



Presentation of Q1 2017 results

KRUK Group

April 27th 2017



Agenda

Introduction

Operating activities

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KRUK begins the year with record net profit of PLN 80m, highest recoveries historically, and PLN 214m in new investments



(*) Cash EBITDA = EBITDA + recoveries from purchased debt portfolios - revenue from collection of purchased debt.
(**) At close of trading on April 25th 2017.

In Q1 2017, KRUK posted 32% year-on-year net profit growth and expanded business on new markets

Net profit

- In Q1 2017, the KRUK Group earned PLN 80.1m in net profit, the highest historically.
- Net profit rose 32% year on year, and 27% quarter on quarter.
- In Q1 alone, KRUK generated net profit close to one-third of its full-year net profit for 2016.

Cash recoveries

- Recoveries from purchased debt reached PLN 309.3m, up 43% on the previous year and up 12% on the previous quarter (Q4 2016).
- The best quarterly performance was the combined effect of a growing portfolio of sound investments and favourable macroeconomic climate.
- For the first time in the Company's history, recoveries from foreign markets were higher than recoveries of Polish debts. KRUK expects this trend to continue as the Group expands its foreign operations.

Investments in debt portfolios

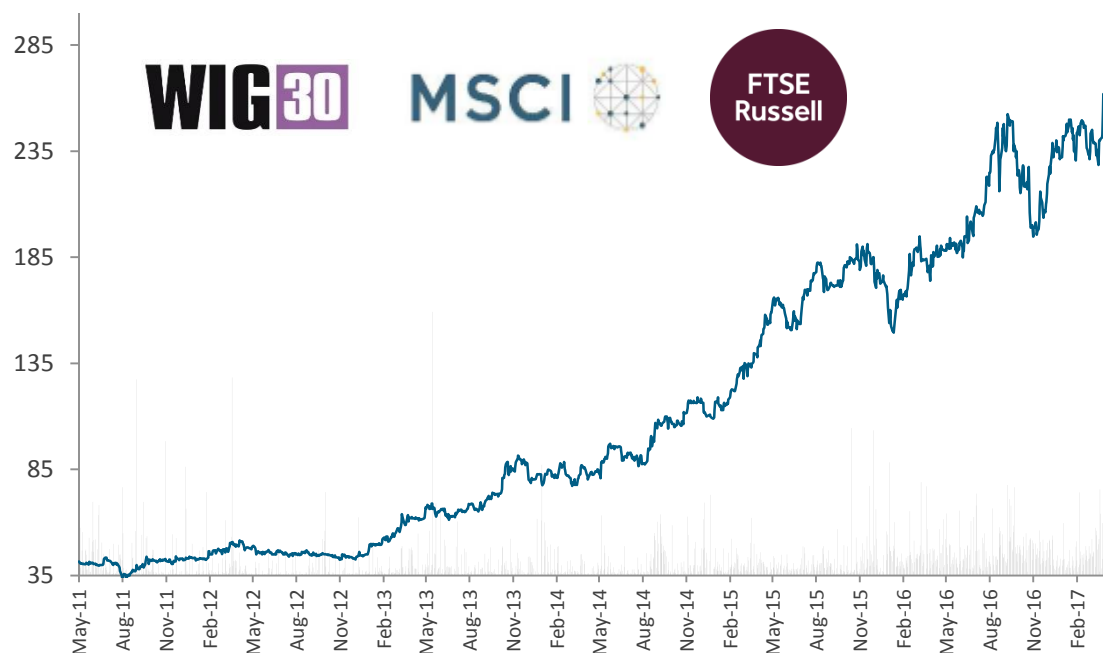
- The KRUK Group invested PLN 213.5m in 15 debt portfolios with a total nominal value of PLN 3.8bn, which was up 234% year on year and represented 17% of all investments made in 2016.
- 90% of the investments were made abroad – in Romania, the Czech Republic, Slovakia, Germany, and Italy.
- At the end of March, KRUK employed 65 people in Italy and 147 in Spain, running extensive recruitment programmes in both countries.

KRUK shares on the WSE

- In Q1 2017, the KRUK Management Board resolved to recommend to the General Meeting a dividend of PLN 2 per share (totalling approximately PLN 37.5m) to be paid from the 2016 profit.
- In March, the Company shares were selected for inclusion in the prestigious WIG30 index, and were on the short reserve list for WIG20. KRUK is the 21st most liquid stock on the Warsaw Stock Exchange and the 29th largest company in terms of market capitalisation.

For the first time ever KRUK's market capitalisation on the WSE exceeded PLN 5bn

	2011	2012	2013	2014	2015	2016	CAGR	2016 / 2011
EPS (PLN)	4.03	4.80	5.77	8.95	11.84	14.08	28.4%	3.5x
EPS growth rate	72.2%	19.1%	20.2%	55.1%	32.3%	18.9%	-	-
ROE rolling*	27.9%	25.6%	23.5%	25.9%	26.0%	24.3%	-	-
Net profit	66.4	81.2	97.8	151.8	204.3	248.7	30.2%	3.7x



KRUK shares on the WSE**

Share price	PLN 281.35
Change 1Y/3M	+52% / +12%
1Y Max/Min	PLN 284.00 / PLN 179.29
Market capitalization	PLN 5.2bn

KRUK's position on the WSE in terms of market capitalization: 29

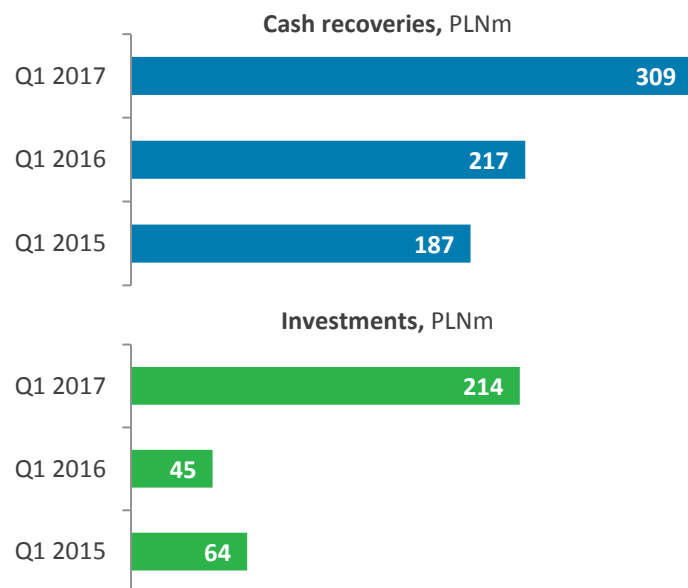
Stock trading liquidity

Average daily value of trading (yoy)	PLN 7.5m (+ 127%) or EUR 1.8m
Free float***	78.5%

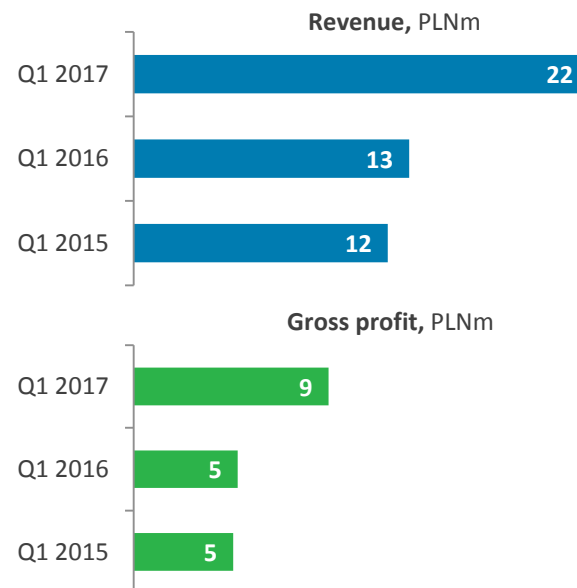
KRUK's position on the WSE in terms of liquidity: 21

Cash recoveries from purchased portfolios in excess of PLN 300m, with third party collection performance boosted by acquisition of Spanish business

Purchased debt portfolios



Third party collection and other services*



(PLNm)	Q1 2015	16/15	Q1 2016	17/16	Q1 2017	2016	q/y
Revenue	133.2	21%	160.7	58%	254.2	783.4	32%
EBIT	60.7	26%	70.2	73%	121.3	394.0	31%
Cash EBITDA	129.5	10%	142.4	41%	201.9	630.0	32%
Net profit	50.6	21%	60.9	32%	80.1	248.7	32%
ROE trailing	25.5%	-	25.1%	-	20.3%	24.3%**	-

(*) Credit reference agency services and Novum loans.
 (**) Excluding the issue of December 2016.

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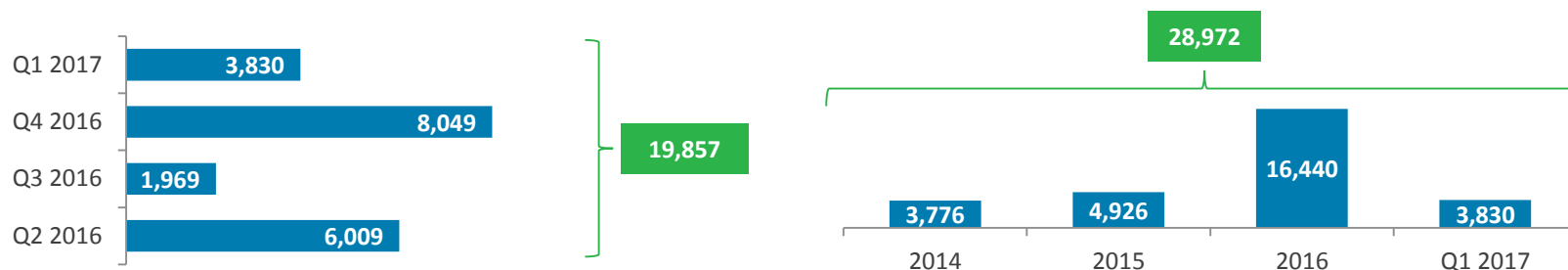
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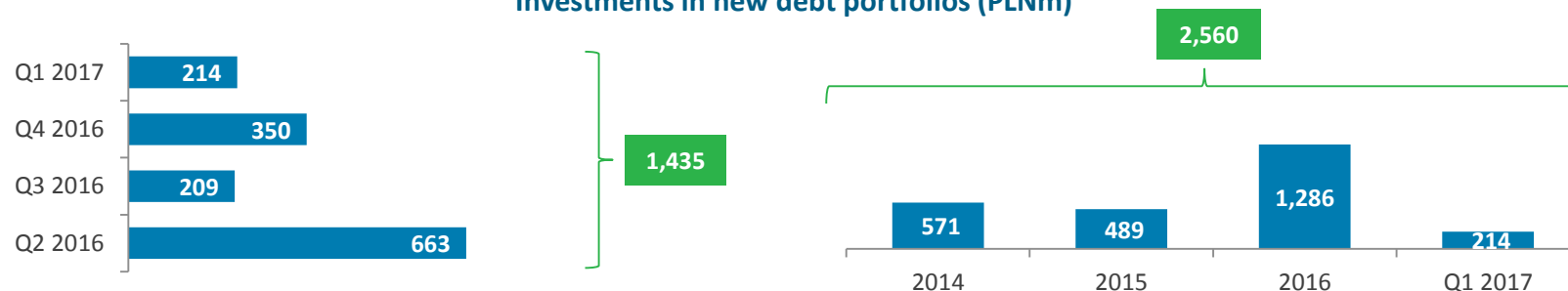
Additional information

In the first quarter KRUK invested PLN 214m, mainly outside Poland

Nominal value of purchased debts (PLNm)



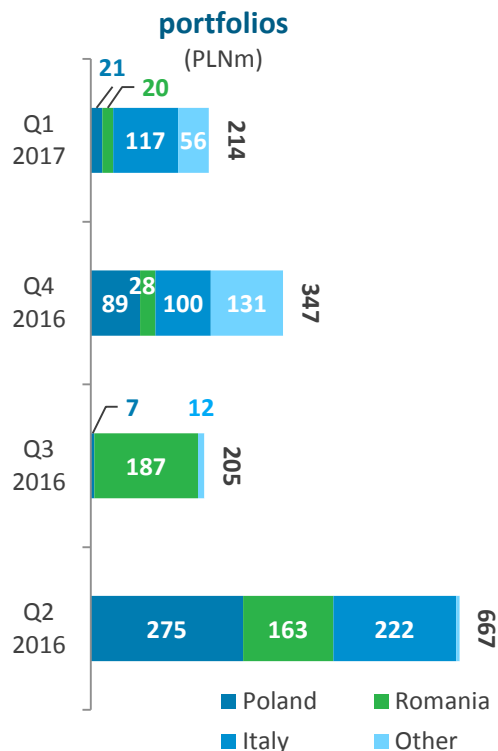
Investments in new debt portfolios (PLNm)



- In Q1 2017, the KRUK Group invested PLN 214m in 15 debt portfolios with a total nominal value of PLN 3.8bn, which was up 234% year on year and represented 17% of all investments made in 2016.
- Most of the investments (90%) were made abroad – in Romania, the Czech Republic, Slovakia, Germany, and Italy. The remaining 10% were investments in Poland.
- The KRUK Group has seen strong supply of debt portfolios.

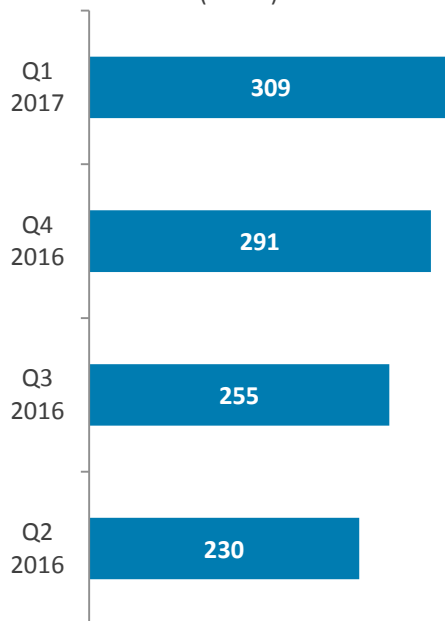
Recoveries for last four quarters totalled PLN 1.1bn, driven by strong operational efficiency and favourable macro environment

KRUK's investments in debt



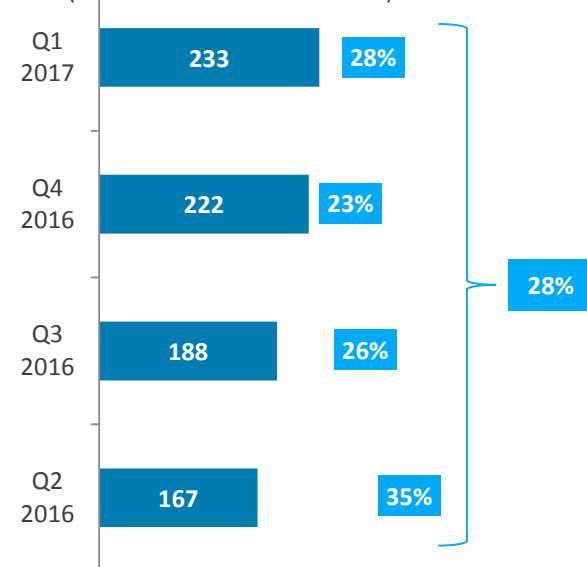
- Investments were further diversified, with domestic investments representing around 10% of the total and foreign investments accounting for the remaining 90%.

Recoveries (PLNm)



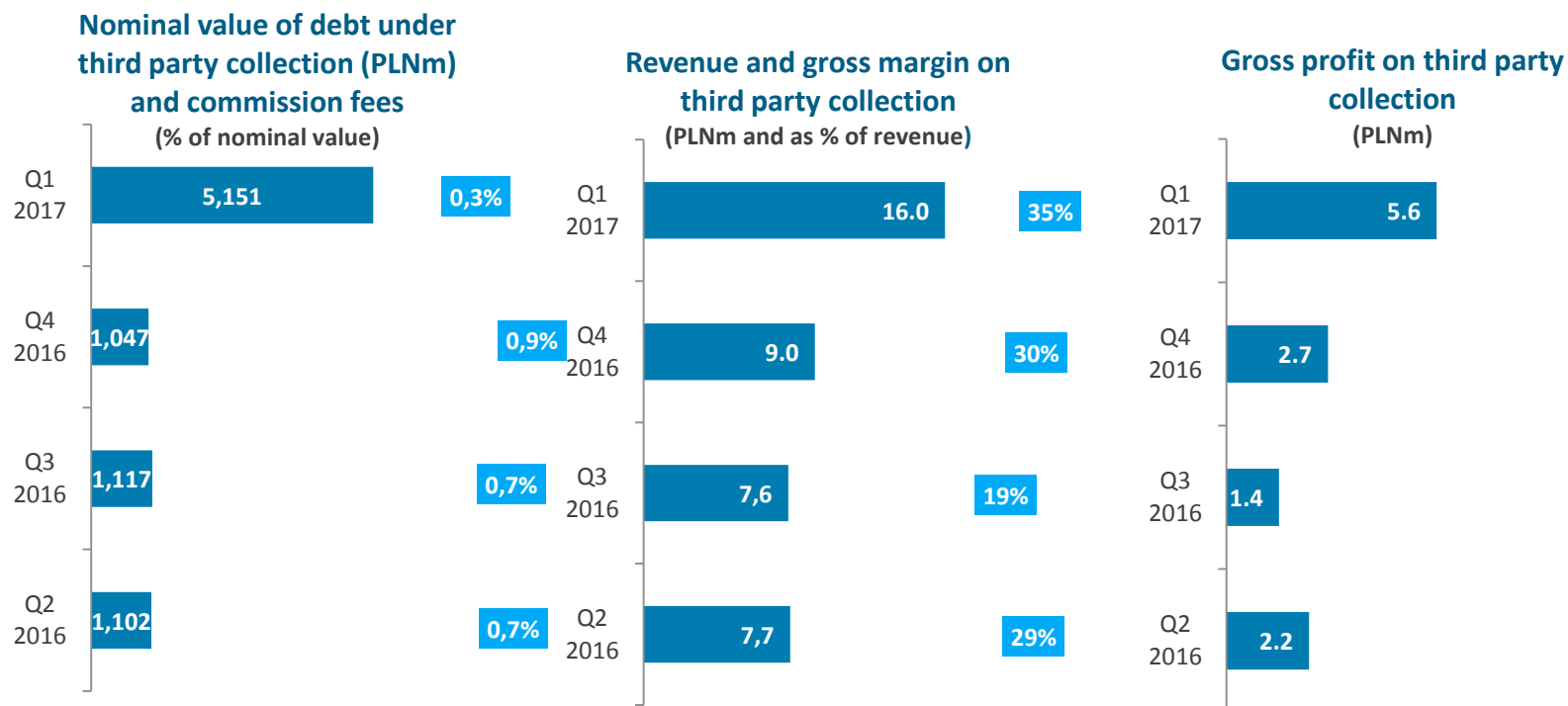
- In Q1 2017, KRUK's monthly average recoveries reached PLN 100m.
- The macroeconomic situation in Poland and Romania has had a positive effect on recoveries.

Revenue from purchased portfolios and costs (PLNm and as % of recoveries)



- KRUK maintains high operational efficiency and a low cost to recoveries ratio, despite a growing number of cases handed over for court or bailiff action.
- The low cost to recoveries base in Q4 2016 follows from a change of allocation of deferred tax liabilities to income tax.

KRUK reports strong growth of third party collection business following acquisitions in Spain and Italy

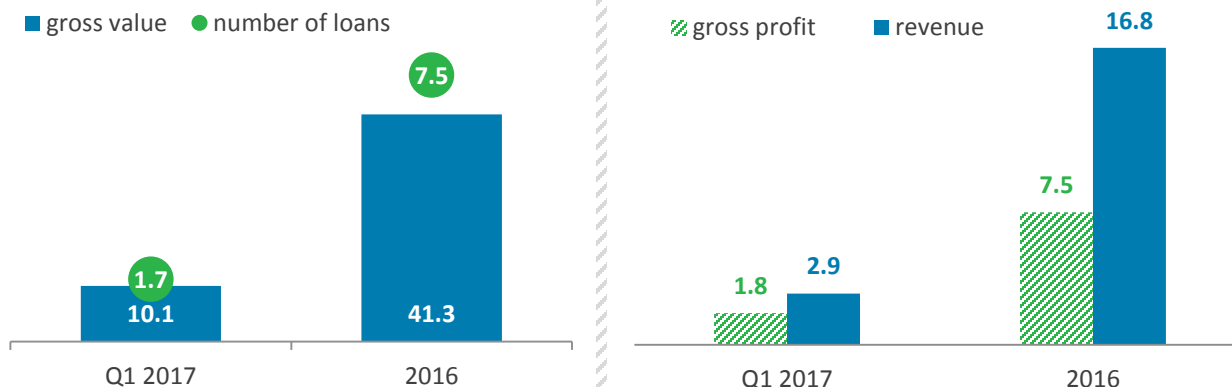


- The strong growth in the nominal value of debt under management and in related revenue and gross profit in Q1 2017 was led by acquisition of third party collection companies in Spain (Espand Group) and Italy (Credit Base) in late 2016.
- In other countries, the third party collection business remained broadly unchanged compared to prior periods.

ERIF BIG and NOVUM produce solid margins, providing important support to core business

Novum – performance highlights

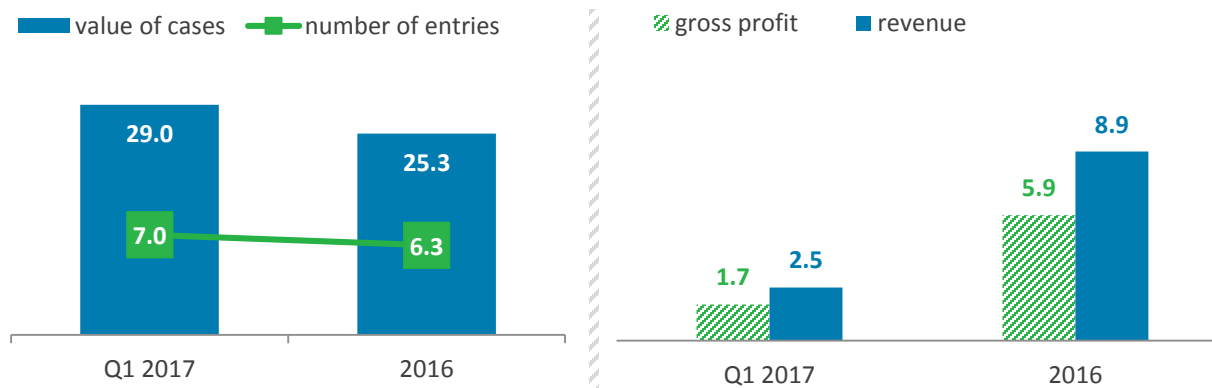
(in PLNm and thousands of loans)



- The loan business generated a margin of 62% in Q1 2017.
- The revenue increase in 2016 followed from a change in the revenue recognition method resulting in recognition of one-off revenue (PLN 5.3m).
- NOVUM continues to expand its loan business on the open market in Poland and on the internal market in Romania.

ERIF Biuro Informacji Gospodarczej – performance highlights

(in PLNm and thousands of cases)



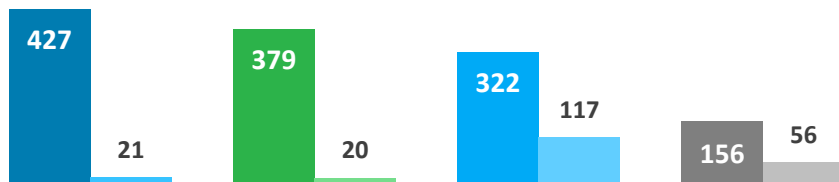
- ERIF BIG's revenue for Q1 2017 reached PLN 2.5m, with a robust margin of 68%.
- ERIF contains more than 4.6m positive credit entries, accounting for 66% of all information in the database.

KRUK Group continues to expand Italian and Spanish operations

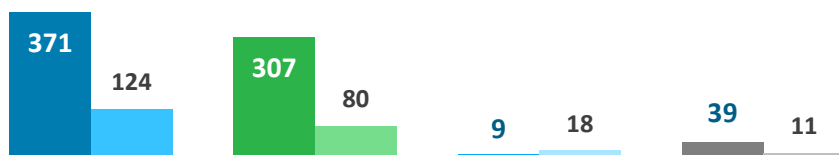
Poland	Romania	Italy	Other
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Investments in debt portfolios (PLNm)

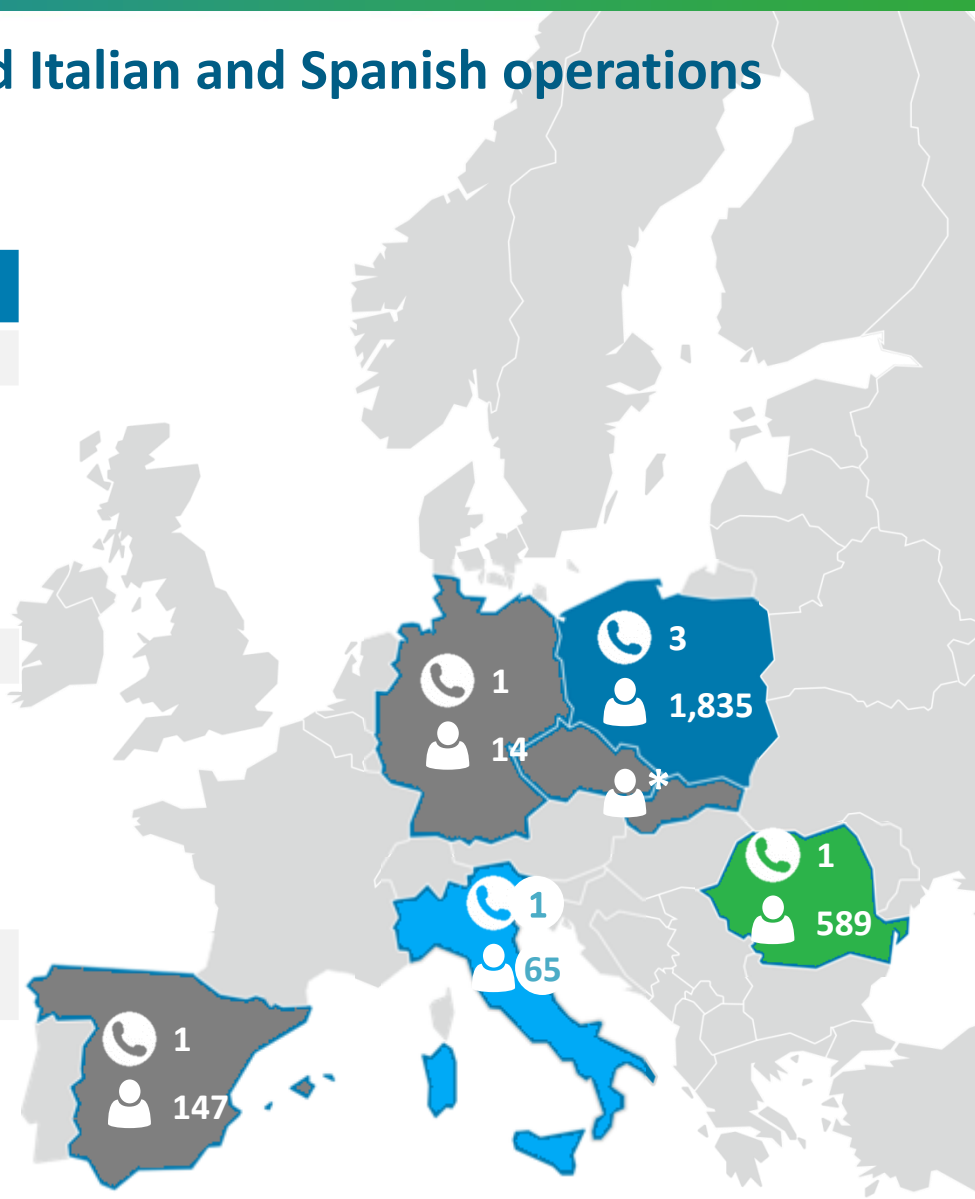
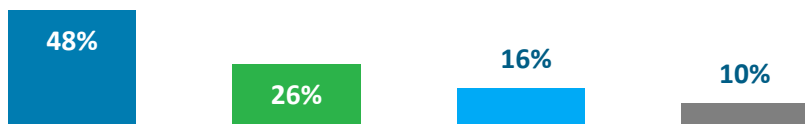
■ 2016r. ■ Q1 2017



Revenue from purchased portfolios (PLNm)



Debt portfolios carrying value at March 31st 2017,
TOTAL: PLN 2.7bn



(*) Czech Republic and Slovakia: headcount of 197, 1 CC

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KRUK – fast-growing and highly profitable business with strong cash flows

PLNm	Q1 2017	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	Q1 17/ 2016	Q1 17/ Q1 16
Purchased debt portfolios								
Investments in debt portfolios	213.5	64.1	663.4	208.5	349.9	1,285.9	17%	233%
Recoveries	309.3	216.9	229.6	255.4	290.5	992.4	31%	42%
Statement of profit or loss								
Revenue	254.2	160.7	180.4	201.2	241.1	783.4	32%	58%
Revenue from purchase debt portfolios	232.7	148.0	167.4	188.1	221.4	724.9	32%	57%
including revaluation	18.8	23.9	11.0	17.0	32.3	84.2	22%	-21%
Revenue from third party collection	15.8	8.0	7.7	7.6	8.9	32.2	49%	98%
Revenue from other products and services	5.7	4.7	5.3	5.6	10.7	26.3	22%	20%
Gross profit	156.8	96.3	91.3	124.5	164.5	476.6	33%	63%
<i>Gross margin</i>	62%	60%	51%	62%	68%	61%	-	--
Purchased debt portfolios	147.6	91.4	87.2	121.8	153.9	454.3	32%	61%
Third party collection	5.6	2.6	2.2	1.4	2.7	8.9	63%	115%
Other products and services	3.6	2.3	1.8	1.4	7.9	13.4	27%	57%
Administrative expenses	-30.4	-22.7	-25.8	-28.8	-40.0	-117.3	-26%	34%
including the cost of stock options	-2.0	-1.9	-2.0	-1.9	-1.9	-7.7	-26%	5%
EBITDA	125.3	73.5	64.3	94.6	130.2	362.6	35%	70%
<i>EBITDA margin</i>	49%	46%	36%	47%	54%	46%	-	-
NET PROFIT	80.1	60.9	50.4	74.4	63.0	248.7	32%	32%
<i>Net profit margin</i>	32%	38%	28%	37%	26%	32%	-	-
<i>ROE trailing</i>	20%	25%	23%	24%	24%	24%	-	-
CASH EBITDA*	201.9	142.4	126.4	161.9	199.3	630.0	32%	42%

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	Q1 2017	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	Q1 17/ 2016	Q1 17/ Q1 16
Revenue	254.2	160.7	180.4	201.2	241.1	783.4	32%	58%
Poland	135.7	86.0	88.0	110.0	139.8	423.8	32%	58%
Romania	81.7	66.0	77.0	78.8	90.1	311.9	26%	24%
Italy	19.4	8.7	15.4	12.4	11.2	9.1	213%	323%
Other countries	17.4					38.6	45%	
Gross profit	156.8	96.3	91.2	124.5	164.6	476.6	33%	63%
<i>Gross margin</i>	62%	60%	51%	62%	68%	61%		3%
Administrative expenses	-30.4	-22.7	-25.8	-28.8	-40.0	-117.3	26%	34%
EBITDA	125.3	73.5	64.3	94.6	130.2	362.6	35%	70%
<i>EBITDA margin</i>	49%	46%	36%	47%	54%	46%	-	-
Finance income/costs	-39.7	-10.2	-9.9	-17.9	-24.7	-62.7	63%	289%
of which: FX differences	-20.4*	2.1	3.5	0.3	-6.1	-0.3	>100%	-
Net profit	80.1	60.9	50.4	74.4	63.0	248.7	32%	32%
<i>Net profit margin</i>	32%	38%	28%	37%	26%	32%	-	-

(*) In 1Q 2017 KRUK Group calculated significant currency differences in intergroup bonds

Source: KRUK S.A.

The KRUK Group – strong cash flows ensuring high liquidity of the business

PLNm	Q1 2017	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	Q1 17/ 2016	Q1 17/ Q1 16
Cash flows from operating activities:	123.0	107.0	205.8	76.5	182.8	572.1	21%	15%
Recoveries – purchased debt portfolios	309.3	216.9	229.6	255.3	290.6	992.4	31%	43%
Operating costs – purchased debt portfolios	-85.2	-56.6	-69.8	-76.4	-67.4	-270.2	32%	51%
Operating margin – third party collection	5.6	2.6	2.2	1.6	2.5	8.9	63%	115%
Administrative expenses	-30.4	-22.7	-25.8	-28.8	-40.0	-117.3	26%	34%
Other operating cash flow	-76.3	-33.2	4.6	-10.3	-2.8	-42.0	180%	128%
Cash flows from investing activities:	-215.5	-67.5	-671.1	-211.7	-411.1	-1 361.4	16%	219%
Investments in debt portfolios	-213.5	-64.1	-663.4	-208.5	-349.9	-1 285.9	17%	233%
Other investing cash flow	-2.0	-3.4	-7.7	-3.2	-61.2	-75.5	3%	-41%
Cash flows from financing activities	-26.7	-111.2	534.0	122.5	370.6	915.9	-3%	-76%
Issue of shares	0.0	0.0	0.0	0.0	215.0	215.0	-	-
Increase in borrowings and lease liabilities	261.0	239.9	522.0	343.4	485.1	1 590.4	16%	9%
Issue of bonds	0.0	169.2	288.7	150.4	225.0	833.3	0%	-100%
Decrease in borrowings and lease liabilities	-261.8	-406.4	-373.2	-276.0	-501.3	-1 557.0	17%	-36%
Redemption of bonds	-60.0	-84.0	0.0	0.0	-70.0	-154.0	39%	-29%
Other financing cash flow	34.1	-34.6	96.5	-95.2	16.8	-16.5	-	-
Net cash flows:	-119.2	-71.7	68.7	-12.7	142.3	126.6	-94%	66%

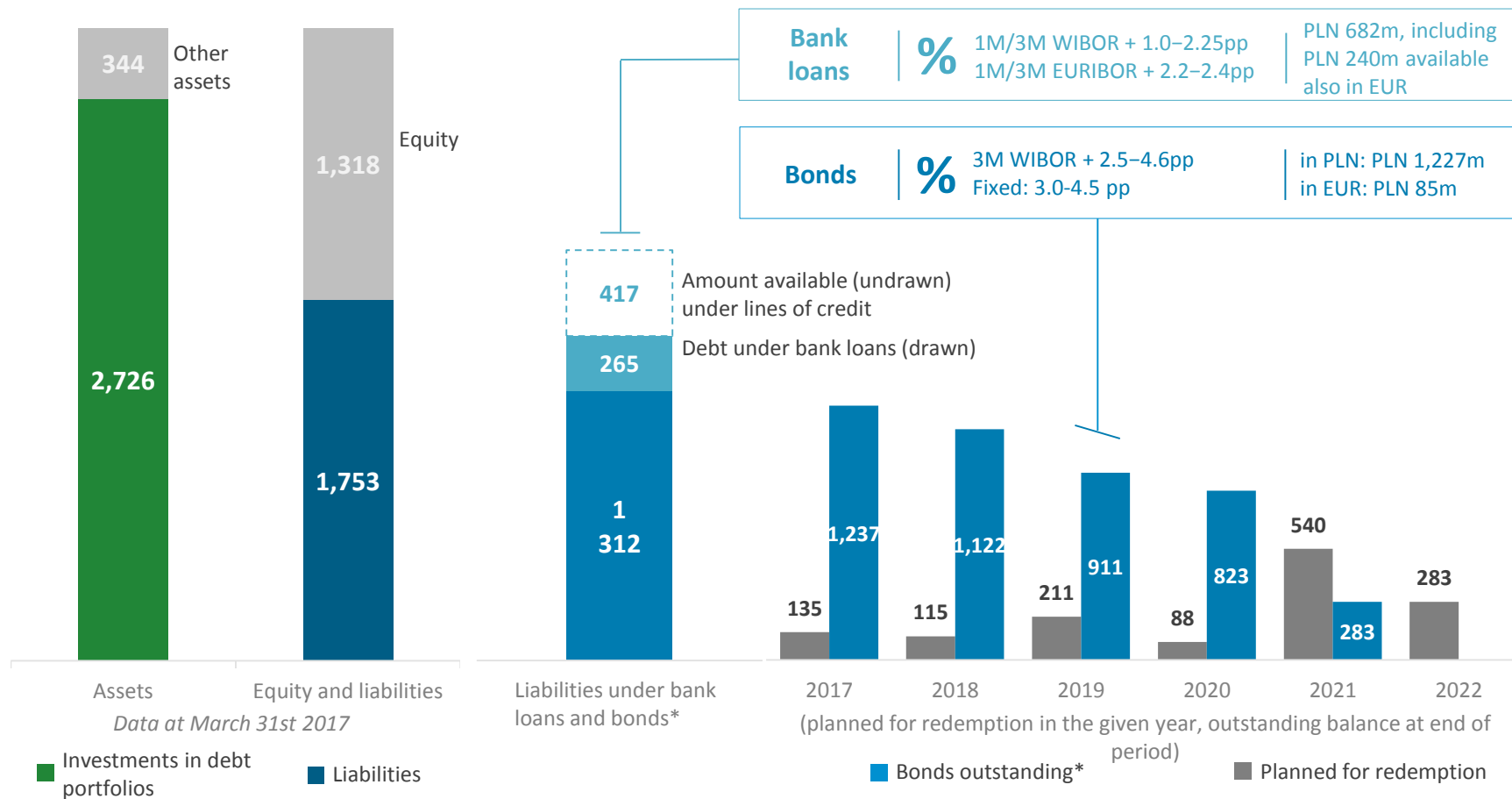
The KRUK Group – selected items of the balance sheet (presentation format)

PLNm	Mar 31 2017	Dec 31 2016	Mar 31 2016
ASSETS			
Cash and cash equivalents	148.2	267.4	69.0
Investments in debt portfolios and loans	2,764.3	2,676.2	1,622.5
Other assets	157.6	152.1	81.7
Total assets	3,070.1	3,095.7	1,773.2
EQUITY AND LIABILITIES			
Equity	1,317.5	1,237.5	853.7
including: Retained earnings	934.5	854.4	702.1
Liabilities	1,752.6	1,858.2	919.5
including: Borrowings and leases	279.1	266.6	78.7
Bonds	1,311.6	1,371.7	773.2
Total equity and liabilities	3,070.1	3,095.7	1,773.2
METRICS			
Interest-bearing debt	1,581.4	1,638.3	851.9
Net interest-bearing debt	1,433.2	1,370.9	782.8
Net interest-bearing debt to equity	1.1	1.1	0.9
Interest-bearing debt to 12-month cash EBITDA	2.1	2.2	1.5

KRUK has room to leverage its balance sheet and good access to debt to fund further investments

Net debt/equity: 1.1x

Net debt/cash EBITDA: 2.1x



* Nominal value.

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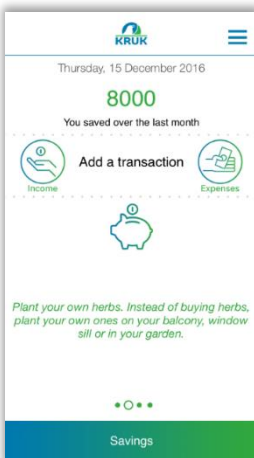
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Marketing and PR initiatives in Q1 2017



- Education: educational workshops for beneficiaries of Municipal Social Welfare Centres and Municipal Family Assistance Centres; educational classes at schools; videos, comic strips, a board game and an educational app.
- Television advertising campaign in Romania; idea placement in a Polish TV show 'Ojciec Mateusz' and advertising campaigns run in Poland.
- Day without Debts – 8th edition in Poland, 7th in Romania, 5th in the Czech Republic and 4th in Slovakia.
- Rebranding (new name and logo) of ERIF Biuro Informacji Gospodarczej S.A.
- Conferences for business partners organised by the KRUK Group in Poland, Romania, and the Czech Republic.
- First employer branding billboard campaign in Szczawno-Zdrój and Piła.
- Implementation of new websites, including KRUK main web page.
- Official opening of the operating branch in Piła and new head office in Targoviste; 10th anniversary of the Szczawno-Zdrój branch.

IR events

Financial statements release dates in 2017

Date	Financial statements
February 27th	2016 full-year financial statements
April 27th	Q1 2017 financial statements
September 6th	H1 2017 financial statements
October 29th	Q3 2017 financial statements

Selected IR events planned for 2017

Date	Event
March 1st-2nd	J.P. Morgan Conference in London
March 7th	„Debt Purchase" Seminar in Oslo
March 20th	„Debt Collectors Day" Conference in Stockholm
March 21st-22nd	„PKO BP Polish Capital Market," Conference in London
March 27th-28th	Roadshow in continental Europe
May 17th-19th	Roadshow in the USA
June 2nd-4th	„WallStreet 2017" Conference for retail investors in Karpacz
June 8th	„Wood Emerging Europe Financials" Conference in Warsaw
September 14th-15th	Roadshow in Paris and London
September 21st-22nd	Roadshow in the USA
October 6th	mBank Conference in Warsaw
October 12th-13th	ERSTE Conference in Stegersbach
December 6th-7th	„Wood's Winter in Prague" Conference

Most recent stock recommendations

Date	Institution	Recommendation	Price target
April 2017	Trigon DM	<i>buy</i>	PLN 290.0
March 2017	JP Morgan	<i>buy</i>	PLN 294.0
March 2017	Erste Group	<i>buy</i>	PLN 301.0

For more details, go to:

<https://en.kruk.eu/investor-relations/reports/analytical-reports>

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