



# Q3 2020 results presentation

## KRUK Group

# Agenda

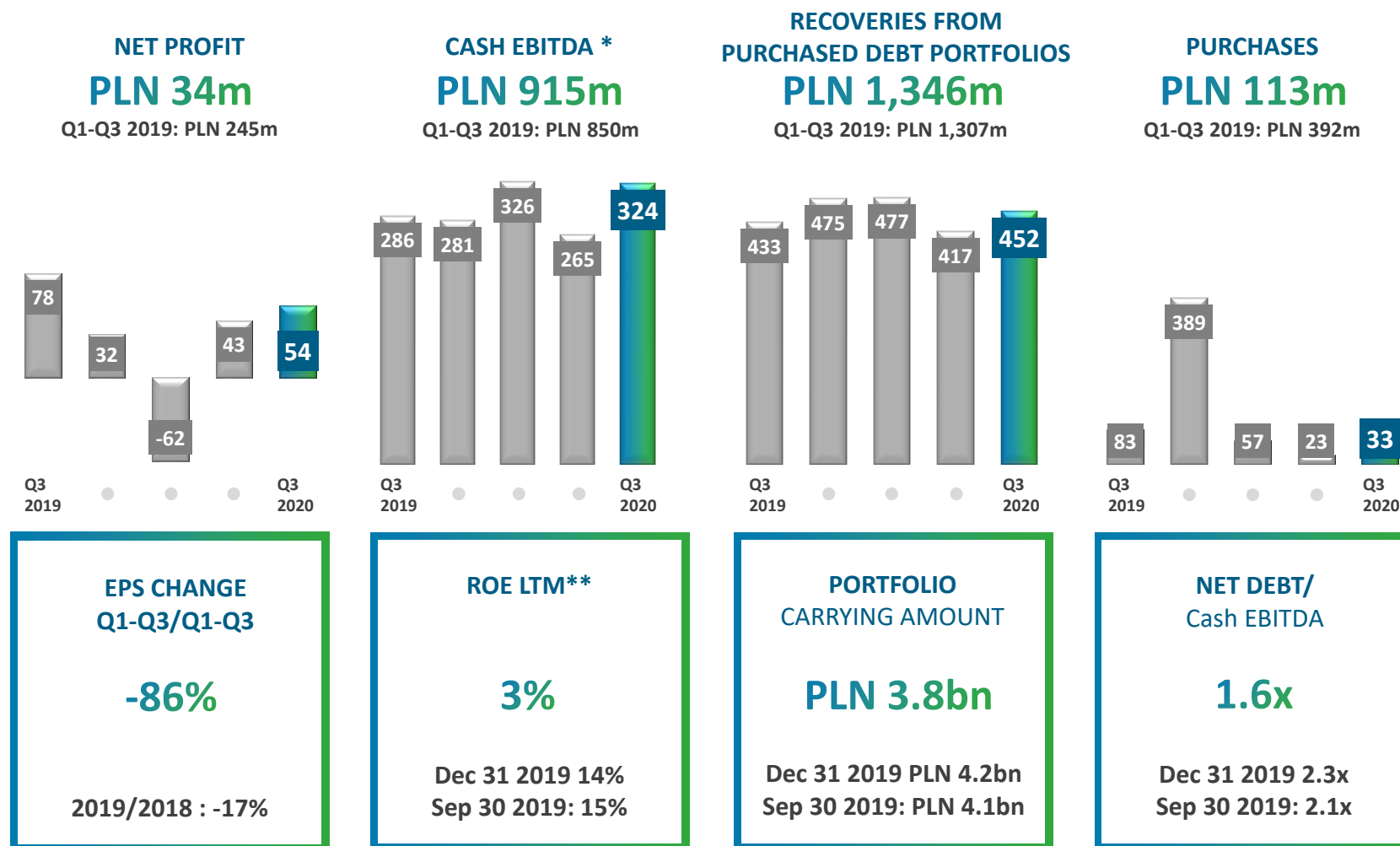
## Introduction

Geographical and operating segments

Financial results

Additional information

# KRUK's Q3 2020 net profit came in at PLN 54m, with cash EBITDA of PLN 324m



\* Cash EBITDA = operating profit - depreciation/amortisation + recoveries from purchased debt portfolios - revenue from collection of purchased debt.  
 \*\* LTM consolidated net profit divided by equity at end of the period.

# KRUK recouped its H1 loss, posting Q1-Q3 net profit of PLN 34m and record-high cash EBITDA of PLN 915m (up by PLN 65m, or 8% year on year)

## Financial results

In Q1-Q3 2020, the KRUK Group posted PLN 34m in net profit, with cash EBITDA of PLN 915m, an 8% increase compared with the same period of 2019. The Group's net profit for Q3 alone was PLN 54m, driven mainly by the revenue, cost and deferred tax items described below. Its Q3 cash EBITDA was PLN 324m.

## Revenue

The Group's revenue in Q3 was PLN 335m, an increase of PLN 78m on Q2 2020 (up 30%) and PLN 9m on Q3 2019 (up 3%). In Q3 2020, KRUK's revenue under 'other income from purchased debt portfolios' amounted to PLN 63m, driven by an excess of actual recoveries against the projection. Revenue from purchased debt in Q3 2020 was PLN 295m, despite a portfolio revaluation equalling PLN 14m, significantly less than in the previous quarters (total revaluation of PLN -214m from Q1 to Q3 2020).

## Costs

Cost savings achieved by the KRUK Group in Q3 2020 matched the savings targets, equalling PLN 31m relative to the budget and PLN 23m relative to Q1 2020. Total operating expenses excluding depreciation/amortisation amounted to PLN 171m in Q3, compared with PLN 167m in Q2 2020 (excluding the impairment loss of PLN -25m on the acquired Spanish company) and with PLN 193m in Q1 2020. Key cost savings included:

- Court fees down by PLN 10m in the three months to September 30th 2020 compared with the first quarter of the year.
- Salaries decreased in Q3 2020 by PLN 7m relative to Q1 2020 and by PLN 11m relative to the last quarter of 2019. As at the end of September 2020, the effective number of FTEs was down by 161 compared with the end of 2019.
- Other savings of PLN 9m comprised a number of minor items, such as savings on advertising (PLN 3.2m), marketing and management services (PLN 1.5m), business travel (PLN 0.6m) and staff training (PLN 0.5m).

## Deferred tax

Q3 results were charged by a PLN 58m provision, being the main component of deferred tax. It was recognised to account for income distributions from the Group's investment companies to KRUK S.A., expected in the coming years. The assumed income distributions were based on expected cash flows within the KRUK Group. The assumption of partial transfer of funds from the investment companies is, in the long term, more economically viable for the Group, although it has an adverse short-term effect on net profit/(loss).

# KRUK recorded strong recoveries from unsecured retail portfolios and weaker than expected collections from secured and corporate portfolios

## Recoveries from purchased debt portfolios

- In Q1-Q3 2020 recoveries rose 3% year on year, and in Q3 alone they were up 4% year on year. The strong recoveries and significantly lower revaluation relative to the previous quarters translated into an increase in Q3 revenue – by PLN 78m (30%) compared with Q2 2020 and by PLN 9m (3%) relative to Q3 2019.
- The Group achieved 92% of its overall operational target set in the 2020 budget for the period January 1st–September 30th. The operational target is comprised of a forecast set in the 2020 budget (purchases of portfolios until October 2019) and pre-purchase valuations of portfolios purchased from November 2019.
- In Q3 alone, recoveries reached 90% of the operational target, which is a 3pp improvement relative to Q2. The Q3 delivery against the target was adversely affected, in particular, by the performance of secured and corporate portfolios.
- The weakest month of 2020 was April, with only 85% of the operational target achieved, but then recoveries slowly rebounded in May and June (coming to 86% and 89%, respectively, of the operational target). The favourable downward trend in deviation against the target continued in the subsequent months of Q3 (coming down to 10% in July, 7% in August and 13% in September, with increasing recoveries m/m), but the operational target for unsecured retail portfolios was overshoot. Recoveries below the operational target in the three months to September 30th 2020 were attributable to the coronavirus pandemic and its impact across the countries of the KRUK Group's operations.
- Anticipating a deterioration in recoveries based on the March and April 2020 performance, the KRUK Group wrote off the value of its portfolios as at the end of the first and in the second quarter of 2020 by PLN 125m and PLN 74m, respectively. In the three months ended September 30th 2020, the revaluation amounted to PLN 14m and were attributable to weaker recoveries from secured portfolios.

## New portfolio purchases

- During the nine months ended September 30th 2020, the KRUK Group invested PLN 113m to purchase debt portfolios worth nominally over PLN 825m, with PLN 33m of that amount invested in the third quarter alone.
- The Group deliberately scaled down its investment activity over the period of material uncertainty triggered by the coronavirus pandemic and its consequences.
- Virtually all the markets where the KRUK Group operates have seen the supply of debt portfolios and the number of transactions fall due to the Covid-19 pandemic. Only at the end of the third quarter did banks and financial institutions resume debt auctions, suspended or cancelled in previous months due to the pandemic. Additionally, strong competition in debt purchase is observed on the Polish market.

# KRUK's liquidity position is solid and income is distributed to shareholders through buyback of shares

## Stable financial and liquidity position

- The KRUK Group holds equity of PLN 2.1bn, representing 46% of its financing sources. With a net interest-bearing debt to equity ratio of 0.9x and a net interest-bearing debt to cash EBITDA of 1.6x, KRUK's financial position is strong and stable.
- In the opinion of the KRUK Management Board, a measure helpful to assess the liquidity risk is the ratio of liabilities maturing within 12 months to cash EBITDA (debt maturing within 12 months/LTM cash EBITDA). As at June 30th 2020, the ratio stood at 0.58, reflecting the Group's strong ability to cover its maturing debt.
- As at September 30th 2020, the amount of cash and cash equivalents was PLN 266m. The Group increased its cash position by PLN 15m relative to June 30th 2020 and repaid some of its credit facilities (PLN 268m), which increased the amount currently available under the facilities to PLN 1,181m.
- In September 2020, under an open public issue prospectus, KRUK issued bonds for retail investors. The issue comprised PLN 25m of five-year bonds with a fixed coupon of 4.8%. The proportional reduction rate applied to subscription orders was 61.4%.

## Income distribution to shareholders through share buyback

- On August 31st 2020, the General Meeting decided to distribute a portion of KRUK S.A.'s 2019 net profit and pay income to shareholders in 2020.
- Income will be distributed through buyback of shares and their cancellation, at a price of PLN 350 per share.
- The buyback will cover a total of 271 thousand shares, worth PLN 95m.
- On October 13th 2020, KRUK released a current report with the detailed invitation to tender KRUK S.A. shares for sale, addressed to the Company's shareholders as part of the income distribution process.
- Tenders will be accepted from October 19th to November 13th 2020.
- As a listed company since 2011, KRUK distributed an aggregate income of PLN 288m to its shareholders between 2015 and 2019.
- The intention of KRUK's Management Board, within the period covered by its 2019–2024 strategy, is to make the amount of income distributions to shareholders dependent on the Company's financial standing and prevailing market conditions, allowing for re-investment of profit in the Company's growth with a view to increasing its value.

# KRUK's business running smoothly also at the onset of the second wave of Covid-19

## Operations

- As at the date of issue of the interim Q3 2020 report, KRUK was continuing its operations across all markets.
- None of the countries where KRUK operates has introduced a full economic lockdown.
- The operational systems and employees are prepared to continue their work remotely, also in the event of the need to maintain social distance.
- Additional safety measures have been implemented, the number of persons working and staying on KRUK's premises has been minimised (with the obligation to wear masks while in the office and office space rearranged to minimise contacts) and field advisors can work in a hybrid system (combining field visits with telephone calls to clients).
- In areas with the highest infection rates, visits have been significantly reduced or altogether suspended. Our clients can safely contact us, for instance via the deployed online channels.
- Also the courts and bailiffs are working without any major disruption. KRUK has analysed and prepared for various pandemic-related scenarios, with no full lockdown assumed in the base case.

# Agenda

## Introduction

## Geographical and operating segments

## Financial results

## Additional information

# KRUK Group in Q1-Q3 2020, by segment

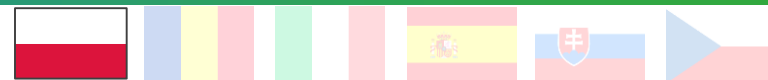
Q1-Q3 2020

Q1-Q3 2019

(PLNm)

	Poland		Romania		Italy		Other markets		Head Office	TOTAL	
	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019		Q1-Q3 2020	Q1-Q3 2019
Expenditure on debt portfolios	73	159	34	176	0	0	5	56	N/A	113	392
Recoveries	638	598	382	414	182	128	144	168	N/A	1,346	1,307
Carrying amount of purchased debt portfolios (PLNbn)	1,7	1,8	0,9	1,0	0,7	0,7	0,5	0,5	N/A	3.8	4.1
Revenue	450	461	196	293	77	112	68	82	N/A	792	948
Purchased debt portfolios	359	395	185	283	70	103	60	82	N/A	674	852
Credit management services	17	19	9	10	8	9	8	10	N/A	41	49
Wonga	58	27							N/A	58	27
Other activities	17	20	2	1	0	0	0	0	N/A	19	21
EBITDA	209	259	128	218	-32	-15	-32	-12	-31 -56	242	394
Cash EBITDA	489	462	325	349	81	10	52	84	-31 -56	915	850

# KRUK Group's operations in Poland (excluding Wonga)



(PLNm)	Q1-Q3 2020	Q1-Q3 2019	yoy
Expenditure on debt portfolios	73	159	-54%
Recoveries	638	598	7%
Portfolio carrying amount	1688	1804	-6%
Revenue	392	434	-10%
Including from purchased debt portfolios	359	395	-9%
Including from revaluation	-44	40	-210%
Credit management services	17	19	-14%
Other activities	17	20	-14%
EBITDA	199	257	-23%
Cash EBITDA	478	460	4%
Portfolio profitability (LTM)*	28%	29%	-3%

The Other activities section does not include WONGA's results.

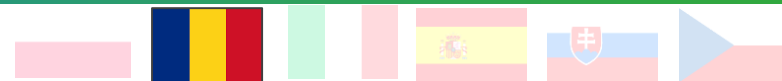
(PLNm)	Q3 2020	Q2 2020	qoq
Expenditure on debt portfolios	9	18	-50%
Recoveries	213	206	4%
Portfolio carrying amount	1688	1 754	-4%
Revenue	145	142	2%
Including from purchased debt portfolios	135	131	3%
Including from revaluation	1	-14	107%
Credit management services	6	5	11%
Other activities	5	7	-26%
EBITDA	83	80	4%
Cash EBITDA	162	153	6%
Portfolio profitability (LTM)*	28%	25%	12%

The Other activities section does not include WONGA's results.

- As a result of curtailed investments due to Covid-19, but also strong competition in autumn auctions, the KRUK Group's expenditure on portfolio purchases on the Polish market was only PLN 73m, representing 65% of all funds invested by the Group in Q1-Q3 2020. Unsecured retail portfolio accounted for 90% of the Group's expenditure in Poland. KRUK expects more transactions at the end of 2020 and in 2021.
- Recoveries in Q1-Q3 2020 totalled PLN 638m, up 7% year on year. Despite pandemic constraints, record-high recoveries were recorded by KRUK in the three months ended March 31st 2020, followed by a drop in the three months ended June 30th 2020, down 6% quarter on quarter. An upward trend in recoveries was seen from April and continued into Q3, when recoveries were up 4% relative to Q2, amounting to PLN 213m.
- Recoveries in Q3 came in below the operational target\*\*, with the deviation less pronounced than the Group-wide undershoot in percentage terms. The main reason was the Group's failure to achieve target recoveries from secured corporate and mortgage debt portfolios.
- As at the date of issue of the Q3 2020 report, the KRUK Group was not aware of any new or proposed regulations related to Covid-19 that could affect the value of its debt portfolios. The regulations enacted earlier, discussed in the interim report for the six months ended June 30th 2020, still remained in force – their possible impact on recoveries reflected in the accounting estimate already in the three months ended June 30th 2020.
- The carrying amount of purchased debt portfolio, which as at September 30th 2020 amounted to PLN 1.7bn vs PLN 1.8bn the year before, was affected by the absence of any new investments of significant value and by revaluation booked in Q1-Q2 2020 (PLN -45m). Polish portfolios accounted in total for 45% of the carrying amount of all debt portfolios held by the KRUK Group.

\* 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.  
 \*\* Operational target is comprised of a forecast set in the 2020 budget (purchases of portfolios until October 2019) and pre-purchase valuations of portfolios purchased from November 2019.

# KRUK Group's operations in Romania



(PLNm)	Q1-Q3 2020	Q1-Q3 2019	yoy
Expenditure on debt portfolios	34	176	-81%
Recoveries	382	414	-8%
Portfolio carrying amount	884	986	-10%
Revenue	196	293	-33%
Including from purchased debt portfolios	185	282	-34%
Including from revaluation	-53	80	-166%
Credit management services	9	10	-5%
Other activities	2	1	189%
EBITDA	128	218	-41%
Cash EBITDA	325	349	-7%
Portfolio profitability (LTM)*	30%	41%	-27%
(PLNm)	Q3 2020	Q2 2020	qoq
Expenditure on debt portfolios	20	3	567%
Recoveries	131	114	15%
Portfolio carrying amount	884	909	-3%
Revenue	81	68	19%
Including from purchased debt portfolios	76	66	15%
Including from revaluation	-13	-7	-86%
Credit management services	3	3	11%
Other activities	1	0	-43%
EBITDA	57	48	19%
Cash EBITDA	112	96	17%
Portfolio profitability (LTM)*	30%	33%	-9%

- As a consequence of the adopted investment policy and curtailed investments due to Covid-19, the KRUK Group's retail portfolio purchases on the Romanian market in Q1-Q3 totalled PLN 34m, representing 18% of the Group's total expenditure and 98% when combined with its investments in Poland. KRUK expects more transactions at the end of 2020 and in 2021.
- In the nine months ended September 30th 2020, PLN 382m was recovered, down PLN 32m year on year. Starting from April, a decline in recoveries was recorded, leading to an overall decline of 17% for the entire Q2 2020 vs Q1 2020. In the three months ended September 30th 2020, recoveries increased 15% quarter on quarter.
- The Q3 recoveries came in below the operational target, with the deviation more pronounced than the Group-wide undershoot. As expected by KRUK, recoveries in the three months ended September 30th 2020 improved as certain effects of the economic lockdown had eased off, with a further improvement anticipated.
- As at the date of issue of the Q3 2020 report, no material legislative changes related to Covid-19 were identified by the KRUK Group, likely to affect the value of the Group's debt portfolios.
- Revaluation on the Romanian portfolios recognised by KRUK between January 1st and September 30th 2020 totalled PLN 53m, of which PLN 13m was booked in the three months to September 30th 2020. The revaluation recognised in the three months ended September 30th 2020 related to the SME/corporate debt portfolios, and were also attributable to currency exchange differences.
- The carrying amount of purchased debt portfolios as at September 30th 2020, which was PLN 884m, down 10% year on year, was affected by the absence of any new investments of significant value and by the revaluation. Romanian portfolios accounted in total for 23% of the carrying amount of all debt portfolios held by the KRUK Group.

\* 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.

# KRUK Group's operations in Italy



(PLNm)	Q1-Q3 2020	Q1-Q3 2019	yoy
Expenditure on debt portfolios	0	0	-
Recoveries	182	128	42%
Portfolio carrying amount	749	730	3%
Revenue	77	112	-31%
Including from purchased debt portfolios	70	103	-32%
Including from revaluation	-74	-27	-174%
Credit management services	8	9	-19%
EBITDA	-32	-15	-113%
Cash EBITDA	81	10	710%
Portfolio profitability (LTM)*	17%	13%	31%
(PLNm)	Q3 2020	Q2 2020	qoq
Expenditure on debt portfolios	0	0	-
Recoveries	61	53	15%
Portfolio carrying amount	749	744	1%
Revenue	58	3	1833%
Including from purchased debt portfolios	56	1	5500%
Including from revaluation	1	-42	103%
Credit management services	3	2	34%
EBITDA	26	-27	196%
Cash EBITDA	32	25	28%
Portfolio profitability (LTM)*	17%	16%	1%

- Having scaled down its investment activity due to Covid-19, in Q3 2020 the KRUK Group did not purchase any new debt portfolios on the Italian market.
- The Group recorded PLN 182m in total recoveries over the nine months to September 30th 2020, up 42% year on year. Recoveries in the three months ended September 30th 2020 were up 15% on the previous quarter, despite the Covid-19 induced lockdown measures, including a reduction in court work.
- Despite the quarter-on-quarter rise in recoveries, the percentage missed on the operational target in Italy was slightly higher than the Group-wide undershoot.
- As at the date of issue of the Q3 2020 report, no material legislative changes related to the coronavirus pandemic were identified by the KRUK Group, likely to affect the value of the Group's debt portfolios.
- In the nine months ended September 30th 2020, the Group recognised total revaluation of PLN 74m, reflecting mainly an anticipated deterioration in future recoveries due, among other factors, to the epidemic crisis, in particular the speed and timing of recoveries enforced through courts. In the three months to September 30th 2020 alone, the Group recognised a PLN 1m upward revaluation, mainly on its SME portfolios.

\* 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.

# KRUK Group's operations – other markets



(PLNm)	Q1-Q3 2020	Q1-Q3 2019	yoy
Expenditure on debt portfolios	5	56	-91%
Recoveries	144	168	-14%
Portfolio carrying amount	456	530	-14%
Revenue	68	82	-17%
Including from purchased debt portfolios	60	72	-17%
Including from revaluation	-43	-40	-8%
Credit management services	8	10	-25%
EBITDA	-32	-12	-167%
Cash EBITDA	52	84	-38%
Portfolio profitability (LTM)*	17%	20%	-15%

(PLNm)	Q3 2020	Q2 2020	qoq
Expenditure on debt portfolios	4	1	-
Recoveries	47	44	5%
Portfolio carrying amount	456	466	-2%
Revenue	31	28	11%
Including from purchased debt portfolios	28	26	8%
Including from revaluation	-4	-11	64%
Credit management services	3	2	30%
EBITDA	5	-21	124%
Cash EBITDA	24	-2	1100%
Portfolio profitability (LTM)*	18%	18%	0%

- The other markets are Spain, the Czech Republic/Slovakia and Germany. As in Italy, the KRUK Group curtailed its investment activity in the wake of Covid-19 also on the other markets, spending only PLN 5m in Q1-Q3 2020 on retail portfolios in the Czech Republic and Spain.
- During the nine months ended September 30th 2020, recoveries from the other markets totalled PLN 144m, down 14% year on year. Recoveries in the three months ended September 30th 2020 rose 5% quarter on quarter, but were down 11% relative to the first quarter of 2020. This was mainly due to the Covid-19 spread in Spain.
- Recoveries from the Spanish market in the three months ended September 30th 2020 were far below the operational target, the deviation much deeper than the Group-wide undershoot in percentage terms, both in the case of unsecured consumer and corporate debts.
- As at the date of issue of the Q3 2020 report, the following legislative change attributable to the coronavirus pandemic was identified by the KRUK Group as material: the prohibition on business bankruptcies in Spain was prolonged until the end of Q1 2021 (originally imposed until the end of 2020). The impact of the change was reflected by KRUK in its accounting estimate as at the end of Q3 2020.
- Given the pandemic crisis and impact of the severe social and economic lockdown measures, in Spain the KRUK Group booked a portfolio revaluation of PLN 41m, with PLN 43m for the entire 'other markets' segment. The reason for the PLN 25m revaluation on the Spanish portfolios in the three months to March 31st 2020 was an anticipated epidemic-related deterioration in future recoveries. Both in the three months to June 30th 2020 (PLN -11m) and the three months to September 30th 2020 (PLN -4m), the revaluation related mainly to corporate portfolios.

\* 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.

# The KRUK Group operates in compliance with legal regulations, standards and corporate social responsibility, which is of particular importance now – during the Covid-19 pandemic

## 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 clients

- We treat all indebted persons with respect, and we help them escape the debt trap.
- First, we agree the optimum repayment terms with an indebted person, adjusted to their financial circumstances.
- For several years now, we have conducted client satisfaction surveys among clients who have had interaction with the KRUK Group. For years clients who have interacted with our employees have been highly appreciative of their work and attitude.
- We strive to understand the life situation of our clients as best we can – only with that insight can we adjust the schedule of repayments to their individual circumstances – we regularly gather information on the needs and opinions of our clients.
- The KRUK Group handles legal and enforcement proceedings in accordance with applicable laws.

## We respect standards and principles. We change our external environment for the 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 a number of bodies, including 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 Confidustria.
- 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 clients (including indebted persons).
- 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.

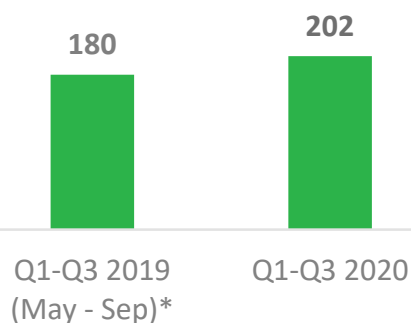
## Our activities in January–September 2020

- KRUK S.A. and ERIF BIG S.A. received an ethics compliance certificate from the Ethics Committee of the Polish Finance House Association.
- Especially during the pandemic, KRUK has made a point of individualising its approach to clients and their ability to repay debt. We encourage clients to use the e-kruk.pl platform to manage their debt over the Internet. We have also prepared a dedicated online campaign for senior citizens to encourage them to use online solutions that can help them repay debt without leaving home. The Group also published educational articles on Internet security in the context of debt management or budget planning.
- As part of its CSR and sustainability efforts (Sustainable Development Goal 3 ‘Good health and well-being’), KRUK responded to Covid-19 by making a donation to purchase protective equipment for medical staff of the infectious disease hospital in Wrocław.

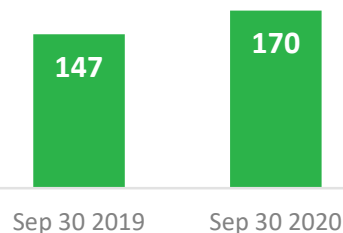
# KRUK Group's businesses - Wonga



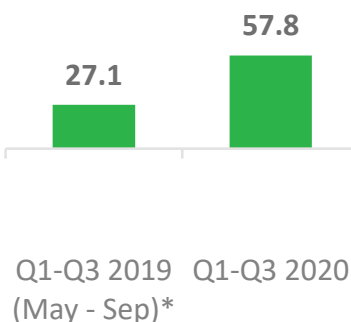
**Net value of loans**  
(PLNm)



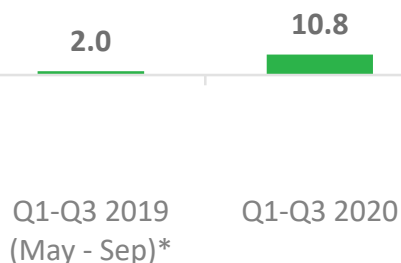
**Carrying amount of loans**  
(PLNm)



**Revenue**  
(PLNm)



**EBITDA**  
(PLNm)



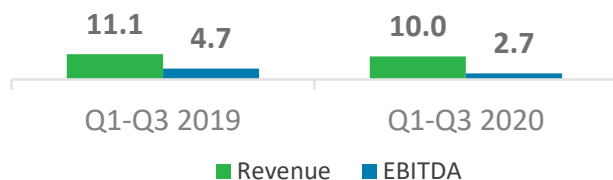
- As at the end of Q3 2020, the carrying amount of loans advanced by Wonga totalled PLN 170m, with the total of 102 thousand loans advanced, worth nominally PLN 202m.
- The value of loans sold in 2020 was below the targets. Unless the pandemic-related situation and its consequences take a major turn for the worse, Wonga expects to see continued sales growth in the last quarter of the year. In September 2020 Wonga introduced interest income for loans advanced, having previously charged only commission fees on its products.
- Wonga's revenue at the end of the reporting period reached PLN 58m, delivering EBITDA of PLN 11m. Taking into account that Wonga was acquired on April 30th 2019, EBITDA increased significantly year on year between the comparative periods (May – September) (PLN 3.7m in May – September 2020 vs PLN 2m in May – September 2019), but is still substantially below the budgeted target due to lower than expected sales and provision recognised for the straight-line method of fee refunds following the CJEU judgment.
- The risk mitigation measures taken during the pandemic resulted in only a minor increase in the cost of risk in Q3 alone. By the end of Q3 2020, Wonga recognised a PLN 5.4m allowance for expected credit losses reflecting an anticipated adverse impact of Covid-19 on loan performance.
- The changes in legal regulations (the Act of March 8th 2020 concerning, *inter alia*, a cap on non-interest costs of consumer loans) are adversely affecting the profitability of products offered by loan providers. At the same time, Wonga enjoys a strong brand recognition and has its own acquisition channels, marked by a low loss ratio and low lending costs (mainly the cost of data required for the credit analysis process, the lending process at Wonga being fully automated) compared with the broad consumer loan market.

\* Wonga was acquired on April 30th 2019.

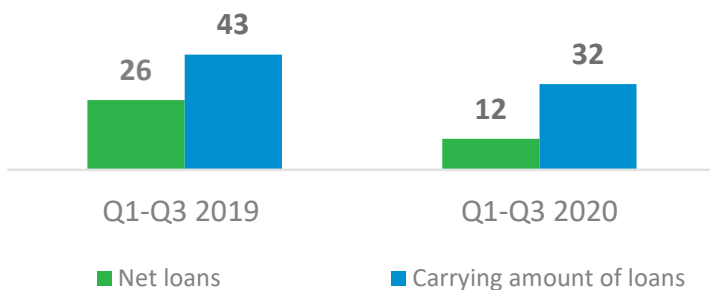
## Other business lines - Novum and ERIF



Revenue and EBITDA  
(PLNm)



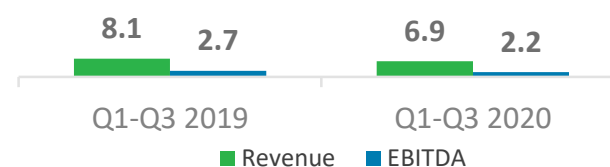
Value of loans  
(PLNm)



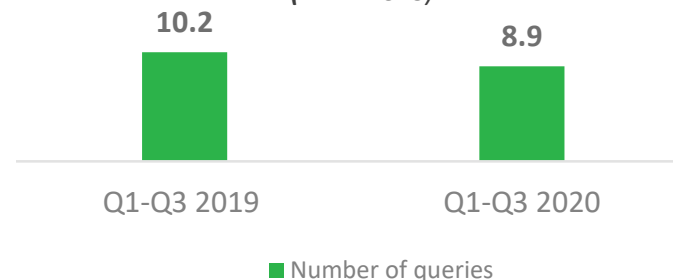
- Novum's revenue at the end of the reporting period was PLN 10m, down 10% year on year. Novum's EBITDA in Poland was PLN 2.7m, down 43% year on year, affected mainly by limited sales over the first months of the pandemic.
- Novum sells its products mainly to KRUK Group clients who have successfully met their payment obligations and have a clean financial history with the Group.



Revenue and EBITDA  
(PLNm)



Number of reports downloaded  
(in millions)



- As a result of the pandemic spread, ERIF Credit Information Bureau recorded a decline in product sales at the end of the first quarter and in the second quarter of 2020. In Q3 2020, a recovery was seen in the number of reports downloaded from the ERIF database. As at the end of September 2020, the total number of records in the ERIF database was 98.9m, of which 97% were positive records. The total value of the records was close to PLN 52bn.
- The ERIF database is used by entities from various sectors, predominantly by banks and loan providers.

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

PLNm	Q1-Q3 2020	Q1-Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	2019	Q1-Q3 20/19
<b>Purchased debt portfolios</b>								
Expenditure on debt portfolios	113	392	389	57	23	33	781	-71%
Recoveries	1346	1307	475	477	417	452	1782	3%
<b>Statement of profit or loss</b>								
<b>Operating income</b>	<b>792</b>	<b>948</b>	<b>302</b>	<b>199</b>	<b>257</b>	<b>335</b>	<b>1250</b>	<b>-16%</b>
Purchased debt portfolios	674	852	287	156	223	295	1138	-21%
including revaluation	-214	53	8	-125	-74	-14	61	-506%
Credit management services	41	49	3	14	13	14	52	-15%
Other products and services	77	47	13	29	21	27	41	62%
<b>Gross profit</b>	<b>351</b>	<b>525</b>	<b>139</b>	<b>44</b>	<b>104</b>	<b>204</b>	<b>664</b>	<b>-33%</b>
<i>Gross profit margin</i>	44%	55%	46%	22%	40%	61%	53%	
Purchased debt portfolios	342	502	159	33	121	188	661	-32%
Credit management services	-15	8	-9	2	-22	4	-1	-288%
Other products and services	24	15	-10	8	4	12	5	58%
<b>Administrative expenses</b>	<b>115</b>	<b>127</b>	<b>51</b>	<b>37</b>	<b>39</b>	<b>39</b>	<b>178</b>	<b>-9%</b>
<b>EBITDA</b>	<b>242</b>	<b>394</b>	<b>88</b>	<b>6</b>	<b>65</b>	<b>165</b>	<b>486</b>	<b>-39%</b>
<i>EBITDA margin</i>	31%	42%	29%	3%	25%	49%	39%	
<b>NET PROFIT</b>	<b>34</b>	<b>245</b>	<b>32</b>	<b>-62</b>	<b>43</b>	<b>54</b>	<b>276</b>	<b>-86%</b>
<i>Net profit margin</i>	4%	26%	11%	-31%	17%	16%	22%	
<i>ROE rolling</i>	3%	15%	18%	17%	15%	14%	14%	
<b>CASH EBITDA *</b>	<b>915</b>	<b>850</b>	<b>281</b>	<b>326</b>	<b>265</b>	<b>324</b>	<b>1130</b>	<b>8%</b>

\*Cash EBITDA = EBITDA + cash recoveries from purchased debt portfolios – revenue from collection of purchased debt. Cash EBITDA takes into account the impact of the CJEU judgment on Wonga's revenues.

Source: KRUK S.A.

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

PLNm	Q1-Q3 2020	Q1-Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	2019	Q1-Q3 20/19
<b>Operating income</b>	<b>792</b>	<b>948</b>	<b>302</b>	<b>199</b>	<b>257</b>	<b>335</b>	<b>1250</b>	<b>-16%</b>
Poland	359	395	122	93	131	134	516	-10%
Romania	185	282	103	43	65	76	385	-33%
Italy	70	103	57	13	1	56	77	-31%
Other countries	60	72	5	6	26	28	160	-17%
<b>Gross profit</b>	<b>351</b>	<b>525</b>	<b>139</b>	<b>44</b>	<b>104</b>	<b>204</b>	<b>664</b>	<b>-33%</b>
<i>Gross profit margin</i>	44%	55%	46%	22%	40%	61%	53%	
<b>Administrative expenses</b>	<b>115</b>	<b>127</b>	<b>51</b>	<b>37</b>	<b>39</b>	<b>39</b>	<b>178</b>	<b>-9%</b>
EBITDA	242	394	51	37	39	39	486	-39%
<i>EBITDA margin</i>	31%	42%	17%	19%	15%	12%	39%	
<b>Finance income/costs</b>	<b>-98</b>	<b>-102</b>	<b>-24</b>	<b>-47</b>	<b>-23</b>	<b>-28</b>	<b>-126</b>	<b>-4%</b>
Income tax	75	14	23	8	-6	73	37	429%
<b>Net profit</b>	<b>34</b>	<b>245</b>	<b>32</b>	<b>-62</b>	<b>43</b>	<b>54</b>	<b>276</b>	<b>112%</b>
<i>Net profit margin</i>	4%	26%	11%	-31%	17%	16%	22%	

# KRUK Group – cash flows (presentation format)

PLNm	Q1-Q3 2020	Q1-Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	2019	Q1-Q3 20/19
<b>Cash flows from operating activities:</b>	<b>738</b>	<b>645</b>	<b>255</b>	<b>225</b>	<b>247</b>	<b>266</b>	<b>901</b>	<b>14%</b>
Recoveries – purchased debt portfolios	1346	1307	475	477	417	452	1782	3%
Operating costs – purchased debt portfolios	-332	-350	128	-123	-102	-107	-478	-5%
Operating margin – credit management	10	8	-10	2	-7	4	-1	28%
Administrative expenses	-115	-127	51	-37	-39	-39	-178	-9%
Other operating cash flow	-172	-193	-57	-95	-23	-44	-225	-11%
<b>Cash flows from investing activities:</b>	<b>-124</b>	<b>-482</b>	<b>-409</b>	<b>-60</b>	<b>-26</b>	<b>-37</b>	<b>-891</b>	<b>-74%</b>
Expenditure on debt portfolio purchases	-113	-392	-389	-57	-23	-33	-781	-71%
Other investing cash flow	-11	-90	-20	-3	-3	-5	-110	-88%
<b>Cash flows from financing activities</b>	<b>-499</b>	<b>-145</b>	<b>139</b>	<b>-79</b>	<b>-206</b>	<b>-214</b>	<b>-7</b>	<b>243%</b>
Issue of shares	0	4	0	0	0	0	0	-
Dividend	0	-95	0	0	0	0	-95	-
Increase in borrowings and lease liabilities	638	1437	665	271	301	66	2102	-56%
Issue of bonds	25	215	0	0	0	25	215	-88%
Decrease in borrowings and lease liabilities	-1233	-1525	-419	-369	-530	-334	-1944	-19%
Redemption of bonds	-13	-138	-75	0	-13	0	-213	-90%
Other financing cash flow	85	-43	-32	20	36	29	-72	-296%
<b>Net cash flows:</b>	<b>115</b>	<b>18</b>	<b>-15</b>	<b>86</b>	<b>15</b>	<b>15</b>	<b>3</b>	<b>548%</b>

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

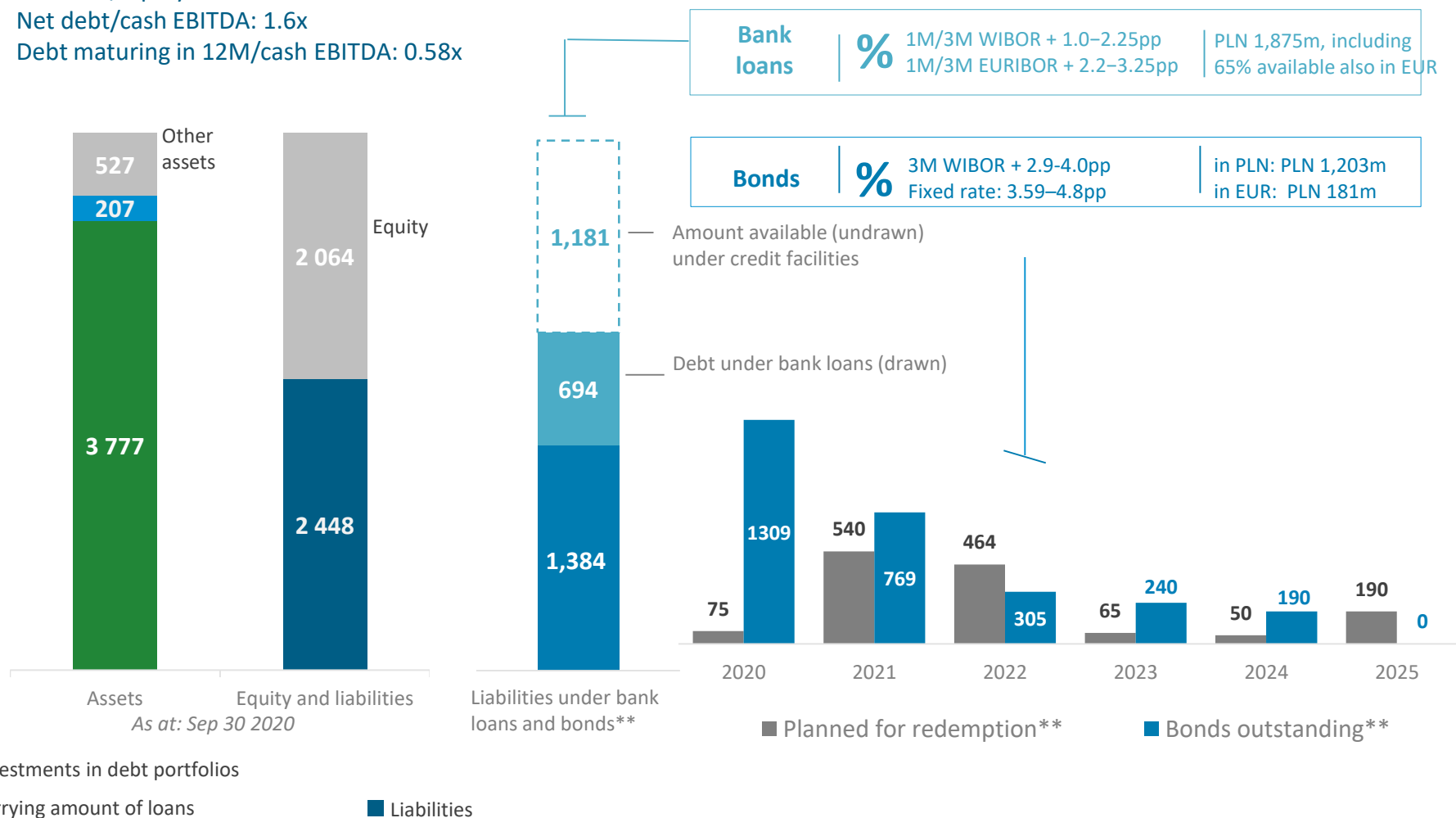
PLNm	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019
<b>ASSETS</b>				
Cash and cash equivalents	266	251	236	150
Investments in debt portfolios and loans	3,984	4,075	4,307	4,411
Other assets	262	256	293	278
<b>Total assets</b>	<b>4,511</b>	<b>4,582</b>	<b>4,836</b>	<b>4,840</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>2,064</b>	<b>1,987</b>	<b>1,953</b>	<b>1,959</b>
of which: Retained earnings	1,497	1,536	1,496	1,558
<b>Liabilities</b>	<b>2,448</b>	<b>2,595</b>	<b>2,883</b>	<b>2,881</b>
of which: Bank borrowings and leases	765	1,031	1,259	1,345
Bonds	1,383	1,354	1,376	1,361
<b>Total equity and liabilities</b>	<b>4 511</b>	<b>4,582</b>	<b>4,836</b>	<b>4,840</b>
<b>METRICS</b>				
<b>Interest-bearing debt</b>	<b>2,148</b>	<b>2,385</b>	<b>2,635</b>	<b>2,706</b>
<b>Net interest-bearing debt</b>	<b>1,882</b>	<b>2,134</b>	<b>2,399</b>	<b>2,555</b>
Net interest-bearing debt to equity	0.9	1.1	1.2	1.3
Net interest-bearing debt to LTM cash EBITDA	1.6	1.9	2.1	2.3

# KRUK has a sound liquidity position and is prepared to step up future investments

Net debt/equity 0.9x

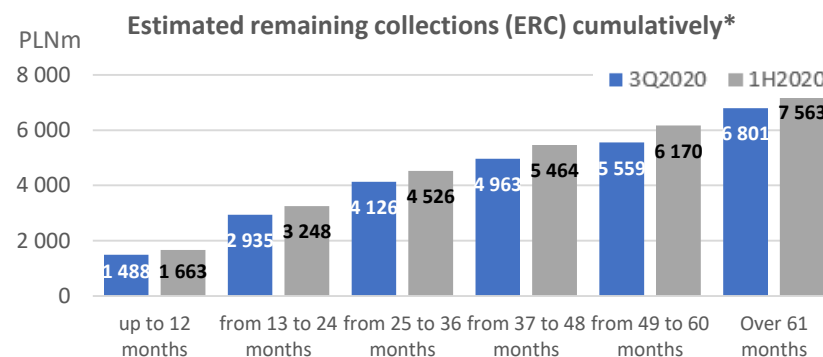
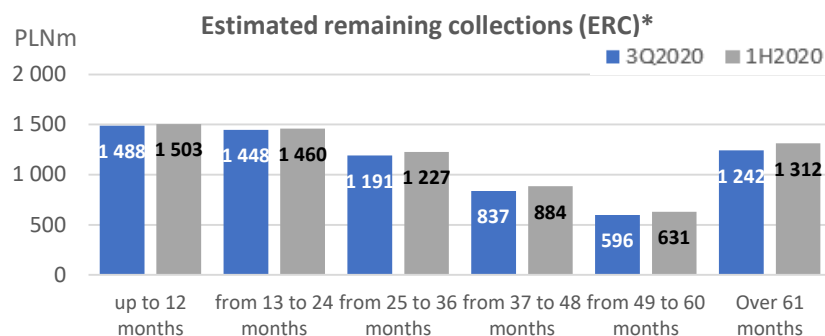
Net debt/cash EBITDA: 1.6x

Debt maturing in 12M/cash EBITDA: 0.58x

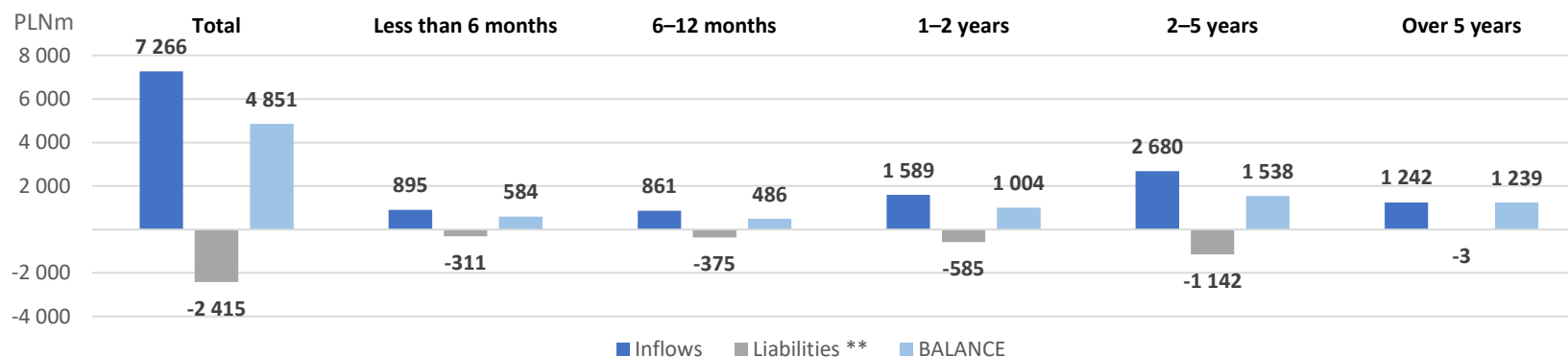


\*\* Nominal values as at September 30th 2020.

# KRUK Group – ERC vs the Group's liabilities



## Balance of inflows and liabilities



thousand PLN	Total	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
ERC (debt portfolios)	6,800,596	735,097	752,500	1,447,641	2,623,619	1,241,738
Loan repayments	465,472	159,510	108,413	141,225	56,324	-
Secured borrowings	-734,964	-10,205	-7,237	-11,281	-706,241	--
Unsecured bonds in issue	-1,482,607	-160,770	-358,034	-555,763	-408,040	-
Other liabilities ***	-197,056	-139,612	-9,723	-17,541	-27,479	-2,699
<b>BALANCE</b>	<b>4,851,441</b>	<b>584,020</b>	<b>485,919</b>	<b>1,004,282</b>	<b>1,538,182</b>	<b>1,239,039</b>

\* ERC – estimated remaining undiscounted collections from purchased portfolios.

\*\* Liabilities include bank borrowings, bonds and other liabilities.

\*\*\* Other lease liabilities, trade and other payables.

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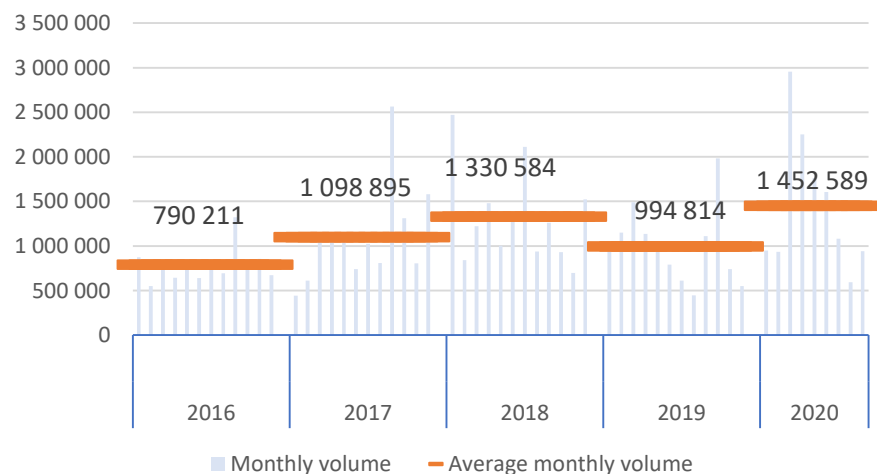
**Additional information**

# Investor Relations

## Selected IR events planned for 2020

Date	Financial statements
September 3rd	PKO BP Virtual Investor's Day: CEE Financials Teleconference
September 8th	Bank Pekao BM 17th Emerging Europe Investment Conference
October 7th	ERSTE The Finest CEElection Investor Conference 2020
October 13th	Trigon COVID Warriors
November 5th	<b>Q3 2020 financial statements</b>
November 27th	Santander 2020 Financial Sector Conference
December 1st	Wood's Winter Wonderland EME Conference

## KRUK as the 25th most liquid stock on the WSE



## Shareholders with ownership interests above 3%\*

Shareholder	Ownership interest
OFE Nationale-Nederlanden	12.95%
Piotr Krupa	9.79%
OFE PZU Złota Jesień	9.79%
OFE Aviva Santander	9.42%
OFE Generali	4.60%
OFE MetLife	4.50%
OFE Allianz Polska	4.39%
OFE Aegon	3.01%

## Most recent recommendations

Date	Institution	Recommendation	Target price
October 2020	DM Trigon	buy	PLN 146.00
September 2020	DM mBanku	buy	PLN 183.17
July 2020	DM Trigon	hold	PLN 115.00

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

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\*Source: stooq.pl

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