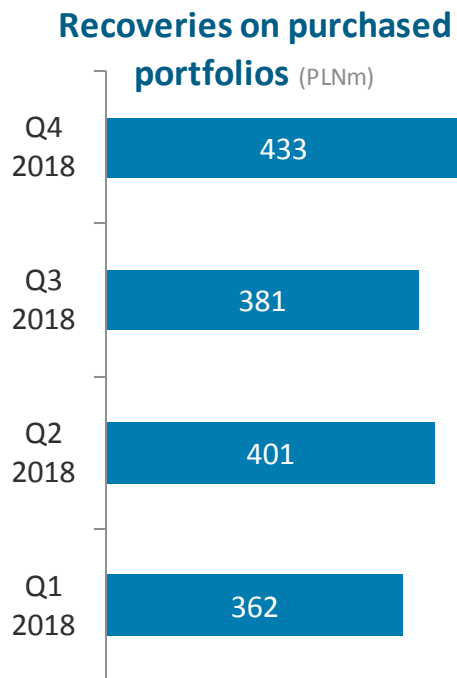
Financial performance

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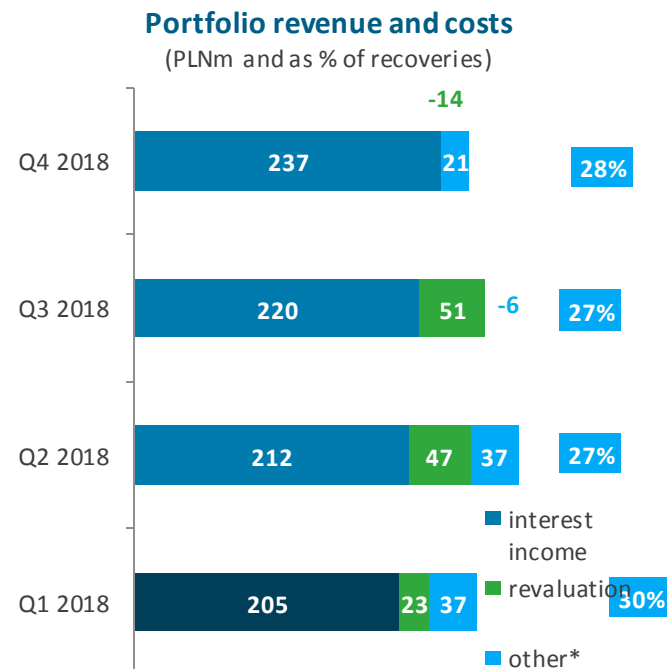
# Quarterly results on purchased debt portfolios



- The Polish market accounted for the largest share of KRUK's total investments in 2018.
- The other markets where KRUK made major investments were Spain, Italy, and Romania, accounting for 22%, 19%, and 11% of total investments, respectively.

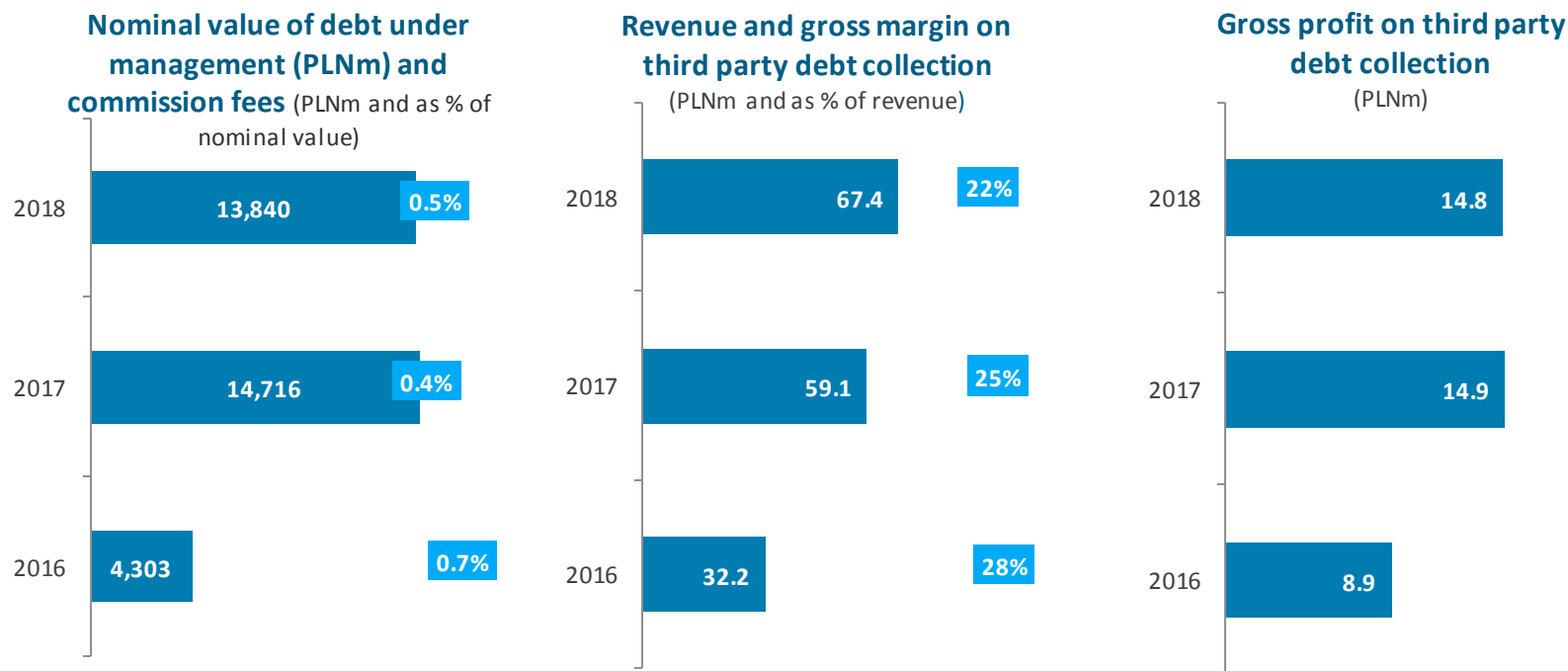


- In 2018, average monthly recoveries exceeded PLN 130m.
- The macro situation supports positive debt recovery trends.
- The strong recoveries led to an upward revaluation of KRUK's Polish and Romanian assets.



- In 2018, KRUK's cost-to-recovery ratio stood at 28%
- Portfolio impairment in Q4 was mainly due to delays in expected court-ordered collections in Italy.

# Results: third party debt collection

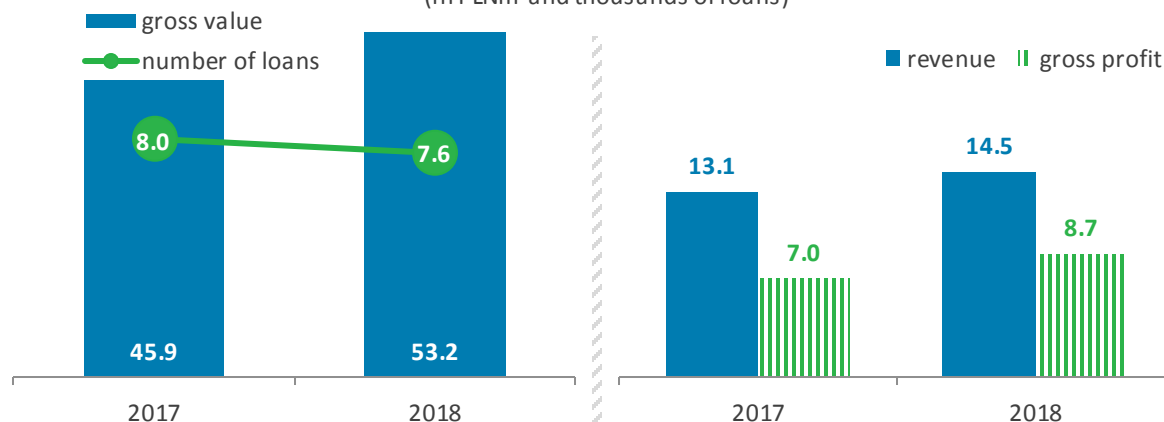


- KRUK performs well on the competitive third party debt collection market by leveraging economies of scale and high operational efficiency.
- The third party debt collection business offers important synergies in combination with the debt purchasing business line.
- In 2018, KRUK acquired Agecredit, an Italian debt collection company, and plans further expansion on the Italian third party debt collection market

# Results: NOVUM and ERIF

## Novum year-on-year performance – financial highlights

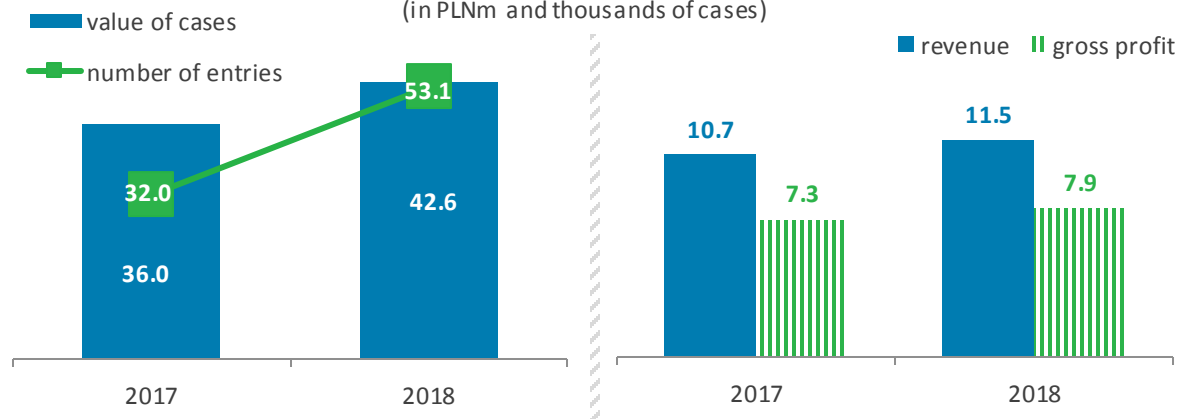
(in PLNm and thousands of loans)



- 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 remain excluded from the banking market.
- NOVUM granted consumer loans of up to PLN 10 thousand for periods from 3 to 30 months.

## ERIF Biuro Informacji Gospodarczej – financial highlights

(in PLNm and thousands of cases)



- ERIF BIG's revenue reached PLN 11.5m, with gross profit at 69%.
- The marked rise in the number and value of entries followed from a partnership established with a large telecommunications company.

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# KRUK Group – historical recovery to investments curve for 2005–2018

Historical recoveries on portfolios purchased in 2005–2018

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
Investments made in 2005–2018	358%	15%	34%	33%	32%	32%	32%	31%	30%	31%	25%	20%	20%	22%	10%

## 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 2016–2018 relative to the investments incurred during that period is 1.9x. The recovery amount is the aggregate of historical recoveries and forecast future recoveries.

## Recoveries (as at the end of 2018, PLNm)

PLNm	Historical data	Expected ERC**
Cash recoveries	7,426	7,239

## Expected recovery breakdown

Period/PLN '000	As at Dec 31 2017	% of total	Cumulatively	Cumulatively as % of total
less than 12 months	1,610,716	22%	1,610,716	22%
from 13 to 24 months	1,502,131	21%	3,112,847	43%
from 25 to 36 months	1,255,767	17%	4,368,614	60%
from 37 to 48 months	966,812	13%	5,335,426	74%
from 49 to 60 months	647,285	9%	5,982,711	83%
Over 61 months	1,256,508	17%	7,239,219	100%
<b>Total</b>	<b>7,239,219</b>			

\* ERC – estimated remaining undiscounted collections from portfolios purchased before the end of 2018



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

PLNm	2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2017	2018/2017
<b>Purchased debt portfolios</b>							
Investments in debt portfolios	1,394.6	125.4	281.8	647.5	339.9	976.5	143%
Recoveries	1,576.8	362.4	400.7	381.0	432.7	1,368.9	115%
<b>Statement of profit or loss</b>							
<b>Revenue</b>	<b>1,164.8</b>	<b>285.3</b>	<b>319.6</b>	<b>288.6</b>	<b>271.3</b>	<b>1,055.5</b>	<b>110%</b>
Own debt portfolios	1,070.0	264.4	295.9	265	244.7	971.7	110%
including revaluation	107.4	22.9	47.5	50.9	-13.9	88.7	121%
Collection services	67.4	14.5	17.2	16.5	19.2	59.1	114%
Other products and services	27.4	6.4	6.6	7.1	7.3	24.6	111%
<b>Gross profit</b>	<b>663.9</b>	<b>164.3</b>	<b>193.9</b>	<b>170.1</b>	<b>135.6</b>	<b>589.4</b>	<b>113%</b>
<i>Gross profit margin</i>	57%	58%	58%	-57%	50%	56%	
Own debt portfolios	632.7	157.3	186.3	162.3	126.8	559.2	113%
Collection services	14.8	3.1	3.8	3.2	4.7	14.9	99%
Other products and services	16.4	4.0	3.7	4.6	4.1	15.3	107%
<b>Overheads</b>	<b>161.0</b>	<b>-38.2</b>	<b>-40.4</b>	<b>-36.9</b>	<b>-45.5</b>	<b>-147.4</b>	<b>109%</b>
<b>EBITDA</b>	<b>498.2</b>	<b>125.0</b>	<b>152.0</b>	<b>131.8</b>	<b>89.4</b>	<b>439.4</b>	<b>113%</b>
<i>EBITDA margin</i>	43%	44%	48%		33%	42%	
<b>NET PROFIT</b>	<b>330.4</b>	<b>90.7</b>	<b>98.6</b>	<b>90.0</b>	<b>51.1</b>	<b>295.2</b>	<b>112%</b>
<i>Net profit margin</i>	28%	32%	31%	31%	19%	28%	
<i>ROE rolling</i>	19%	17%	16%	17%	19%	20%	
<b>CASH EBITDA*</b>	<b>1,005.0</b>	<b>223.0</b>	<b>256.8</b>	<b>247.8</b>	<b>277.4</b>	<b>836.6</b>	<b>120%</b>

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)

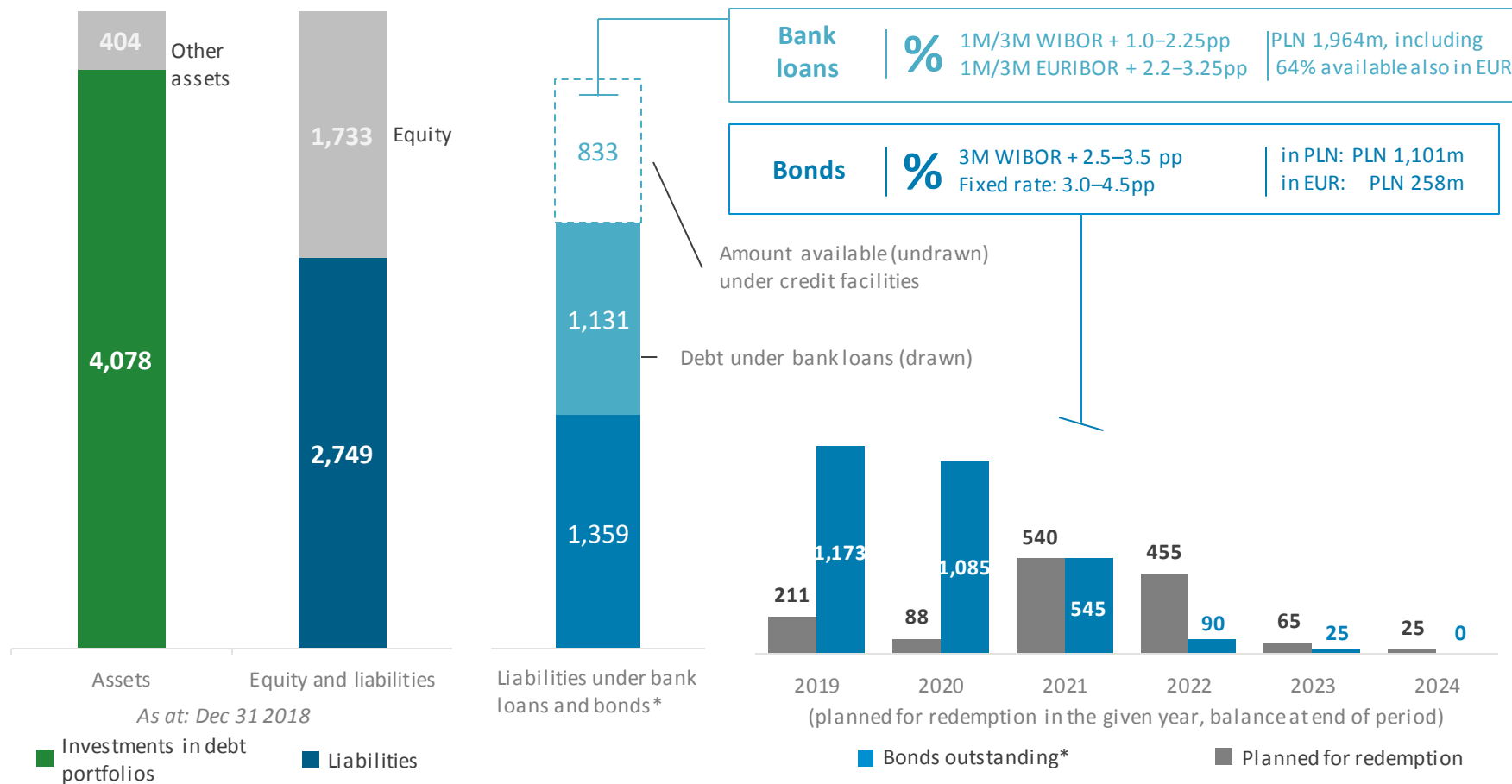
PLNm	2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2017	2018/2017
<b>Revenue</b>	<b>1,164.8</b>	<b>285.3</b>	<b>319.6</b>	<b>288.6</b>	<b>271.3</b>	<b>1,055.5</b>	<b>110%</b>
Poland	591.1	142.9	161.4	144.7	142.0	551.9	107%
Romania	424.7	111.8	121.7	90.0	101.2	436.2	97%
Italy	68.9	25.2	14.0	30.7	-1.0	13.3	518%
Other countries	80.1	6.3	21.6	23.1	29.1	54.1	148%
<b>Gross profit</b>	<b>663.9</b>	<b>164.3</b>	<b>193.9</b>	<b>170.1</b>	<b>135.6</b>	<b>589.4</b>	<b>113%</b>
<i>Gross profit margin</i>	57%	58%	61%	59%	50%	56%	
<b>Overheads</b>	<b>-161.0</b>	<b>-38.2</b>	<b>-40.4</b>	<b>-36.9</b>	<b>-45.5</b>	<b>-147.9</b>	<b>109%</b>
EBITDA	498.2	125.0	152.0	131.8	89.4	439.4	113%
<i>EBITDA margin</i>	43%	44%	48%	46%	33%	42%	
<b>Finance income/costs</b>	<b>-125.7</b>	<b>-30.5</b>	<b>-36.0</b>	<b>-28.3</b>	<b>-30.9</b>	<b>-85.6</b>	<b>147%</b>
Income tax	-22.1	1.2	-12.2	-8.5	-2.6	-40.0	
<b>Net profit</b>	<b>330.4</b>	<b>90.7</b>	<b>98.6</b>	<b>90.0</b>	<b>51.1</b>	<b>295.2</b>	<b>112%</b>
<i>Net profit margin</i>	28%	32%	31%	31%	19%	28%	

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

PLNm	2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2017	2018/2017
<b>Cash flows from operating activities:</b>	<b>897.7</b>	<b>215.6</b>	<b>211.5</b>	<b>229.2</b>	<b>241.4</b>	<b>641.4</b>	<b>140%</b>
Recoveries from debtors – purchased debt portfolios	1,576.8	362.4	400.7	381.0	432.7	1,368.9	115%
Operating costs – purchased debt portfolios	-437.3	-107.2	-112.5	-99.7	-117.9	-412.5	106%
Operating margin – 3rd party DC	14.8	3.1	3.8	3.2	4.7	14.9	99%
Administrative expenses	-161.0	-38.2	-40.4	-36.9	-45.5	-147.9	109%
Other operating cash flow	-95.6	-4.5	-40.1	-18.4	-32.6	-182.0	53%
<b>Cash flows from investing activities:</b>	<b>-1,411.7</b>	<b>-130.5</b>	<b>-288.1</b>	<b>-650.9</b>	<b>-342.2</b>	<b>-996.4</b>	<b>142%</b>
Investments in debt portfolio purchases	-1,394.6	-125.4	-281.8	-647.5	-339.9	-976.5	143%
Other investing cash flow	-17.1	-5.1	-6.3	-3.4	-2.3	-19.9	86%
<b>Cash flows from financing activities</b>	<b>488.0</b>	<b>-53.1</b>	<b>33.8</b>	<b>410.8</b>	<b>96.5</b>	<b>261.0</b>	<b>187%</b>
Dividend	-94.0	0.0	-94.0	0.0	0.0	-37.5	-
Increase in borrowings and lease liabilities	2,395.4	198.6	517.4	1,014.3	665.0	1,233.4	194%
Issue of bonds	65.0	0.0	0.0	0.0	65.0	168.4	39%
Decrease in borrowings and lease liabilities	-1,755.4	-219.1	-384.5	-637.9	-513.9	-1,005.9	175%
Redemption of bonds	-115.0	0.0	-15.0	-50.0	-50.0	-135.0	85%
Other financing cash flow	-7.9	-32.6	9.9	84.4	-69.6	37.6	-
<b>Net cash flows:</b>	<b>-26.0</b>	<b>32.0</b>	<b>-42.8</b>	<b>-10.9</b>	<b>-4.3</b>	<b>-94.1</b>	<b>28%</b>

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

Net debt/equity 1.4x  
Net debt/cash EBITDA: 2.3x



\* Nominal value.

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

PLNm	Dec 31 2018	Dec 31 2017	Dec 31 2016
<b>ASSETS</b>			
Cash and cash equivalents	147.3	173.3	267.4
Investments in debt portfolios and loans	4,157.0	3,169.3	2,676.2
Other assets	177.9	217.5	152.1
<b>Total assets</b>	<b>4,482.2</b>	<b>3,560.1</b>	<b>3,095.7</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,732.8</b>	<b>1,460.5</b>	<b>1,237.5</b>
of which: Retained earnings	1,376.1	1,112.0	854.4
<b>Liabilities</b>	<b>2,749.4</b>	<b>2,099.6</b>	<b>1,858.2</b>
of which: Bank loans and leases	1,140.2	499.0	266.6
Bonds	1,359.9	1,398.3	1,371.7
<b>Total equity and liabilities</b>	<b>4,482.2</b>	<b>3,560.1</b>	<b>3,095.7</b>
<b>METRICS</b>			
<b>Interest-bearing debt</b>	<b>2,500.0</b>	<b>1,897.2</b>	<b>1,638.3</b>
<b>Net interest-bearing debt</b>	<b>2,352.7</b>	<b>1,723.9</b>	<b>1,370.9</b>
Net interest-bearing debt to equity	1.4	1.2	1.1
Net interest-bearing debt to 12-month cash EBITDA	2.3	2.1	2.2

# Agenda

Introduction

Geographical segments

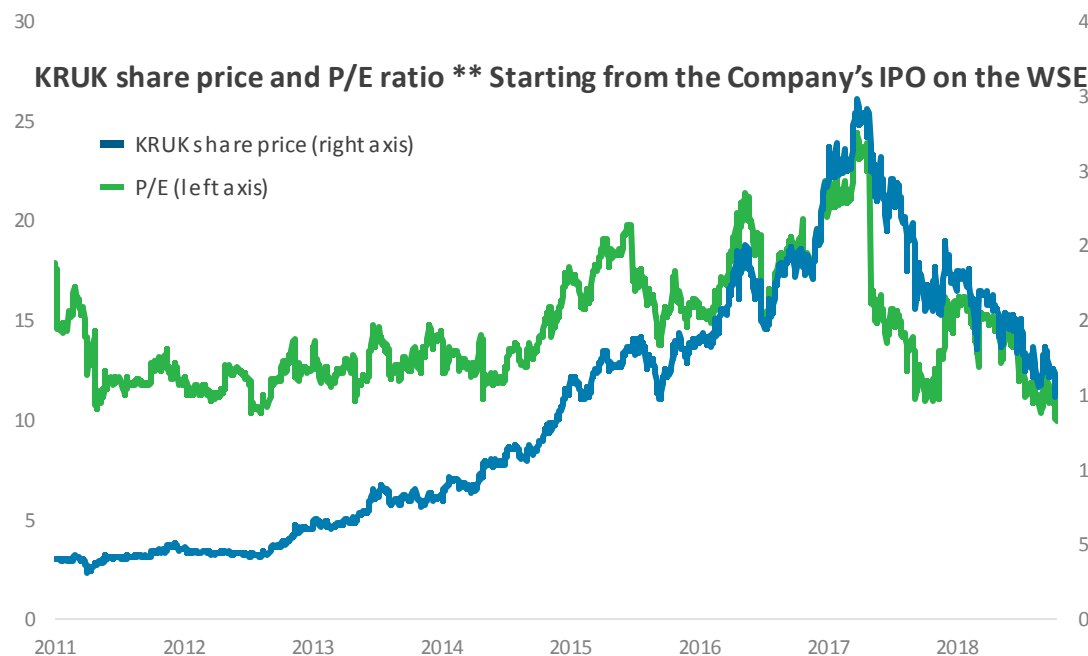
Operating segments

Financial performance

**Additional information**

# KRUK's net profit has been growing by an annual average of 26% since 2011

	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
EPS (PLN)	4.03	4.80	5.77	8.95	11.84	14.08	15.74	<b>17.51</b>	<b>23.4%</b>
EPS growth rate	72.2%	19.1%	20.2%	55.1%	32.3%	18.9%	11.8%	<b>11.3%</b>	-
ROE rolling*	27.9%	25.6%	23.5%	25.9%	26.0%	24.3%	20.1%	<b>19.1%</b>	-
Net profit	66.4	81.2	97.8	151.8	204.3	248.7	295.2	<b>330.4</b>	<b>25.8%</b>



## KRUK shares on the WSE\*\*\*

Share price PLN 153.50

Change 1Y/3M -27% / -14%

1Y Max/Min PLN 256.60 / PLN 148.20

Market capitalisation PLN 2.9bn

**KRUK's position on the WSE in terms of market capitalisation: 32**

## Stock trading liquidity

Average daily trading volume (yoy) PLN 6.9m

Free float\*\*\*\* 89.8%

**KRUK's position on the WSE in terms of liquidity: 21**

# KRUK plans to grow further and generate PLN 700m in net profit in 2024 while maintaining a conservative level of debt and the ability to pay dividends

Net profit of PLN 700m in 2024



conservative approach to debt, significantly below the current limit of 4x Net debt/cash EBITDA; annual assessment of dividend payment

Development of existing business lines in the markets where the Group has already established a presence and a significant increase of investments in debt portfolios

Launch of new business lines and entry into new geographical markets – further potential

Optimum cost of financing

Precise valuation of debt portfolios

Operational excellence

## TECHNOLOGICAL TRANSFORMATION

Business analysis

Process automation

Development of online services

## LEAN TRANSFORMATION

Development of managerial and employee skills



# KRUK is well-positioned to continue growth

## Objective

Net profit of PLN 700m in 2024

Plans for further expansion, including entry into new markets and launch of new business lines (mortgage, corporate and SME debt portfolios) on existing markets

Business lines		Poland	Romania	Czech Republic	Slovakia	Germany*	Spain	Italy	New markets
Debt portfolio purchases	Unsecured consumer debt	●	●	●	●	◐	●	●	○
	Consumer mortgage debt	●	●	○	○	○	○	○	
	Corporate and SME debt	●	●	○	○	○	●	●	
Third party debt collection		●	●	○	○	○	●	●	
Consumer loans		●	◐	○	○		○	○	
Credit information		●							
		A		B		C			
Integrated, scalable business model, tested and proven in Poland...		...was successfully implemented in Romania, where KRUK has become the market leader...		...and is currently being introduced in other European countries, where KRUK is developing new business lines...		...and plans to enter new markets			

# Our objective is to generate PLN 700m in net profit in 2024, with business operations in six countries

## FURTHER EXPANSION ON EXISTING MARKETS...

### Poland and Romania



- Growth on Polish market (both in corporate and consumer debt segments)
- Consolidation of KRUK's position as the debt purchase market leader in Poland and increasing its share in the market across all asset classes
- Consolidation of KRUK's position and a moderate growth in investments in debt portfolios in Romania, driven mainly by investments in consumer and corporate debt
- Further development of third party DC services, Novum and ERIF

### Italy and Spain



- Large debt purchase markets (largest in continental Europe), with a potential for further growth, offering KRUK an opportunity to increase the volume of its investments several times.
- Development third party DC business in both markets

### The Czech Republic and Slovakia



- Bolstering KRUK's position on the non-bank consumer debt purchase market
- Significant increase in bank consumer debt purchases

## ...AND NEW GROWTH OPPORTUNITIES

Entry into new markets

Return to the German market provided that it can offer satisfactory margins

Opportunistic acquisitions of business competitors (3rd party DC companies, other small and medium-sized competitors)

Entry into the mortgage debt market in Italy and Spain

Higher-than-expected recoveries from the existing debt portfolio, driven by further improvements in operational efficiency

Development of the open-market consumer loan business

# IR events

## Financial statements release dates in 2019

Date	Financial statements
March 7th	2018 full-year financial statements
April 25th	Q1 2019 financial statements
September 5th	H1 2019 financial statements
October 24th	Q3 2019 financial statements

## Selected IR events planned for 2019

Date	Event
Jan 15	J.P. Morgan Cazenove CEEMEA Opportunities Conference, <b>London</b>
Mar 18-19	PKO BP Polish Capital Market 2019, <b>London</b>
Mar 20	Carnegie Debt Collectors Day, <b>Stockholm</b>
Mar 21	Pekao Financial Sector in Poland-outlook for 2019, <b>Warsaw</b>
Apr 11-12	PKO BP CEMEA New York Conference, <b>New York</b>
May 21-22	Wood MidCap Gems of Emerging Europe, <b>Warsaw</b>
May 31-Jun 02	WallStreet 2019, <b>Karpacz</b>
Jul 12-14	EME Financials & Greek Retreat Conference, <b>Athens</b>
Sep 30	Wood Polish Innovation & Growth, <b>Stockholm</b>
Oct 09-10	Erste Investor Conference, <b>Vienna</b>
Oct 28-29	Auerbach Frontier & Emerging Conference, <b>New York</b>
Dec 03-06	WOOD Winter 2019, <b>Prague</b>

## Most recent recommendations

Date	Institution	Recommendation	Target price
February 2019	mBank	<i>buy</i>	279.3
February 2019	Ipopema	<i>sell</i>	128.8
January 2019	DM Trigon	<i>buy</i>	220.0

For more details, go to:

[pl.kruk.eu/relacje-inwestorskie/raporty/raporty-analityczne](http://pl.kruk.eu/relacje-inwestorskie/raporty/raporty-analityczne)

## Sell-side analysts covering KRUK

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