



# Presentation of H1 2020 results

## KRUK Group

# Agenda

## Introduction

Geographical and operating segments

Financial results

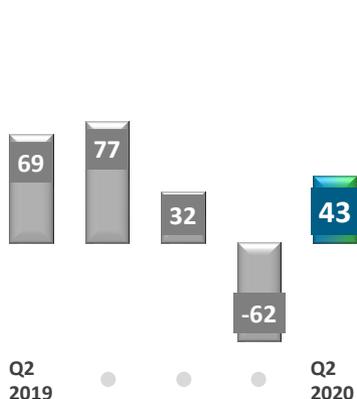
Additional information

## KRUK in the first half of 2020 – summary:

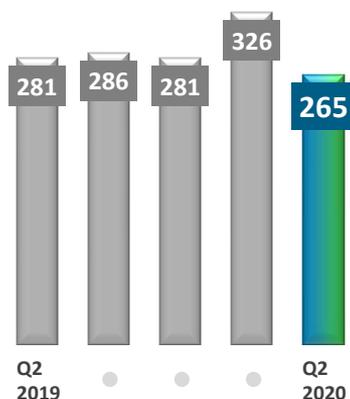
- For Q2 2020 PLN 43m was recorded in net profit, and so KRUK cut its loss for H1 to PLN -19m; Cash EBITDA generated by KRUK was PLN 591m, up 5% on H1 2019;
- Recoveries in H1 2020 totalled 93% of the Operational Target set in the 2020 budget; Actual recoveries against the Operational Target came to 85% in April, 86% in May and 89% in June.
- Revaluation of the debt and loan portfolios in H1 2020 resulted in an aggregate write-off of PLN -220m, reflecting the best knowledge and experience at the time of making the forecast;
- As the COVID-19 pandemic set in, KRUK temporarily reduced investment in new debt portfolios, expecting a rise in debt supply at the end of 2020 and in 2021; KRUK is well prepared to actively tap into the upward trend on the markets, with sound financial and liquidity standing

# For Q2 2020 PLN 43m was recorded in net profit, and so KRUK cut its loss for H1 to PLN -19m

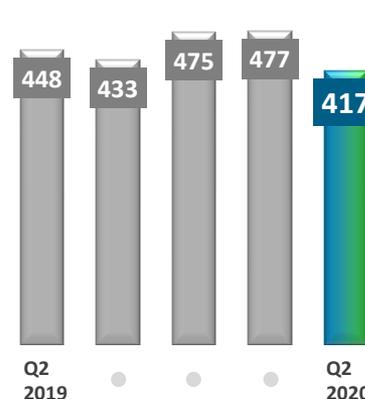
**NET RESULT**  
**PLN -19m**  
H1 2019: PLN 167m



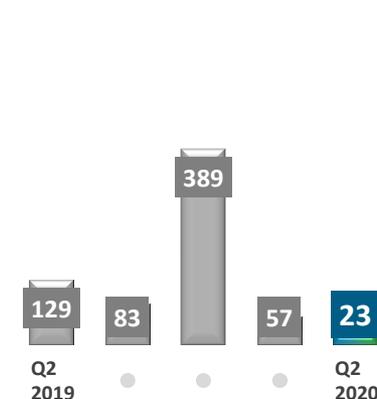
**CASH EBITDA \***  
**PLN 591m**  
H1 2019: PLN 564m



**RECOVERIES FROM PURCHASED DEBT PORTFOLIOS**  
**PLN 894m**  
H1 2019: PLN 874m



**PURCHASES**  
**PLN 80m**  
H1 2019: PLN 309m



**EPS CHANGE**  
**H1/H1**

**-111%**

2019/2018 : -17%

**ROE LTM\*\***

**5%**

Dec 31 2019 14%  
Jun 30 2019: 17%

**PORTFOLIO**  
**CARRYING AMOUNT**

**PLN 3.9bn**

Dec 31 2019 PLN 4.2bn  
Jun 30 2019: PLN 4.0bn

**NET DEBT/**  
**Cash EBITDA**

**1.9x**

Dec 31 2019 2.3x  
Jun 30 2019: 2.1x

\* 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.

# For H1 2020, KRUK posted cash EBITDA of PLN 591m, up 5% year on year

## Financial results

- For the first half of 2020, KRUK recorded a loss of PLN -19m, but in the second quarter alone it earned a profit of PLN 43m. The quarter-on-quarter improvement in performance was mainly attributable to lower write-offs on purchased portfolios relative to the end of Q1 2020 (PLN -74m vs PLN -125m) plus savings achieved.
- In Q2 2020, KRUK managed to reduce its operating expenses by PLN 26m compared with the previous quarter and PLN 41m relative to the budget; the savings include expenses temporarily postponed as fewer cases were brought to court during the COVID-19 pandemic. The savings were compensated with non-cash costs (i.a. an impairment loss on the Spanish company Espana).
- KRUK generated cash EBITDA of PLN 591m, up 5% on H1 2019. In Q2 alone, cash EBITDA was PLN 265m. Cash EBITDA includes a non-cash charge of PLN -25m on account of the impairment loss recognised on the Spanish subsidiary

## Recoveries from purchased debt portfolios

- The amount of recoveries from purchased debt portfolios was PLN 894m, an increase of 2% on the same period last year. Recoveries came to 93% of the Operational Target set in the 2020 budget.
- In Q2 2020, recoveries went down 13% quarter on quarter, falling 13% short of the Operational Target.
- As at June 30th 2020, KRUK reviewed its forecast of future collections. As a result, PLN -74m was written down from the value of purchased portfolios. In H1 2020, KRUK recognised a total of PLN -200m in portfolio write-offs, representing 5.2% of the portfolio value as at the end of June 2020.
- Projected collections were reviewed to reflect the Group's best knowledge at the time, with the reservation that the spreading COVID-19 pandemic and its consequences carry a number of risks and uncertainties that the Group may not have been able to predict at the time of preparing its H1 2020 results.

## New portfolio purchases

- Limited debt supply and a reduced number of transactions in the wake of the COVID-19 outbreak in Q2 2020 were seen on virtually every market of the KRUK Group's operations.
- During the first half of 2020, the Group invested PLN 80m to purchase debt portfolios worth nominally over PLN 692m, with less than a third of that amount invested in Q2. The Group intentionally scaled down its investment activity over the period of material uncertainty triggered by the coronavirus pandemic and its consequences.
- KRUK is prepared, both operationally and in terms of its balance-sheet strength, to return to a normal high level of activity, tapping into an increased debt supply expected at the end of 2020 and in 2021.

# Enjoying a sound liquidity position, KRUK recommends to share its 2019 profit with shareholders

## Stable financial and liquidity position

- The KRUK Group holds equity of PLN 2.0bn, representing 43% of its financing sources. With a net interest-bearing debt to equity ratio of 1.1x and a net interest-bearing debt to cash EBITDA of 1.9, 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 0.57, reflecting the Group's strong ability to cover its maturing debt.
- As at June 30th 2020, the amount of cash and cash equivalents was PLN 251m. The Group increased its cash position by PLN 15m relative to March 31st 2020 and repaid some of its credit facilities (PLN 198m), which increased the amount currently available under the facilities to PLN 910m.

## Income distribution

- On July 27th 2020, the Management Board passed a resolution to recommend distribution of the 2019 profit. The KRUK Group's consolidated net profit for 2019 was PLN 277m, while KRUK S.A.'s separate profit came in at PLN 387m, of which PLN 95m is intended by the Management Board for distribution among shareholders.
- Income may be distributed through a buy-back of shares for cancellation at PLN 350 per share or a regular dividend payment of PLN 5 per share.
- In recommending partial distribution of the Company's net profit for 2019, the Management Board took into account, in particular, the Company's current financial and liquidity position, its lower investment activity during 2020, its strategic objectives, as well as the situation prevailing in Poland and globally in the wake of the COVID-19 epidemic.
- On July 31st 2020, the Supervisory Board endorsed the Management Board's recommendation.
- On August 31st 2018, the Annual General Meeting was called to vote on resolutions concerning distribution of the 2019 profit and the selected method of distribution.
- As a listed company since 2011, KRUK distributed an aggregate income of PLN 288m to its shareholders between 2015 and 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.

# Field advisors visits and legal process resumed by KRUK in Q2 2020

## Operations

- The KRUK Group has effectively implemented a remote work system across all its markets during the lockdown period (with 95% of its personnel having chosen to work from home). Currently work is under way to rationally leverage the benefits of remote work over the long term.
- The Group has fast-tracked the development of its online tools on each market, including online payments and the e-kruk platform for out-of-court amicable settlements.
- In late May and early June, the Group resumed field visits on all markets.
- Since June, KRUK has also been more active in bringing debt cases to courts.
- The COVID-19-induced situation and its consequences carry a great number of risks and uncertainties that the KRUK Group may not be able to predict, but the safety of its clients, employees and any other person involved is a key aspect considered by the KRUK Group in its operational activities and plans.

# Agenda

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## Financial results

## Additional information

# KRUK Group in H1 2020, by segment

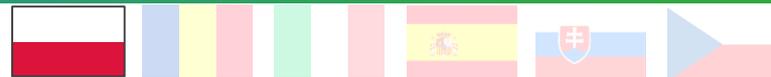
H1 2020

H1 2019

(PLNm)

	Poland		Romania		Italy		Other		Head Office	Total		
	H1 2020	H1 2019		H1 2020	H1 2019							
Expenditure on debt portfolios	64	118	14	147	0	0	1	44	N/A	80	309	
Recoveries	425	400	251	270	121	85	97	118	N/A	894	874	
Carrying amount of purchased debt portfolios (PLNbn)	1.8	1.9	0.9	1.0	0.7	0.7	0.5	0.5	N/A	3.9	4.1	
Revenue	285	320	115	186	19	66	37	50	N/A	456	622	
Purchased debt portfolios	224	284	109	179	14	59	32	42	N/A	379	564	
Credit management services	11	13	6	6	5	7	5	8	N/A	27	34	
Wonga	38	10							N/A	38	10	
Other activities	12	14	0.8	0.4	0.0	0	0.0	0	N/A	12	14	
EBITDA	120	190	71	135	-58	-18	-37	-15	-20	-39	76	253
Cash EBITDA	320	307	213	227	49	8	28	58	-20	-39	591	564

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



(PLNm)	H1 2020	H1 2019	yoy
Expenditure on debt portfolios	64	118	-46%
Recoveries	425	400	6%
Portfolio carrying amount	1,754	1,886	-7%
Revenue	247	310	-20%
Including from purchased debt portfolios	224	284	-21%
Including from revaluation	-45	43	-205%
Credit management services	11	13	-12%
Other activities	12	14	-14%
EBITDA	116	190	-39%
Cash EBITDA	316	307	3%
Portfolio profitability (LTM)*	28%	31%	-10%

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

(PLNm)	Q2 2020	Q1 2020	qoq
Expenditure on debt portfolios	18	46	-61%
Recoveries	206	219	-6%
Portfolio carrying amount	1,754	1,851	-5%
Revenue	142	105	35%
Including from purchased debt portfolios	131	93	41%
Including from revaluation	-14	-31	55%
Credit management services	5	6	-17%
Other activities	7	5	40%
EBITDA	80	36	122%
Cash EBITDA	153	163	-6%
Portfolio profitability (LTM)*	28%	26%	8%

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

- KRUK scaled down its investment in new debt portfolios starting from March 2020, purchasing only five portfolios worth nominally PLN 163m for PLN 18m in Q2 2020. Investments in Poland represented 80% of all funds invested by the Group in H1 2020. KRUK expects more transactions at the end of 2020 and in 2021
- In H1 2020, recoveries increased by 6% (PLN +25m) year on year.
- Recoveries in Q2 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.
- KRUK wrote down PLN -14m from the value of its portfolios in Q2 reflecting a deterioration in projected recoveries from secured portfolios, primarily of corporate debt.
- The write-offs coupled with the absence of any significant new investments affected the carrying amount of purchased debt portfolio, which as at June 30th 2020 amounted to PLN 1.8bn, down from nearly PLN 1.9bn as at June 30th 2019.

\* 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 Romania



(PLNm)	H1 2020	H1 2019	yoy
Expenditure on debt portfolios	14	147	-90%
Recoveries	251	270	-7%
Portfolio carrying amount	909	973	-7%
Revenue	115	186	-38%
Including from purchased debt portfolios	109	179	-39%
Including from revaluation	-40	52	-177%
Credit management services	6	6	-8%
Other activities	1	0	96%
EBITDA	71	135	-47%
Cash EBITDA	213	227	-6%
Portfolio profitability (LTM)*	40%	39%	3%

(PLNm)	Q2 2020	Q1 2020	qoq
Expenditure on debt portfolios	3	11	-73%
Recoveries	114	137	-17%
Portfolio carrying amount	909	973	-7%
Revenue	68	47	45%
Including from purchased debt portfolios	66	43	53%
Including from revaluation	-7	-33	79%
Credit management services	3	3	11%
Other activities	0	1	-43%
EBITDA	48	23	109%
Cash EBITDA	96	117	-18%
Portfolio profitability (LTM)*	40%	37%	8%

- KRUK scaled down its investment in new debt portfolios starting from March 2020, purchasing only three portfolios worth nominally PLN 16m for PLN 3m in Q2 2020, which represented 18% of all funds invested by the Group. KRUK expects more transactions at the end of 2020 and in 2021.
- In H1 2020, recoveries fell by 7% (PLN -19m) year on year.
- Recoveries in Q2 came in below the Operational Target, with the deviation comparable to the Group-wide undershoot. The deterioration was mainly due to restrictions imposed from March 30th to July 15th 2020 in relation to enforcement against disability and retirement pensions as well as furlough benefits. KRUK expects recoveries to improve in the coming months as certain effects of the economic lockdown subside.
- Revaluation write-offs recognised by KRUK in H1 2020 totalled PLN 40m, including PLN 6.5m in Q2, on SME/corporate debt portfolios.
- The carrying amount of purchased debt portfolios as at June 30th 2020 was PLN 909m, down 7% year on year. Romanian portfolios account 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)	H1 2020	H1 2019	yoy
Expenditure on debt portfolios	0	0	-
Recoveries	121	85	42%
Portfolio carrying amount	744	709	5%
Revenue	19	66	-71%
Including from purchased debt portfolios	14	59	-76%
Including from revaluation	-76	-27	-181%
Credit management services	5	7	-26%
EBITDA	-58	-18	-222%
Cash EBITDA	49	75	-35%
Portfolio profitability (LTM)*	17%	13%	31%

(PLNm)	Q2 2020	Q1 2020	qoq
Expenditure on debt portfolios	0	0	-
Recoveries	53	68	-22%
Portfolio carrying amount	744	812	-8%
Revenue	3	16	-81%
Including from purchased debt portfolios	1	13	-92%
Including from revaluation	-42	-34	24%
Credit management services	2	3	-33%
EBITDA	-27	-31	13%
Cash EBITDA	25	24	4%
Portfolio profitability (LTM)*	17%	17%	1%

- In the first half of 2020, the KRUK Group scaled down its investment activity due to COVID-19, not purchasing any new debt portfolios on the Italian market.
- The Group recorded PLN 121m in total recoveries over H1 2020, up 42% year on year. However, recoveries in Q2 2020 were 22% lower than in the previous quarter, reflecting the COVID-19-induced lockdown measures, including a reduction in court work. The percentage missed on the Operational Target in Italy was higher than the Group-wide undershoot.
- During H1 2020, the Group recognised portfolio write-offs of PLN 76m, of which PLN 42m was written down in Q2 2020. The write-offs reflected mainly an anticipated deterioration in future recoveries due, among other factors, to the epidemic crisis, particularly with respect to court enforced collections.

\* 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)	H1 2020	H1 2019	yoy
Expenditure on debt portfolios	1	44	-98%
Recoveries	97	118	-18%
Portfolio carrying amount	466	480	-3%
Revenue	37	50	-26%
Including from purchased debt portfolios	32	42	-24%
Including from revaluation	-39	-37	-5%
Credit management services	5	8	-38%
EBITDA	-37	-15	-147%
Cash EBITDA	28	62	-55%
Portfolio profitability (LTM)*	18%	21%	-14%

(PLNm)	Q2 2020	Q1 2020	qoq
Expenditure on debt portfolios	1	0	-
Recoveries	44	53	-17%
Portfolio carrying amount	466	438	6%
Revenue	28	9	211%
Including from purchased debt portfolios	26	6	333%
Including from revaluation	-11	-28	61%
Credit management services	2	3	-33%
EBITDA	-21	-16	-31%
Cash EBITDA	-2	30	-107%
Portfolio profitability (LTM)*	18%	13%	38%

- 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, purchasing retail portfolios in the Czech Republic for PLN 1.5m.
- During H1 2020, recoveries from the other markets totalled PLN 97m, down 18% year on year. Repayments in Q2 2020 were 15 % lower than in Q1 2020, reflecting the COVID-19-induced crisis in Spain. Recoveries in Q2 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. The Group expects recoveries to improve in the coming months as the lockdown measures are lifted.
- Given the pandemic crisis and impact of the severe social and economic lockdown measures, in Spain the KRUK Group booked a portfolio write-off of PLN 37m, with PLN 39m for the entire 'other markets' segment. The reason for the PLN 25m write-off on the Spanish portfolios in Q1 2020 was an anticipated epidemic-related deterioration in future recoveries. In Q2 2020, the amount written down was PLN 12m, involving mainly corporate debt portfolios.
- In addition to the downward revaluation of purchased portfolios, a factor behind negative EBITDA was the recognition of a partial impairment loss of PLN -25m on the Spanish company acquired in 2016 (Espand). The partial impairment loss was prompted by the company's unsatisfactory performance against forecasts, despite plans to improve its performance in the future.

\* 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.

# Material legislative changes attributable to the COVID-19 pandemic that could affect the value of the Group's debt and loan portfolios

## Poland

- Pursuant to the Act on Special Solutions Related to Prevention, Counteracting and Combating of COVID-19, Other Infectious Diseases and Emergencies Caused by them and Certain Other Acts of March 31st 2020, which came into force on April 1st 2020 ('Shield 1.1'):
  - the running of procedural/court time limits was suspended until May 16th 2020,
  - court work was reorganised, e.g. open court hearings were limited to urgent cases,
  - evictions were suspended for the duration of the state of pandemic/pandemic emergency;

The estimated loss of recoveries resulting from the aforementioned changes was reflected in the accounting estimate as at the end of Q1 2020.

- Pursuant to the Act on Interest Subsidies for Bank Loans Advanced to Ensure Liquidity to Business Undertakings Affected by COVID-19 and Amending Certain Other Acts of June 19th 2020, which entered into force on June 24th 2020 ('Shield 4.0'):
  - repayment holidays were introduced – whereby repayment of both interest and principal of settlement instalments must be unconditionally suspended at a client's request for a period of three months.

The impact of this solution and KRUK's voluntary granting of client requests for repayment holidays reflecting its generally amicable approach was reflected in the accounting estimate as at the end of Q2 2020.

- Pursuant to the Act of March 8th 2020 on Special Solutions Related to Prevention, Counteracting and Combating of COVID-19, Other Infectious Diseases and Emergencies Caused by them and Certain Other Acts (Dz. U. 2020, item 568):
  - cap on non-interest costs of consumer loans to 21% till March 8th 2021 was introduced.

This was reflected by KRUK in its estimate in loan portfolios value, as well as decision made by Wonga and Novum, which temporarily reduced the sale of loan products, while introducing additional changes and restrictions to the creditworthiness assessment process.

## Romania

- Special regulation no. 32 amending and supplementing special regulation no. 30/2020 and establishing an additional social protection measure, promulgated and entered into force on March 30th 2020, prohibits enforcement against pensions until the state of exception is lifted.
- Special regulation no. 53/2020 amending and adding regulations establishing social protection measures, promulgated and entered into force on April 21st 2020, prohibits attachment of furlough benefits during the state of exception and for two months after it is lifted.

The estimated loss of court enforced collections due to the two regulations was reflected by KRUK in its estimate made at the end of Q1 and upheld at the end of Q2 2020.

## Italy

- The KRUK Group has not identified any material legislative changes attributable to the pandemic that could affect the value of the Group's debt portfolios.

## Spain

- Royal Decree-Law 16/2020 of April 28th on procedural and organisational measures to address COVID-19 in the administration of justice from March 14th (retrospectively) to the end of 2020 has prohibited business bankruptcies on creditors' petition until the end of 2020.
- The impact of both issues was reflected by KRUK in its accounting estimate as at the end of Q2 2020.

# 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 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 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 as 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 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 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.

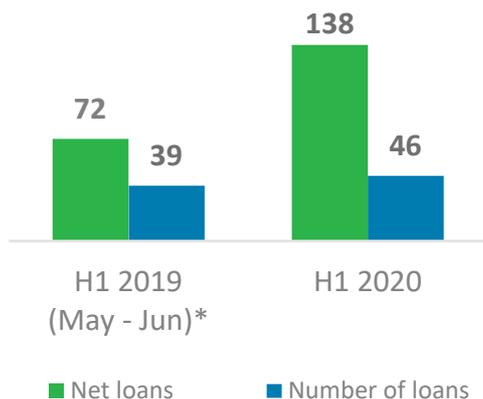
## Our activities in H1 2020

- KRUK S.A. and ERIF BIG S.A. received an ethics compliance certificate from the Ethics Committee of the Association of Financial Companies in Poland.
- 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. KRUK S.A. has implemented voicebot and chatbot solutions to serve its clients after the call center working hours.
- 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.

# Other business lines - Wonga



**Amount and number of loans**  
(PLNm, '000)



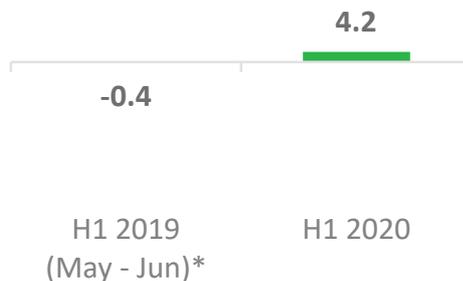
**Carrying amount of loans**  
(PLNm)



**Revenue**  
(PLNm)



**EBITDA**  
(PLNm)



- Having put its lending activity on hold after the COVID-19 outbreak, Wonga is gradually restarting the sale of loans, with additional changes made to the creditworthiness assessment process, such as the obligation to document income and assess the job loss risk for selected customer groups. Wonga further expanded its capacity to keep track of changes in debt service and liability histories, relying on external sources.
- In H1 2020, Wonga recognised a PLN 6.8m allowance for expected credit losses reflecting an anticipated adverse impact of COVID-19 on loan performance.
- As at the date of issue of H1 report, the KRUK Group identified the following legislative change as material: introduction – as part of the broader programme to mitigate the effects of COVID-19 – of a cap to 21% on non-interest costs of consumer loans for a period of one year until March 8th 2021 and up to maximum of 45% of the loan amount over the entire loan period. This is undermining the profitability of products offered by loan providers.
- All the same, 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 and the KRUK Group's performance was only affected by two months from that reporting period.

# Agenda

Introduction

Geographical segments

**Financial results**

Additional information

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

PLNm	H1 2020	H1 2019	Q1 2019	Q2 2019	Q1 2020	Q2 2020	2019	H1 20/19
<b>Purchased debt portfolios</b>								
Expenditure on debt portfolios	80	309	179	129	57	23	781	-74%
Recoveries	894	874	427	448	477	417	1 782	2%
<b>Statement of profit or loss</b>								
<b>Operating income</b>	<b>456</b>	<b>622</b>	<b>306</b>	<b>316</b>	<b>199</b>	<b>257</b>	<b>1 251</b>	<b>-27%</b>
Purchased debt portfolios	379	564	281	283	156	223	1 138	-33%
including revaluation	-200	31	25	6,8	-125	-74	61	-745%
Credit management services	27	34	18	16	14	13	52	-21%
Other products and services	50	24	7,2	16	29	21	61	108%
<b>Gross profit</b>	<b>147</b>	<b>342</b>	<b>178</b>	<b>164</b>	<b>44</b>	<b>103</b>	<b>665</b>	<b>-57%</b>
<i>Gross profit margin</i>	32%	55%	58%	52%	22%	40%	53%	
Purchased debt portfolios	154	328	170	158	33	121	661	-53%
Credit management services	-19	6	4	2	2	-21	-1	-406%
Other products and services	13	8	4	4	8	5	6	55%
<b>Administrative expenses</b>	<b>-76</b>	<b>-85</b>	<b>-40</b>	<b>-45</b>	<b>-37</b>	<b>-39</b>	<b>-178</b>	<b>11%</b>
<b>EBITDA</b>	<b>76</b>	<b>253</b>	<b>136</b>	<b>117</b>	<b>5</b>	<b>71</b>	<b>487</b>	<b>-70%</b>
<i>EBITDA margin</i>	17%	41%	45%	37%	2%	28%	39%	
<b>NET PROFIT</b>	<b>-19</b>	<b>167</b>	<b>98</b>	<b>69</b>	<b>-62</b>	<b>43</b>	<b>277</b>	<b>-111%</b>
<i>Net profit margin</i>	-4%	27%	32%	22%	-31%	17%	22%	
<i>ROE rolling</i>	5%	17%	18%	17%	6%	5%	14%	
<b>CASH EBITDA *</b>	<b>591</b>	<b>564</b>	<b>282</b>	<b>281</b>	<b>326</b>	<b>265</b>	<b>1 130</b>	<b>5%</b>

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

PLNm	H1 2020	H1 2019	Q1 2019	Q2 2019	Q1 2020	Q2 2020	2019	H1 20/19
<b>Operating income</b>	<b>456</b>	<b>622</b>	<b>306</b>	<b>316</b>	<b>199</b>	<b>257</b>	<b>1 251</b>	<b>-27%</b>
Poland	285	320	146	174	128	157	602	-11%
Romania	115	186	75	111	47	68	400	-38%
Italy	19	66	45	21	16	3	159	-71%
Other countries	37	50	39	11	9	28	91	-26%
<b>Gross profit</b>	<b>147</b>	<b>342</b>	<b>178</b>	<b>164</b>	<b>44</b>	<b>103</b>	<b>665</b>	<b>-57%</b>
<i>Gross profit margin</i>	32%	55%	58%	52%	22%	40%	53%	
<b>Administrative expenses</b>	<b>-76</b>	<b>-85</b>	<b>-40</b>	<b>-45</b>	<b>-37</b>	<b>-39</b>	<b>-178</b>	<b>11%</b>
EBITDA	76	253	136	117	4,6	71,4	487	-70%
<i>EBITDA margin</i>	17%	41%	45%	37%	2%	28%	39%	
<b>Finance income/costs</b>	<b>-70</b>	<b>-56</b>	<b>-32</b>	<b>-25</b>	<b>-49</b>	<b>-21</b>	<b>-126</b>	<b>25%</b>
Income tax	-2	-9	3,8	-13	-8	6	-37	78%
<b>Net profit</b>	<b>-19</b>	<b>167</b>	<b>98</b>	<b>69</b>	<b>-62</b>	<b>43</b>	<b>277</b>	<b>-111%</b>
<i>Net profit margin</i>	-4%	27%	32%	22%	-31%	17%	22%	

## KRUK Group – cash flows (presentation format)

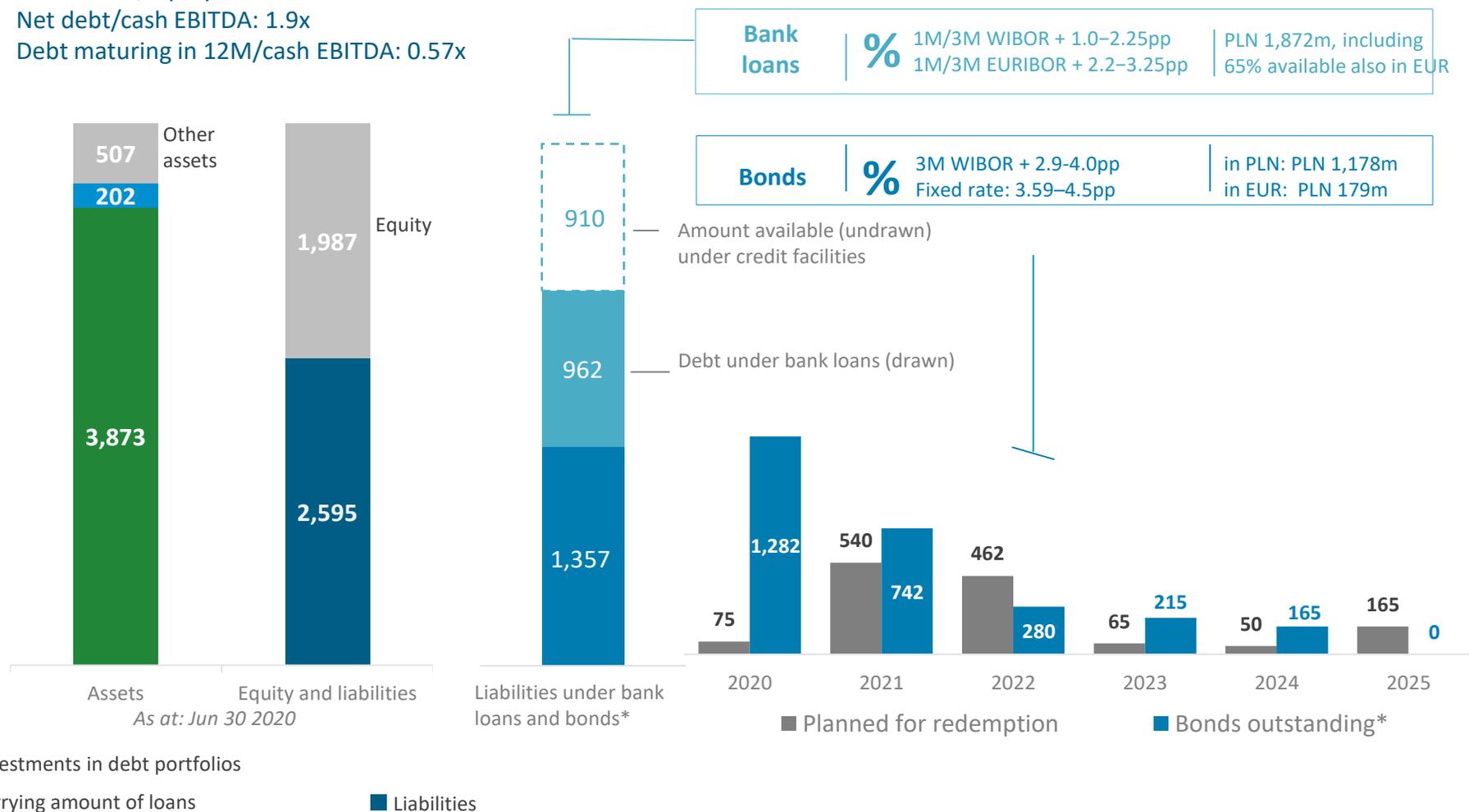
PLNm	H1 2020	H1 2019	Q1 2019	Q2 2019	Q1 2020	Q2 2020	2019	H1 20/19
<b>Cash flows from operating activities:</b>	<b>472</b>	<b>461</b>	<b>238</b>	<b>222</b>	<b>225</b>	<b>247</b>	<b>901</b>	<b>2%</b>
Recoveries from debtors – purchased debt portfolios	894	874	427	448	477	417	1782	2%
Operating costs – purchased debt portfolios	-225	236	111	126	-123	-102	-478	-195%
Operating margin – credit management	-5	5	3	2	2	-7	-1	-202%
Administrative expenses	-76	85	40	45	-37	-39	-178	-189%
Other operating cash flow	-118	-80	-38	-42	-95	-23	-225	47%
<b>Cash flows from investing activities:</b>	<b>-86</b>	<b>-395</b>	<b>-184</b>	<b>-211</b>	<b>-60</b>	<b>-26</b>	<b>-891</b>	<b>-78%</b>
Expenditure on debt portfolio purchases	-80	-309	-179	-129	-57	-23	-781	-74%
Other investing cash flow	-6	-86	-5	-81	-3	-3	-110	-93%
<b>Cash flows from financing activities</b>	<b>-285</b>	<b>171</b>	<b>-9</b>	<b>180</b>	<b>-79</b>	<b>-206</b>	<b>-7</b>	<b>-267%</b>
Issue of shares	0	0	0	0	0	0	0	-
Dividend	0	0	0	0	0	0	-95	-
Increase in borrowings and lease liabilities	572	890	353	538	271	301	2102	-36%
Issue of bonds	0	190	140	50	0	0	215	-100%
Decrease in borrowings and lease liabilities	-899	-881	-462	-419	-369	-530	-1944	2%
Redemption of bonds	-13	-50	0	-50	0	-13	-213	-74%
Other financing cash flow	56	21	-40	61	20	36	-72	167%
<b>Net cash flows:</b>	<b>100</b>	<b>236</b>	<b>45</b>	<b>191</b>	<b>86</b>	<b>15</b>	<b>3</b>	<b>-58%</b>

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

PLNm	Jun 30 2020	Mar 31 2020	Dec 31 2019
<b>ASSETS</b>			
Cash and cash equivalents	251	236	150
Investments in debt portfolios and loans	4 075	4 307	4 411
Other assets	256	293	278
<b>Total assets</b>	<b>4 582</b>	<b>4 836</b>	<b>4 840</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1 987</b>	<b>1 953</b>	<b>1 959</b>
of which: Retained earnings	1 536	1 496	1 558
<b>Liabilities</b>	<b>2 595</b>	<b>2 883</b>	<b>2 881</b>
of which: Bank borrowings and leases	1 031	1 259	1 345
Bonds	1 354	1 376	1 361
<b>Total equity and liabilities</b>	<b>4 582</b>	<b>4 836</b>	<b>4 840</b>
<b>METRICS</b>			
<b>Interest-bearing debt</b>	<b>2 385</b>	<b>2 635</b>	<b>2 706</b>
<b>Net interest-bearing debt</b>	<b>2 134</b>	<b>2 399</b>	<b>2 555</b>
Net interest-bearing debt to equity	1,1	1,2	1,3
Net interest-bearing debt to LTM cash EBITDA	1,9	2,1	2,3

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

Net debt\*\*/equity 1.1x  
 Net debt/cash EBITDA: 1.9x  
 Debt maturing in 12M/cash EBITDA: 0.57x



■ Investments in debt portfolios

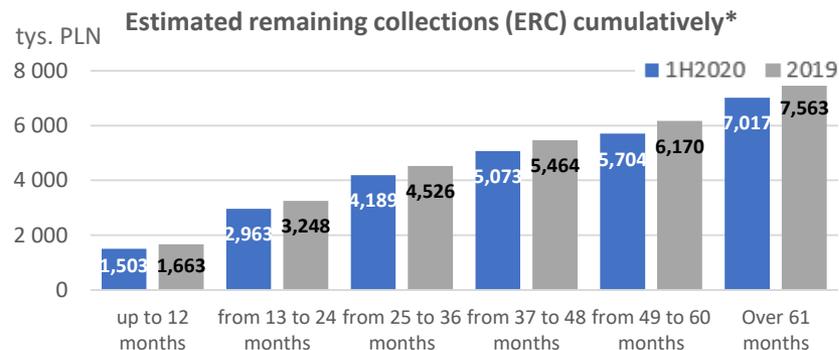
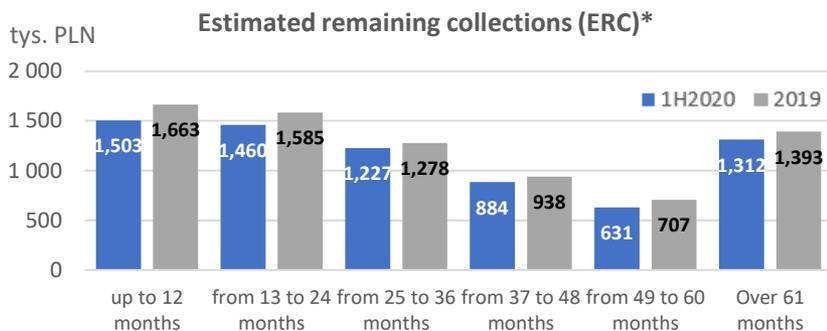
■ Carrying amount of loans

■ Liabilities

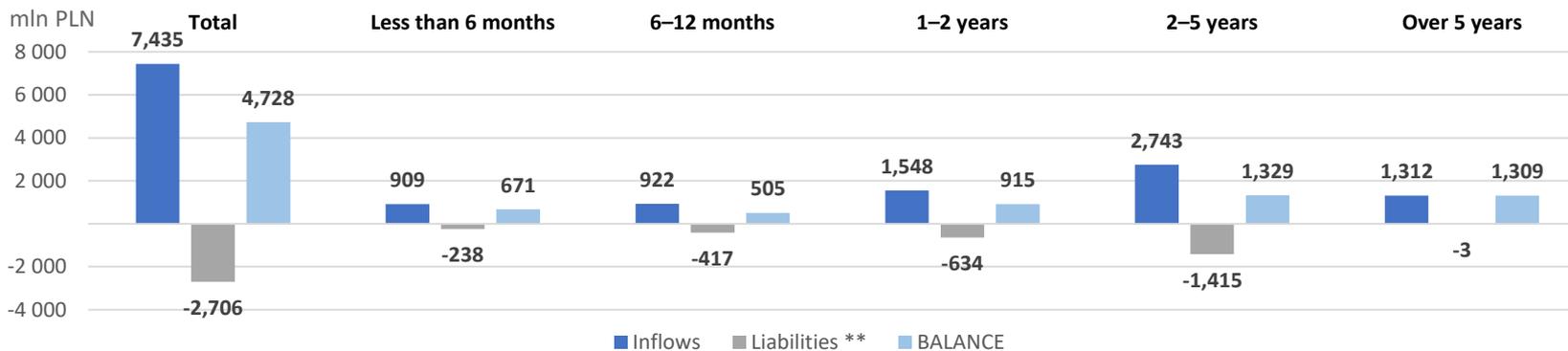
\*Nominal values as at June 30th 2020.

\*\*Net debt calculated as Borrowings, debt securities and leases decreased by Cash and cash equivalents.

# 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
<b>ERC (debt portfolios)</b>	7,016,714	714,578	788,385	1,459,687	2,741,564	1,312,499
<b>Loan repayments</b>	418,158	193,951	133,665	88,608	1,933	-
<b>Secured borrowings</b>	-1,059,950	-19,338	-15,607	-24,963	-1,000,041	-
<b>Unsecured bonds in issue</b>	-1,461,359	-96,869	-390,523	-590,554	-383,413	-
<b>Other liabilities ***</b>	-185,134	-121,513	-10,979	-18,270	-31,322	-3,050
<b>BALANCE</b>	<b>4,728,429</b>	<b>670,809</b>	<b>504,941</b>	<b>914,509</b>	<b>1,328,721</b>	<b>1,309,449</b>

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

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

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

# Agenda

Introduction

Geographical segments

Financial results

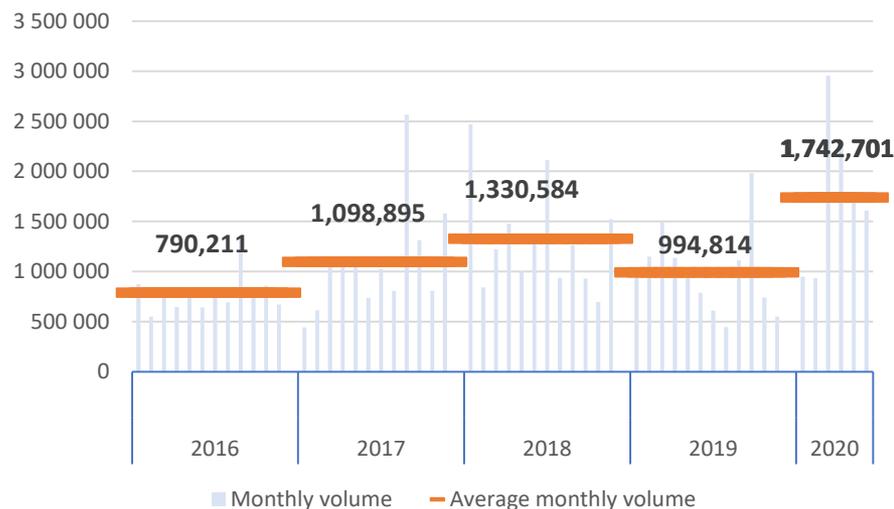
**Additional information**

# Investor Relations

## Selected IR events planned for 2020

Date	Financial statements
September 2nd	StockWatch chat with Piotr Krupa
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	Q3 2020 financial statements
November 27th	Santander 2020 Financial Sector Conference

## KRUK as the 24th most liquid stock on the WSE



## Shareholders with ownership interests above 3%\*

Shareholder	Ownership interest
OFE Nationale-Nederlanden	10.58%
Piotr Krupa	9.79%
OFE PZU Złota Jesień	9.65%
OFE Aviva Santander	9.17%
OFE MetLife	4.50%
OFE Allianz Polska	3.96%
OFE Generali	3.64%
OFE Aegon	3.01%

## Most recent recommendations

Date	Institution	Recommendation	Target price
July 2020	DM Trigon	Hold	PLN 115.00
April 2020	DM PKO BP	Buy	PLN 147.00
April 2020	DM BDM	Buy	PLN 90.00

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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