



# KRUK Group Presentation

Q1 2017



# Agenda

## Introduction

Operating activities

Market position

Financial performance

Strategy and summary

Appendices

# KRUK Group – Leader of the attractive debt collection market

## Market leader in Central Europe with the ambition to be a key player in Europe

- Poland – market leader with over 19 years of operating history
- Romania – debt purchase market leader with 10 years of operating history
- Czech Republic and Slovakia – successful market entry in 2011
- Germany – market entry in 2014, first portfolios purchased in 2015
- Italy, Spain – market entry in 2015, first portfolio purchased in Italy (2016 in Spain)

## Young and attractive market

- The young European debt purchase market has been growing at a brisk pace for the past few years.
- The KRUK Group has purchased debt portfolios for over a decade now, and is among the most experienced market players.
- Banks are increasingly looking to sell their non-performing consumer loans, and the market is expanding into new mortgage and corporate debt sale segments.

## Competitive advantage

- KRUK enjoys a competitive advantage thanks to:
  - its innovative amicable settlement approach supported by media campaigns
  - combination of third party collection with debt purchase business
  - long-standing experience in debt portfolio valuation, purchase and management
  - unique corporate culture

## Strong performance

- KRUK grows much faster than the market – net profit CAGR of 45% in 2007–2016
- ROE at 24%\* in 2016
- KRUK's business generates stable cash flows – cash EBITDA\*\* of PLN 630m in 2016, 20% growth yoy.

## Stable team of performance-driven staff

- The founding shareholder and President of the Management Board of KRUK S.A., together with a supporting team of managers, have been leading the business for over a dozen years.
- The President and members of the Management Board of KRUK S.A. jointly hold 12% of its shares.

(\*) Excludes the PLN 215m share issue in December 2016

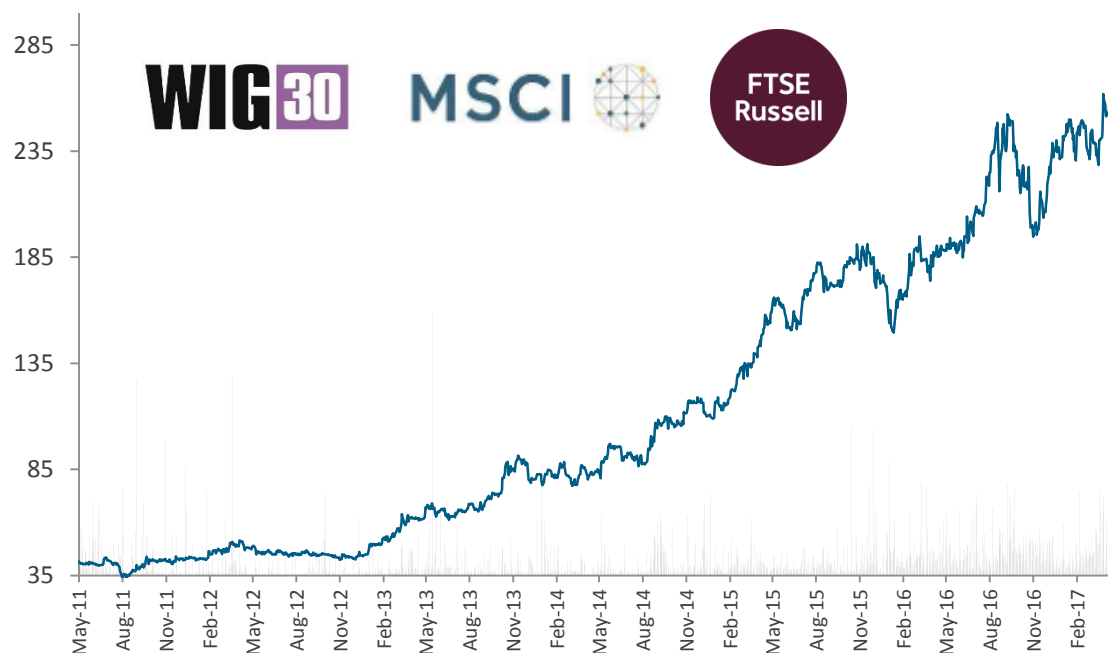
(\*\*) Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt

# We help our clients pay their debts



# 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	<b>14.08</b>	<b>28.4%</b>	<b>3.5x</b>
EPS growth rate	72.2%	19.1%	20.2%	55.1%	32.3%	<b>18.9%</b>	-	-
ROE rolling*	27.9%	25.6%	23.5%	25.9%	26.0%	<b>24.3%</b>	-	-
Net profit	66.4	81.2	97.8	151.8	204.3	<b>248.7</b>	<b>30.2%</b>	<b>3.7x</b>



## 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**

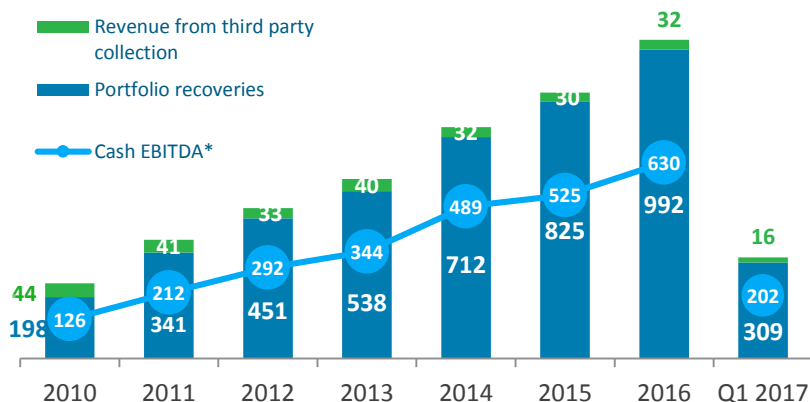
## Stock trading liquidity

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

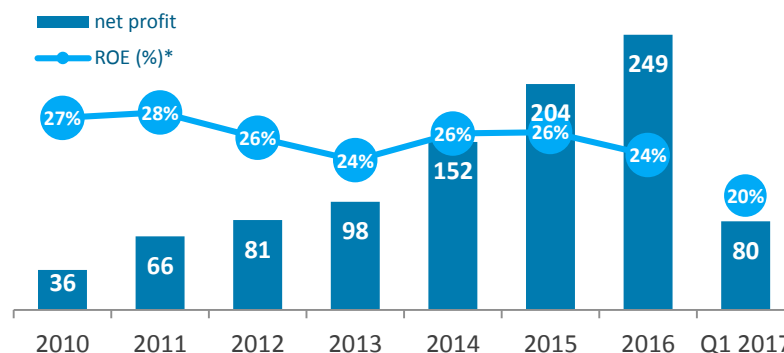
**KRUK's position on the WSE in terms of liquidity: 21**

# Another year of solid performance growth combined with high return on equity

Cash from debt collection activities (PLNm)



Financial performance (PLNm)



PLNm	2007	2016	Q1 2017	FY2017 /2016	CAGR '07-'16
Revenue	63.6	783.4	254.2	28%	32%
EBIT	11.5	349.0	121.3	39%	46%
Cash EBITDA	34.2	630.0	201.9	20%	38%
Net profit	8.7	248.7	80.1	22%	45%

	2007	Q1 2017	'16/'07
Number of debt cases managed at year end, in millions (purchased debt portfolios)	0.7	6.2	8.9x
Nominal value of debt cases managed at year end, in PLN billions (purchased debt portfolios)	1.6	47.1	29.4x
Accumulated recoveries from purchased debt portfolios (PLNm)	157	4.789	-
Number of employees***	751	2.748	3.7x

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

(\*\*) Return on equity at year end, excluding the share issue of December 2016.

(\*\*\*) Including personnel under employment contracts and civil law contracts, reflected in Company's cost.

# The Management Board of KRUK S.A. and its management personnel – the most experienced team on the market



**Piotr Krupa,**  
*President of the  
Management Board*

Founding shareholder and President of the Management Board since 1998



**Michał Zasępa,**  
*Management Board  
Member, Finance and  
Risk*

Member of the KRUK Supervisory Board 2005-2010. Joined the Management Board in 2010, responsible for finance, risk, portfolio valuations and investor relations.



**Agnieszka Kułton,**  
*Management Board  
Member, Purchased  
Portfolio Operations*

Joined KRUK in 2002, initially as debt trading and third party collection manager; between 2003 and 2006 served as Third Party Collection Director. Member of the Management Board since 2006.



**Urszula Okarma,**  
*Management Board  
Member, Portfolio  
Purchases and Third  
Party Collection*

With KRUK since 2002, as Director of the Telephone Collection Department, and Director of the Financial Institutions Division. Member of the Management Board since 2006.



**Iwona Słomska,**  
*Management Board  
Member, Human  
Resources, Marketing  
and Public Relations*

With KRUK since 2004, initially as Marketing and PR Director; since 2009 also responsible for HR as Member of the Management Board.

## Stable team of performance-driven managers

- Management Board Members' average tenure: 14 years
- 50 managers with more than 10 years of service at KRUK
- 12% of shares held by Management Board members
- Share option plan for 2015-2019 covers 120 employees and the Board Members
- Strong staff development culture – significant focus on personnel training and development

# Experienced members of the KRUK Supervisory Board and stable shareholder structure

## Piotr Stępnia

*Chairman of the Supervisory Board*

**Current positions:** Supervisory Board Member at FM Bank S.A., Skarbiec Asset Management Holding S.A., ATM Grupa S.A.

**Experience:** President of the Management Board of GETIN Holding S.A., Vice-President of the Management Board of Lukas Bank S.A.

**Education:** Guelph University (Canada), Ecole Supérieure de Commerce de Rouen (France), Purdue University (USA).

## Katarzyna Beuch

*Member of the Supervisory Board*

**Current positions:** Santander Consumer Bank.

**Experience:** Bank Zachodni S.A., Ernst & Young Audit, Management Board Member at GETIN Holding S.A.

**Education:** Wrocław University of Economics (Poland), Association of Chartered Certified Accountants (ACCA).

## Tomasz Bieske

*Member of the Supervisory Board*

**Experience:** Dresdner Bank, co-founder of Artur Andersen Poland, former Head of Financial Markets Group at Ernst & Young.

**Education:** University of Cologne (Germany), chartered auditor.

## Arkadiusz Orlin

## Jastrzębski

*Member of the Supervisory Board*

**Current positions:** Supervisory Board Member at Forte S.A., Koelner S.A., Atlanta Poland S.A., Polish Energy Partners S.A., Comp S.A., Integer.pl S.A.

**Experience:** West Merchant Bank London, Raiffeisen Polska, Innova Capital Europa Środkowa, Hexagon Capital Polska, Red Point Publishing.

**Education:** Warsaw School of Economics (Poland), investment adviser, CFA and SFA.

**Current positions:** President of the Management Board of Magellan S.A. and Magellan Slovakia s.r.o., Supervisory Board Member at MedFinance Magellan s.r.o.

**Experience:** Manager at IFFP.

**Education:** Łódź University of Technology (Poland), Warsaw School of Economics (Poland), PAM Center University of Łódź, University of Maryland.

**Current positions:** President of the Management Board and General Director at Rathdowney Resources

**Experience:** Management Board Member at Kulczyk Holding, Regional Director at Euronet Worldwide, partner at Horton International, adviser to the President of the Management Board of PGE

**Education:** John F. Kennedy School of Government (USA), Harvard University (USA), Tufts University (USA).

**Current positions:** President of BGŻ Bank, Management Board Member of the American Chamber of Commerce in Poland, adviser to the Management Board of Deloitte Polska, Supervisory Board Member at Gothaer TU

**Experience:** Citibank, President of Raiffeisen Bank Polska, President of Bank BPH S.A.

**Education:** Webster University (Austria), NY University (USA).

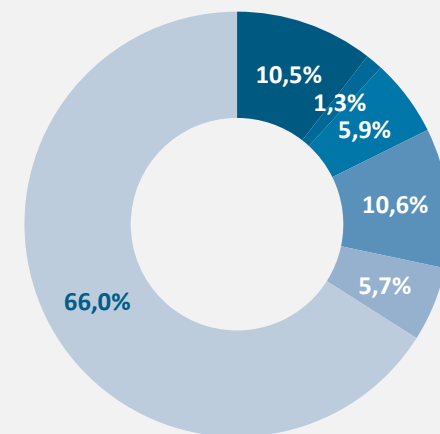
## Robert Koński

*Member of the Supervisory Board*

## Józef Wancer

*Member of the Supervisory Board*

## Stable shareholder structure



- Piotr Krupa
  - Other members of the Management Board
  - Aviva Open-Ended Pension Funds
  - Nationale Nederlanden Open-Ended Pension Funds
  - Generali Open-Ended Pension Funds
  - Other
- 12% of the shares are held by Piotr Krupa and KRUK Management Board Members.
  - Polish Pension Funds hold some 37% of the shares in KRUK S.A.
  - Polish-based investment fund management companies hold some 20% of the Company shares.
  - Active foreign investors – institutional investors from Europe and the USA.
  - Share option plan for 2015-2019 covers over 120 employees and the Board Members



# KRUK Group – milestones and business model

## KRUK Group's milestones – innovation leader

<b>2000</b>	Launch of the third party collection business
<b>2001</b>	Introduction of the <i>success only fee</i> in CMS
<b>Debt portfolio market emerges – decision to raise new equity</b>	
<b>2003</b>	KRUK the CMS market leader Enterprise Investors invests USD 21m (PEF IV) Purchase of first debt portfolio
<b>2005</b>	First securitisation process in Poland, Branch opened in Wałbrzych
<b>Decision to replicate business model outside of Poland</b>	
<b>2007</b>	Entry into the Romanian market
<b>Innovative approach to debtors</b>	
<b>2008</b>	Amicable settlement solutions (voluntary debt settlement or litigation) introduced on a mass scale
<b>2010</b>	Legislative change – operation of Rejestr Dłużników ERIF Advertising in media – tool for mass communication
<b>Increased supply of non-performing debt</b>	
<b>2011</b>	IPO on the WSE, Entry into the Czech and Slovakia market
<b>2014</b>	Acquisition of the first large mortgage-back debt portfolio Entry into the German market
<b>2015</b>	Acquisition of the first portfolios in Germany and Italy
<b>2016</b>	Acquisition of servicing companies in Spain and Italy Record investments of PLN 1.3 bn, mostly in Poland, Romania, and Italy

## KRUK Group's business model



# Unique debt collection strategy

## LARGE-SCALE AMICABLE SETTLEMENT STRATEGY

- KRUK as a **friendly institution**, helping with debt settlement issues; encouragement to contact KRUK
- **Instalment-based repayment** is the Company's key operating strategy
- Extensive field **adviser network**
- Use of **ERIF BIG** (ERIF Credit Information Bureau) to maintain payment discipline



**OBJECTIVES:**  
Fostering KRUK's image as a supportive, amicable, but also consistent debt collector  
**COMPANY PERCEPTION:**  
KRUK is a solution, not a problem

- KRUK's advertising campaign (with an educational and image-building agenda), run in the press, on the Internet and TV, as well as the Idea Placement initiative targeted at indebted persons were both globally-unique solutions
- Guides for debtors published in the press
- Participation in loyalty programme

### Improved efficiency

Amicable settlement improves effectiveness by 10-20% on the typical approach.

### Improved cost efficiency

Thanks to amicable settlements, the Company does not have to contact debtors as often. In 2016, the share of costs in recoveries was 27%.

### Stable cash flows

Repayments under settlements are more stable and predictable than those made on the basis of verbal declarations. In 2016, the share of repayments under settlements was more than a half.

### The highest awareness of KRUK brand

KRUK has the highest brand awareness of the debt management companies: in Poland total recognition of 55%, in Romania 69%, in Czech Republic 16%, in Slovakia 21%.

# Consistent approach to debtors – tools

## ERIF Economic Information Bureau and Raven Law Firm



ERIF collects and provides information on debtors, as well as on consumers who are timely payers. There are only three such credit information bureaus in Poland.



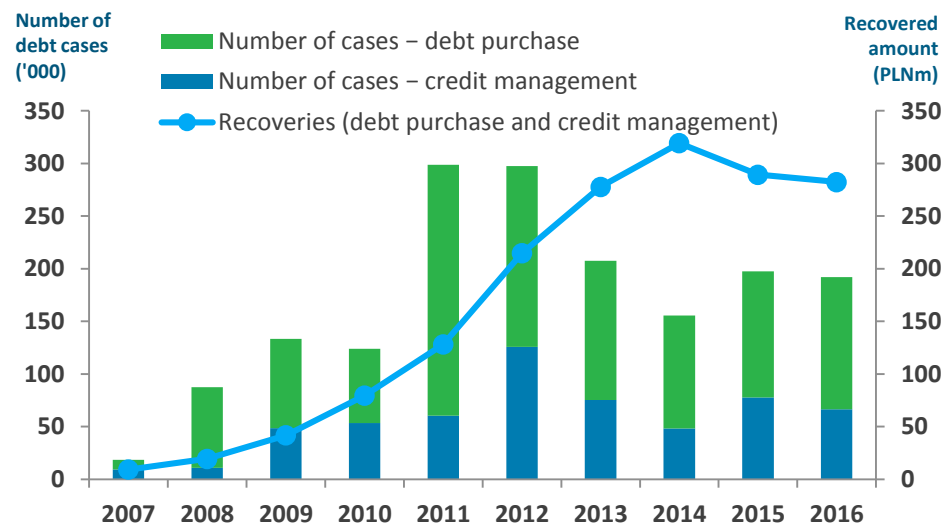
Poland's leading debt collection law firm, with 500 employees, supports the KRUK Group and its clients, and has developed a proven platform for cooperation with debt enforcement officers.

- Database containing information about 6.0m debts. Ability to use the agency as a debt collection support tool since June 14th 2010:
  - Debtor control = ERIF entry + amicable settlement process,
  - Efficient pressure-exerting tool for time-barred debts,
  - ERIF's improved effectiveness means higher effectiveness of the Group's debt collection processes,
  - Building a positive credit history of people who have repaid their debt under settlement.

### ERIF – effective tool

- Several million debtors entered in the credit information bureau's databases over the next few years
- Growing scale and effectiveness of ERIF
- Opening to other client types (creditors) and cases whose data may be entered in the database
- Higher demand for credit information
- Promoting positive credit information as a mechanism boosting the financial credibility of Poles

### Number of cases filed and amounts recovered



Launch of e-Court and electronic simplified procedures in 2010:

- Lower unit cost of court proceedings,
- Streamlined administration procedures and duration of proceedings cut by nearly one-third (48 days).

Changes introduced in electronic simplified procedures in 2013 reduced the efficiency of Polish courts, which **increases the role of KRUK's amicable approach.**

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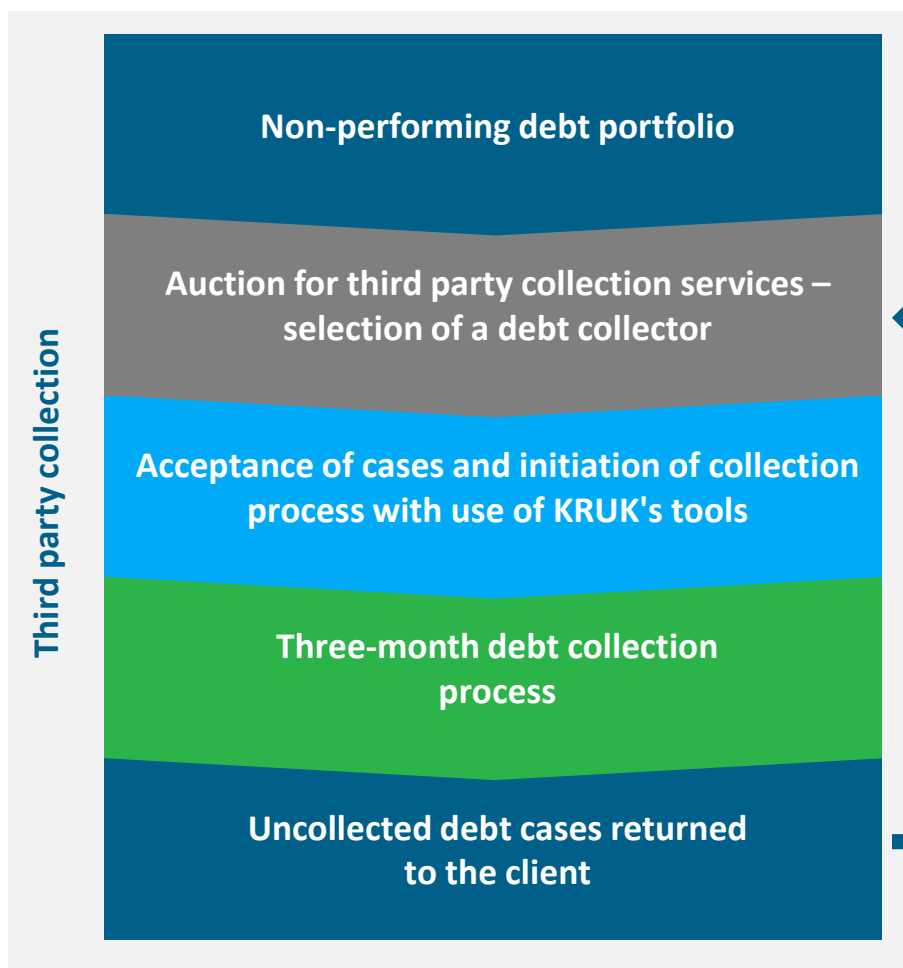
Strategy and summary

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# KRUK Group's competitive advantages

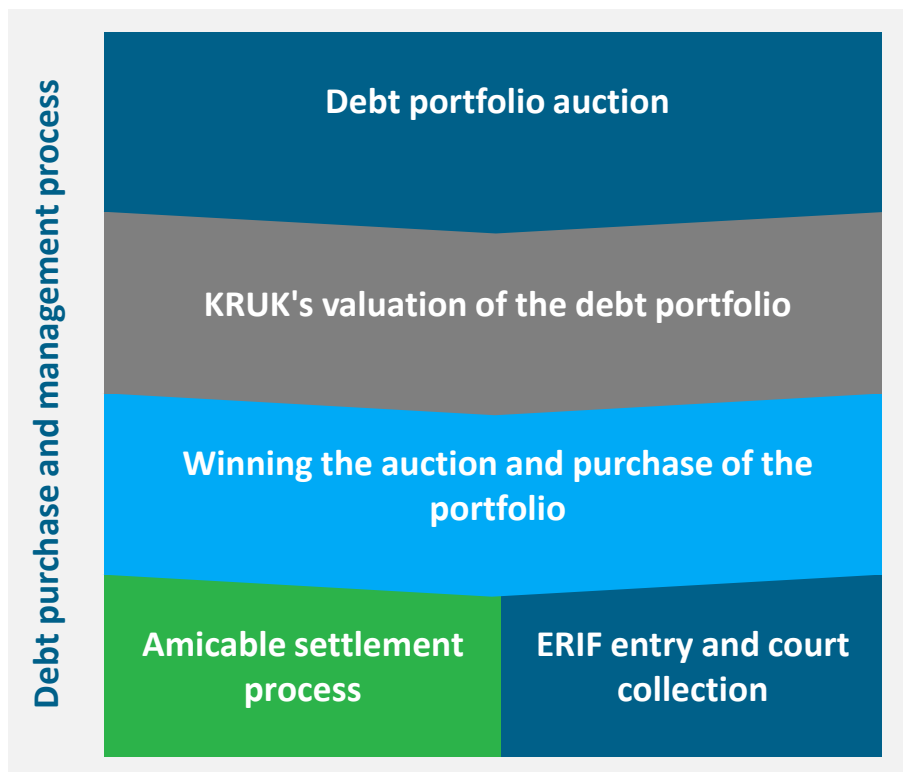
<b>Amicable repayment plan strategy for debt collection</b>	<ul style="list-style-type: none"> <li>▪ Indebted individuals are treated as clients</li> <li>▪ Higher recoveries, greater predictability of recoveries and enhanced cost efficiency</li> <li>▪ Operating activities supported by media campaigns and Credit Information Bureau</li> </ul>
<b>Synergy between third party collection and debt purchase</b>	<ul style="list-style-type: none"> <li>▪ Both products are addressed to the same group of business partners – sales synergy</li> <li>▪ Common platform for both products – operational synergy</li> <li>▪ Mitigation of risk related to debt portfolio purchases thanks to statistical information obtained from the third party collection business – 1.0m debts outsourced to KRUK for collection annually</li> </ul>
<b>Experience in valuation and purchase of debts</b>	<ul style="list-style-type: none"> <li>▪ 570 debt portfolios purchased</li> <li>▪ Ca. 3,000 debt portfolios valued since the launch of business</li> <li>▪ The KRUK Group boasts unmatched know-how in debt valuation, purchase and management</li> </ul>
<b>Economies of scale</b>	<ul style="list-style-type: none"> <li>▪ The purchased portfolios comprise 6.0m debts with the nominal value of PLN 47.1bn</li> <li>▪ The media campaigns and field adviser mediation are effective collection tools for KRUK's operations and its amicable settlement strategy,</li> <li>▪ The large scale of KRUK's operations enables cost optimisation and extensive use of statistical methods to support business decisions</li> </ul>
<b>Successful expansion on foreign markets</b>	<ul style="list-style-type: none"> <li>▪ Leading position on the Romanian debt collection market</li> <li>▪ Profitable business in Czech Republic and Slovakia</li> <li>▪ First portfolios purchased on German, Italian and Spanish market</li> </ul>
<b>Strong corporate culture and good alignment with long term shareholders</b>	<ul style="list-style-type: none"> <li>▪ KRUK has developed strong corporate culture and identity based on entrepreneurship, teamwork, long term perspective and small power distance</li> <li>▪ The founder remains the CEO and together with other Board Members owns ca. 12% shares in the Company</li> <li>▪ 120 managers in KRUK are shareholders or participate in the option program.</li> </ul>

# KRUK – first-choice provider of third party collection services for banks



- KRUK manages an average of 1.0m cases annually as part of its debt collection services
- KRUK has been providing third party collection services since 1999
- Numerous debt portfolios outsourced for collection are subsequently auctioned by banks – debt collectors with experience in third party collection have a competitive edge during debt auctions
- KRUK handles consumer, mortgage-backed and corporate debt at every stage – during amicable settlement and litigation
- **Third party collection operations help KRUK evaluate and manage purchased debt**

# KRUK – superior experience in portfolio valuation



Banks sell debt portfolios on a regular basis; the reasons include:

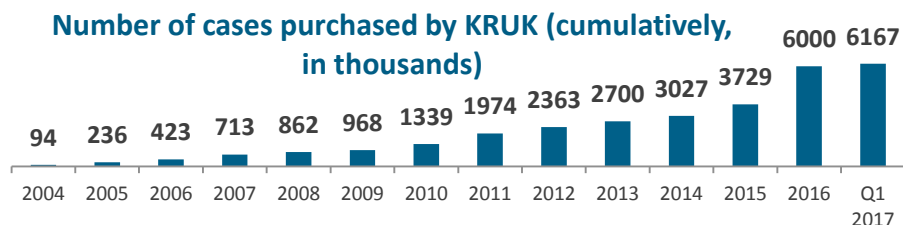
- improvement of liquidity,
- the regulator's requirements,
- tax legislation.

Valuation based on over 10 years of experience in debt portfolio purchases – **570 portfolios purchased since the launch of operations and over 3 thousand valuations.**

Purchase at a high discount, **usually at a price equal to 5–25% of the portfolio nominal value.**

Low initial reach to debtors, at approximately 20% on average.

Increased reach and recovery at 2.0–3.0x the purchase price.



Over the ten years of its operation in the debt purchase segment, KRUK has handled ca. 6.2m debt cases

- KRUK has been purchasing debt continuously since December 2002
- Until the end of Q1 2017, KRUK purchased 570 portfolios with the nominal value of PLN 47.1bn.
- Over a dozen or so years, KRUK has assembled a unique database of 6.2m debtors in Poland and abroad
- KRUK normally purchases debt portfolios from the institutions to which it provides third party collection services

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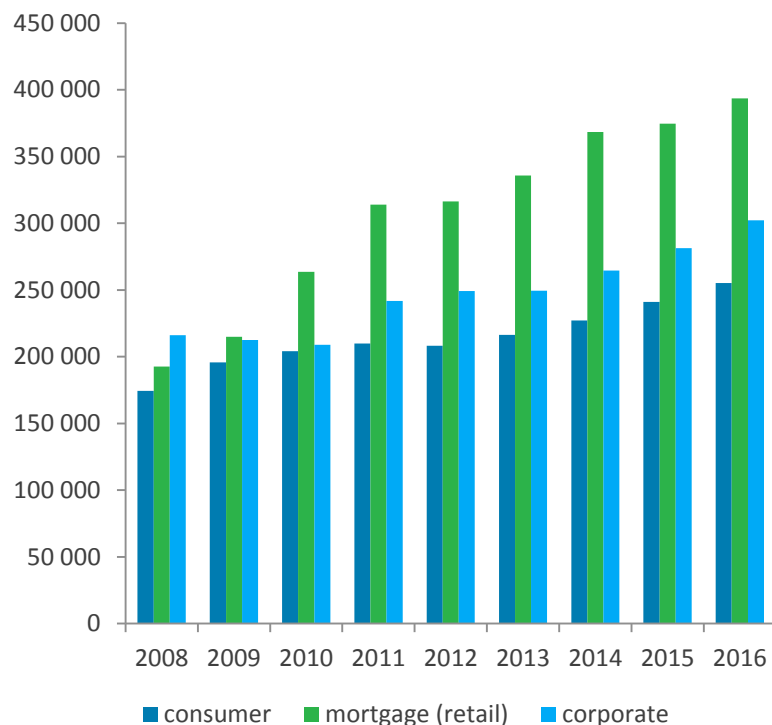
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# Increase in lending activity in Poland and weakened growth in Romania

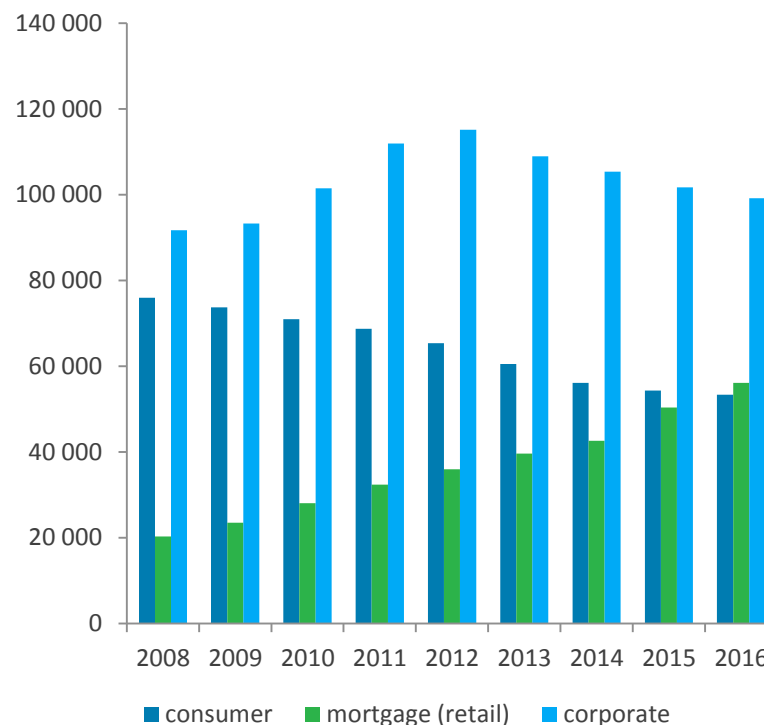
## Poland

Bank loans (PLNm)



## Romania

Bank loans (PLNm\*)



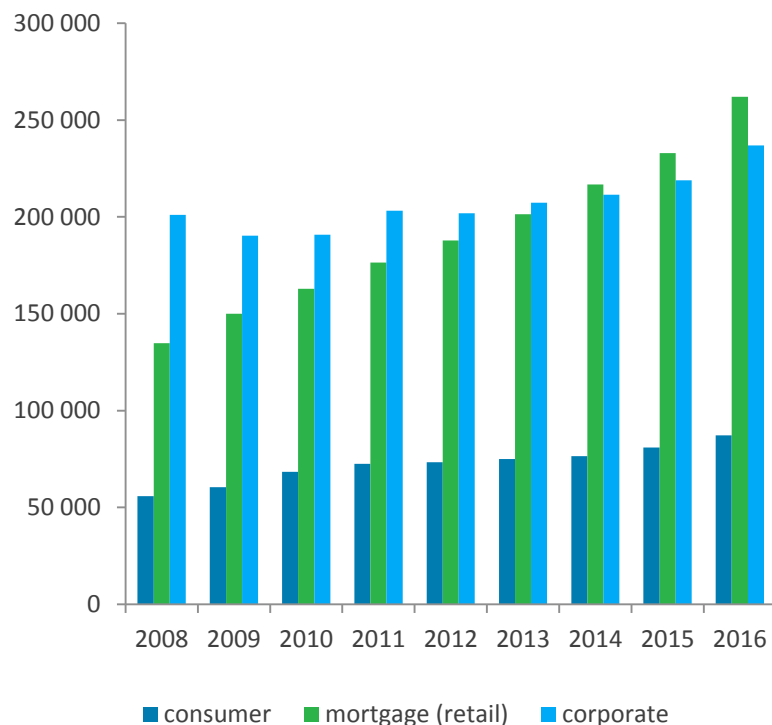
- In Poland, strong growth in mortgage loans advanced and rising levels of consumer and corporate loans have been recorded since 2008.
- In Romania, 2014 saw an increase in mortgage loans advanced, while consumer and corporate loans went slightly down.

\* translated at the RON/PLN exchange rate quoted by the National Bank of Poland for December 31st 2016

# Strong growth of loans in the Czech Republic and Slovakia; stable market in Germany

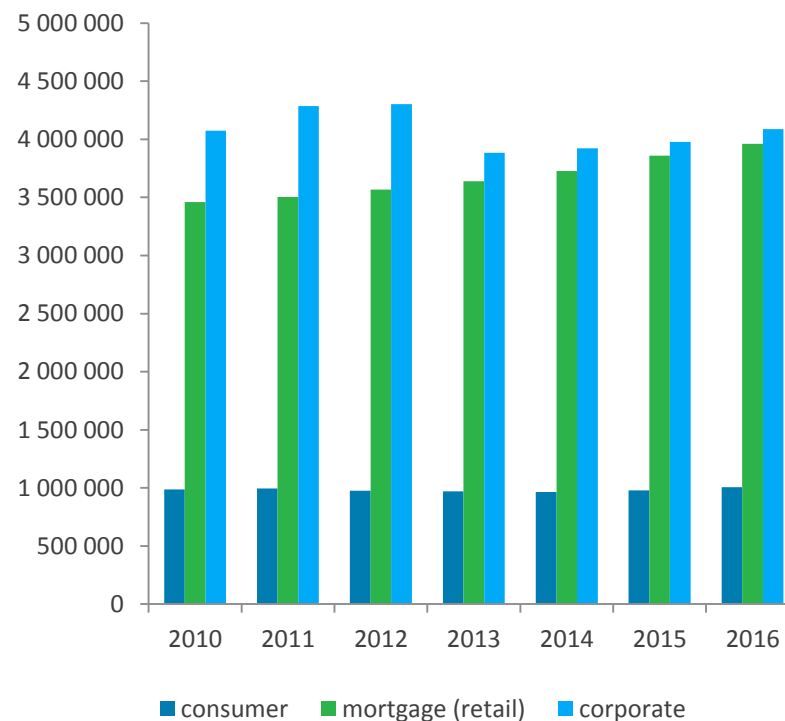
## Czech Republic and Slovakia

Bank loans(PLNm\*)



## Germany

Bank loans (PLNm\*)



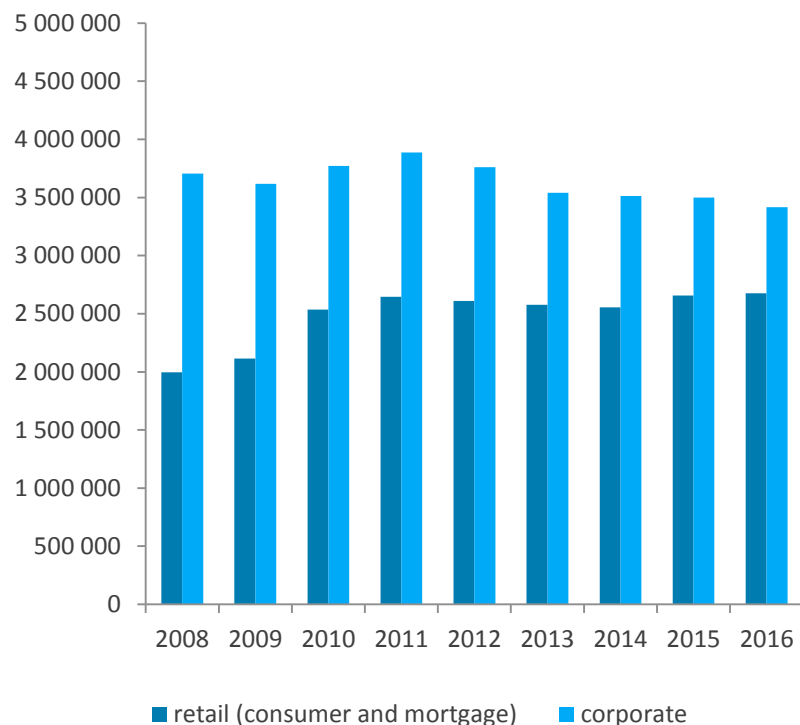
- The value of consumer and mortgage loans advanced in the Czech Republic and Slovakia has increased by 45% and 73%, respectively.
- In Germany, banking loans to the private sector equal to PLN 4.5tn with about 20% consumer loans, four times more than in Poland.

\* translated at the CZK/PLN and EUR/PLN exchange rates quoted by the National Bank of Poland for December 31st 2016

# Italy and Spain: still strong levels of loans advanced to private sector

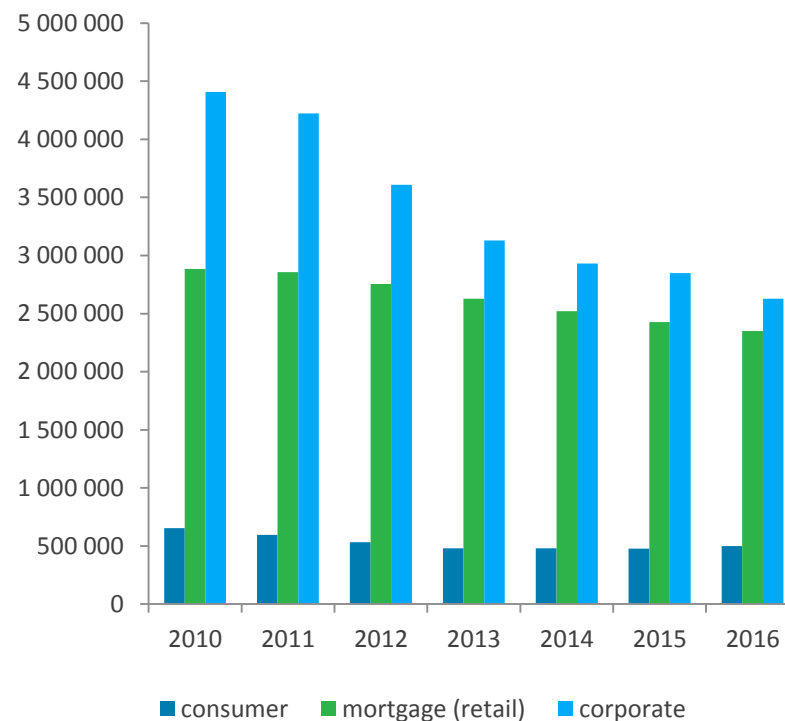
## Italy

Bank loans (PLNm\*)



## Spain

Bank loans (PLNm\*)



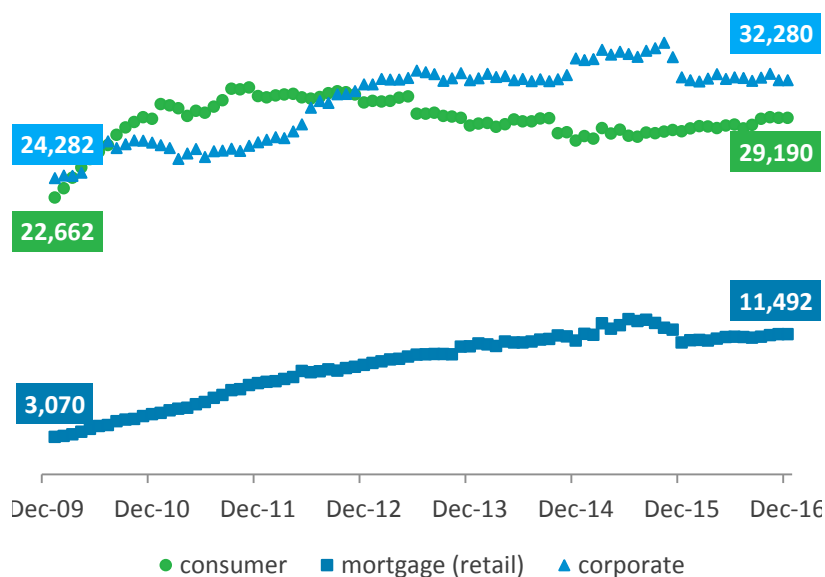
- As a result of the crisis in 2011, lending in Italy slowed down, reaching negative growth in 2012-2013. Currently, the data show a gradual recovery of the market. The level of total loans (c.a. PLN 6tn) is 6times higher than in Poland.
- Lending in Spain has a similar size and dynamics, as in Italy. In addition, the banking sector has gone through extensive restructuring process, which revealed among other things, a large decrease in the number of banks.

\* translated at the EUR/PLN exchange rates quoted by the National Bank of Poland for December 31st 2016

# Non-performing bank loans: high and stable levels in Poland and value decline in Romania

## Poland

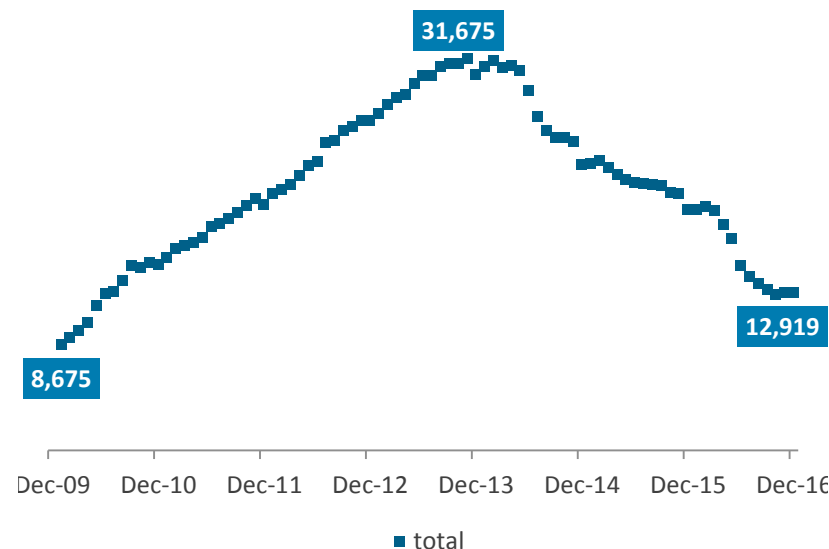
Impaired bank loans (PLNm)



- Non-performing consumer and corporate debt values remain high, at PLN 29bn and PLN 32bn, respectively.
- Non-performing mortgage debt increased almost fourfold from 2010, to PLN 11.5bn at the end of 2016.

## Romania

Impaired bank loans (PLNm\*)

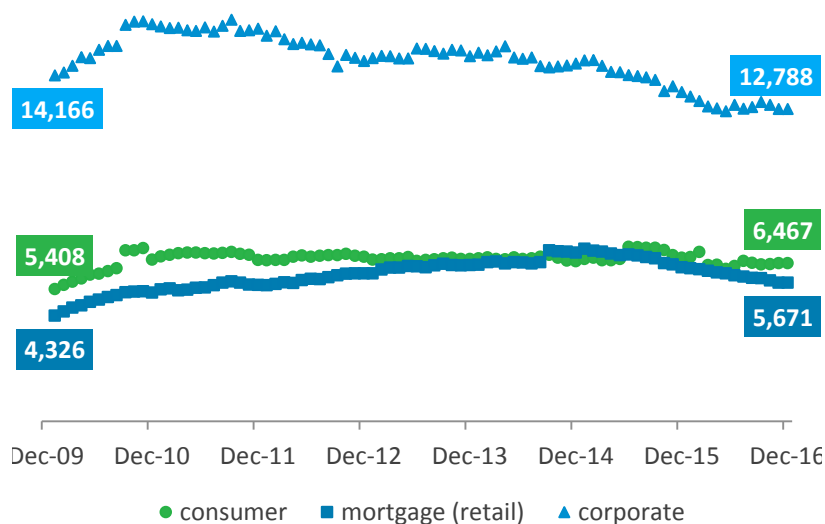


- Since mid-2014, the value of non-performing bank loans in Romania has fallen due to debt sale transactions, including large corporate and mortgage debt sale transactions.

# Potential of the non-performing debt market in the Czech Republic and Slovakia still stable; continuation of the many-year trend of little volatility on the German market

## Czech Republic and Slovakia

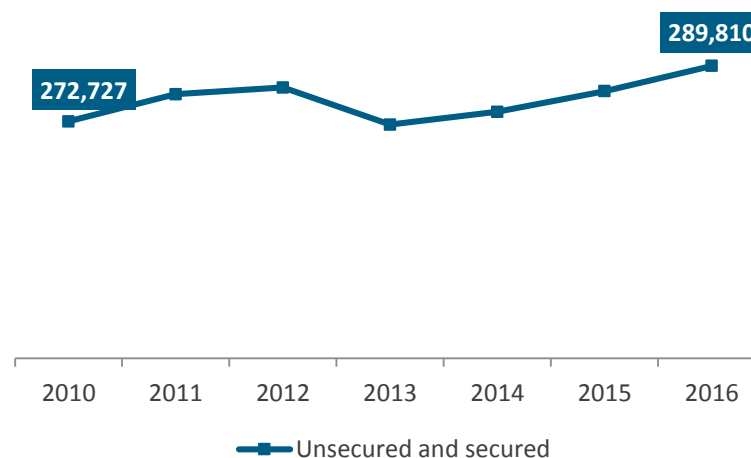
Impaired bank loans (PLNm\*)



- Non-performing debt in the Czech Republic and Slovakia totalled PLN 25bn at the end of 2016.
- In the last three years, the value of non-performing consumer and mortgage debts has remained stable, while corporate debt has seen a gradual decline.

## Germany

Impaired bank loans (PLNm\*)

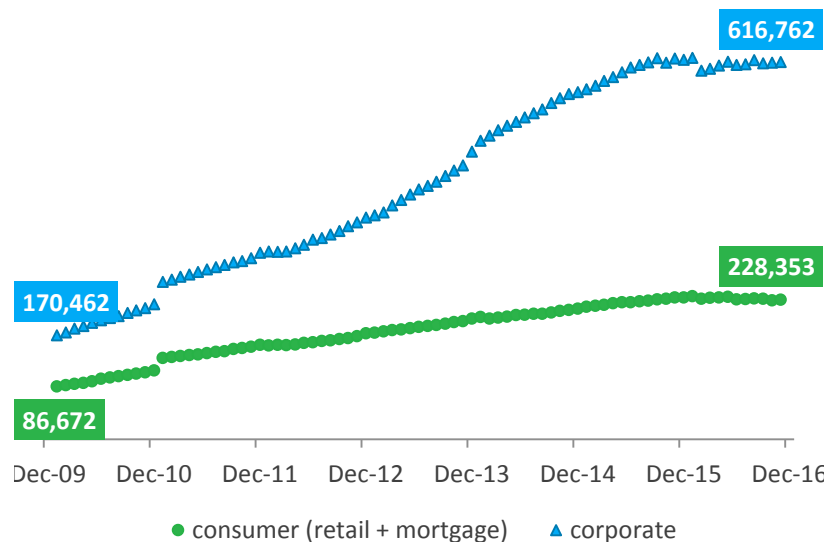


- Deutsche Bundesbank does not disclose the value of non-performing debt, but the toxic loan ratio is estimated at 3–3.5%. This translates into approximately PLN 300bn in non-performing debt (three to four times more than in Poland). In Germany, with its developed and stable economy, the values of consumer, mortgage and corporate loans have stayed largely unchanged for six years, at PLN 1.0bn, PLN 3.7bn and PLN 3.9bn, respectively.

# Non-performing retail debt in Italy and Spain ten times higher than in Poland

## Italy

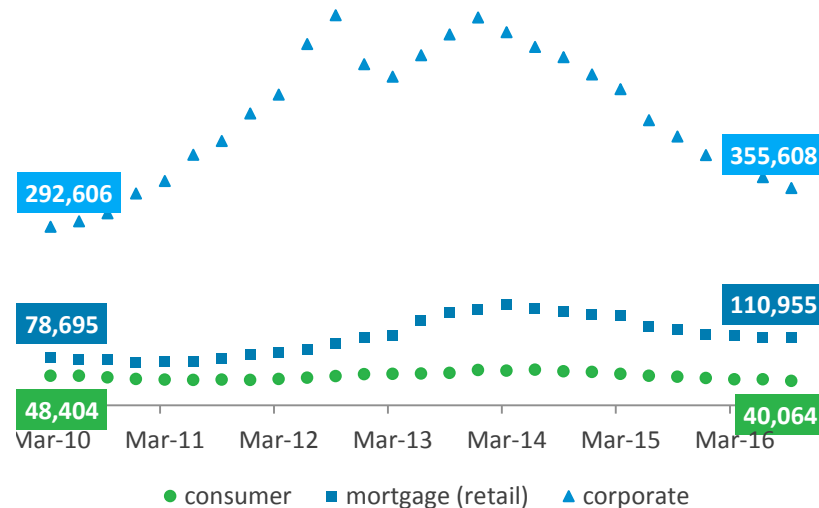
Impaired bank loans (PLNm\*)



- Italian non-performing bank debt is ca. PLN 850bn, i.e. about 13% of total borrowings (significant increase from 3% in 2008).
- The non-performing retail debt base (secured and unsecured debt) is ca. PLN 230bn.

## Spain

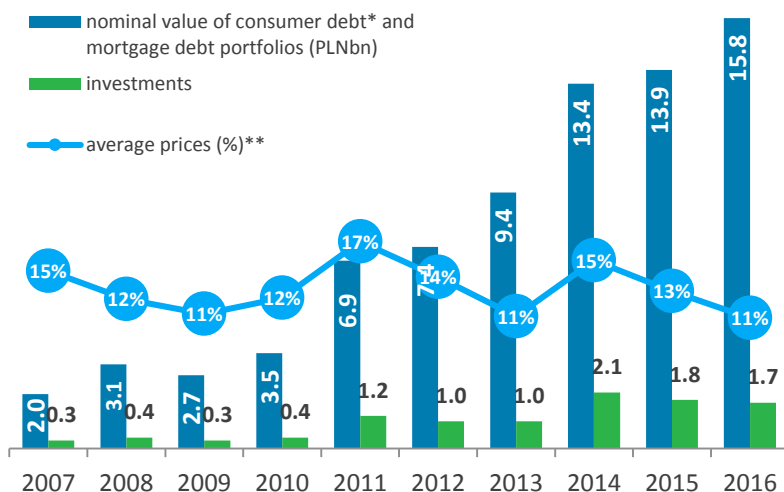
Impaired bank loans (PLNm\*)



- Non-performing debt in Spain's banking sector grew from PLN 410bn in 2010 to some PLN 510bn at the end of 2016, with the loss ratio at 10%.
- This is much higher than the EU average of approximately 6%.

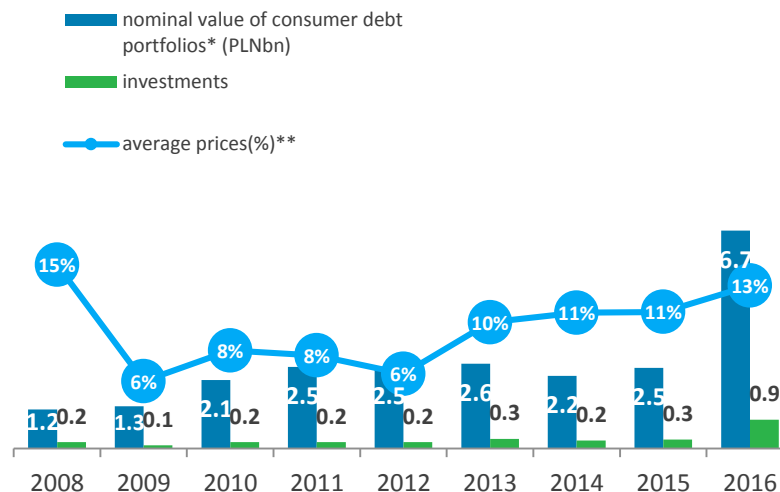
# In 2016, banks in Poland and Romania continued to provide an ample supply of new debt

## Poland



- Supply in 2016 reached PLN 15.8bn, having grown 20% year on year driven by the secondary market sale of the P.R.E.S.C.O. portfolio a nominal value of PLN 2.7bn.

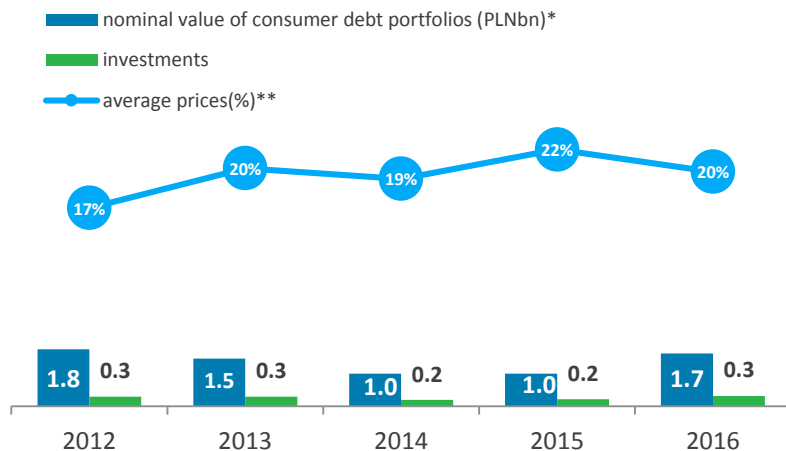
## Romania



- The supply of consumer debts in Romania grew to PLN 6.7bn in 2016. This increase was attributable to the acquisition, jointly with IFC, of a debt portfolio with a nominal value of PLN 1.7bn from the Eurobank Group.

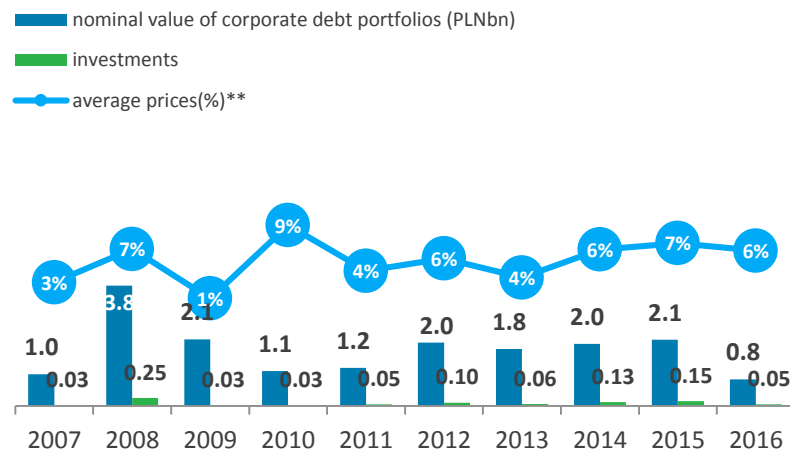
# 2016 saw an increase in consumer portfolio supply in the Czech Republic and Slovakia

## The Czech Republic and Slovakia



- The nominal value of debts sold in the Czech Republic and Slovakia stood at approximately PLN 1.7bn, mainly because of increased activity of non-bank institutions.

## Poland – corporate debt portfolios



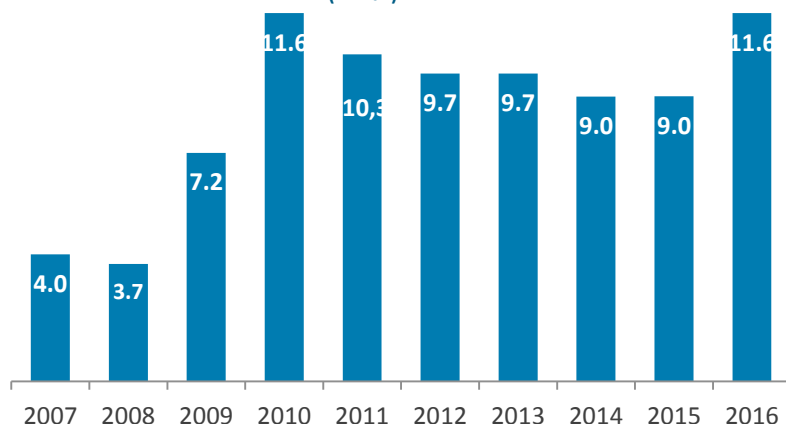
- In recent years, market growth has been rather restrained. Banks continued to show little interest in selling corporate debt portfolios, but KRUK sees a potential for future growth of this market.



# The Polish market continues to shift focus from third party collection to debt sale

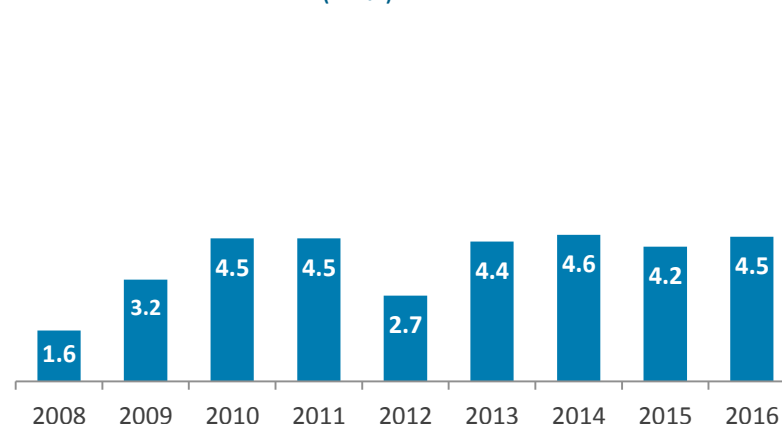
## Poland

nominal value of retail debt\* outsourced for collection  
(PLNbn)



## Romania

nominal value of retail debt\* outsourced for collection  
(PLNbn)



- In 2016, the nominal value of cases outsourced for collection was PLN 11.6bn, the highest level since 2010. This growth was partly caused by the fact that a portion of third party collection cases were accepted by companies twice or more.
- In 2016, banks in Romania were less willing to outsource debt for collection. Instead, they focused on selling debt portfolios and managing selected cases based on in-house resources. In 2016, the market followed similar trends.

\* Retail portfolios = consumer and mortgage debt of natural persons.

# Agenda

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Market position

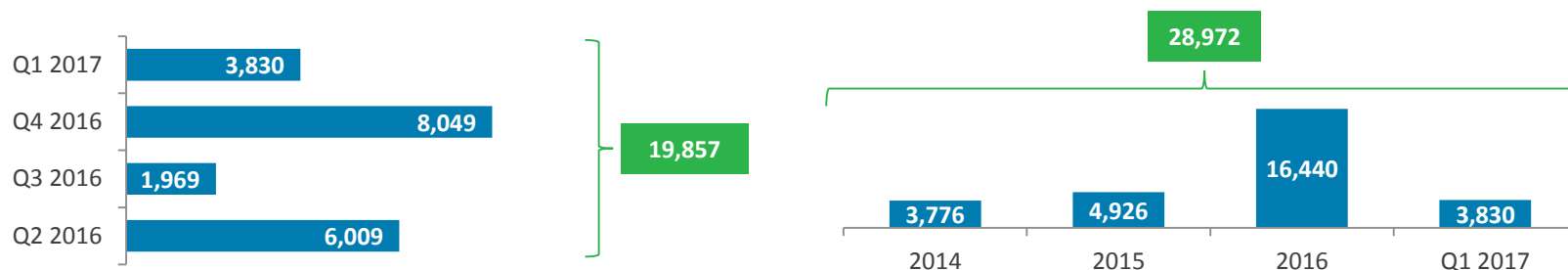
**Financial performance**

Strategy and summary

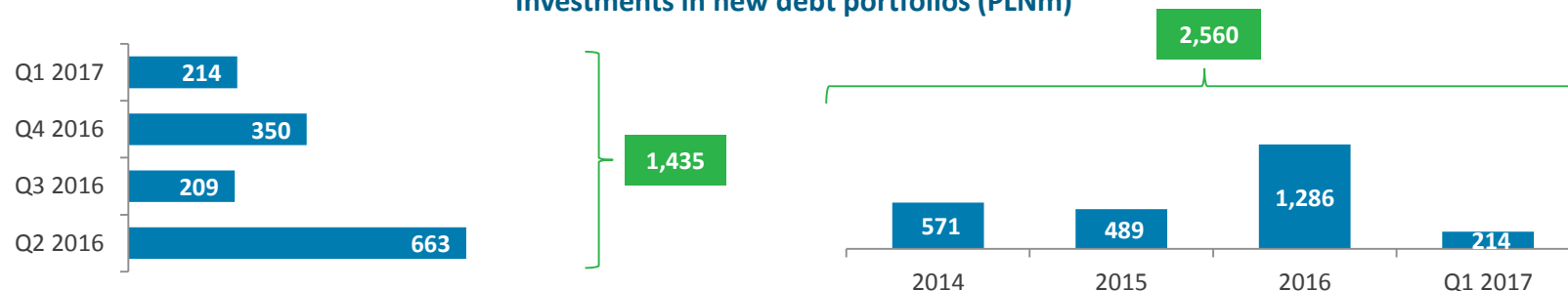
Appendices

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

Nominal value of purchased debts (PLNm)



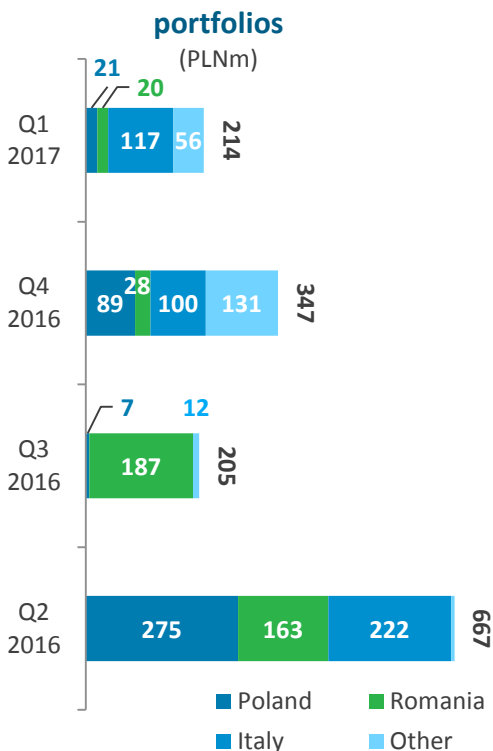
Investments in new debt portfolios (PLNm)



- 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.

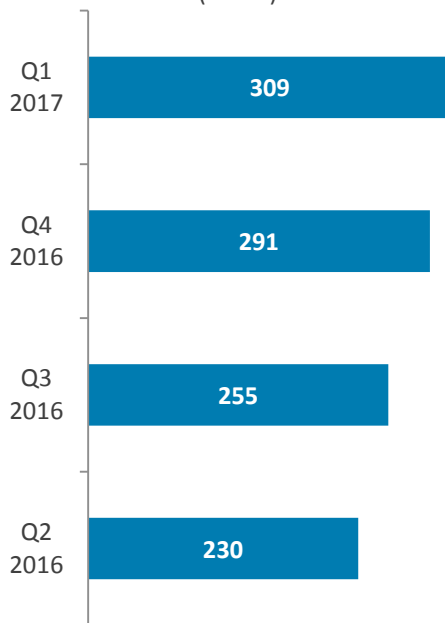
# Recoveries for last four quarters totalled PLN 1.1bn, driven by strong operational efficiency and favourable macro environment

## KRUK's investments in debt



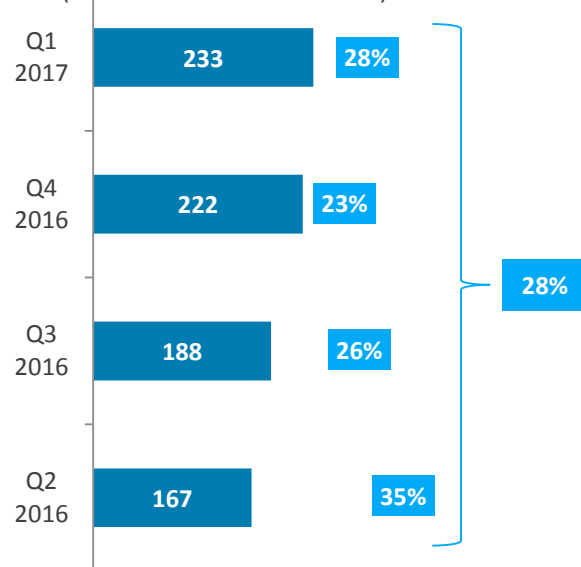
- Investments were further diversified, with domestic investments representing around 10% of the total and foreign investments accounting for the remaining 90%.

## Recoveries (PLNm)



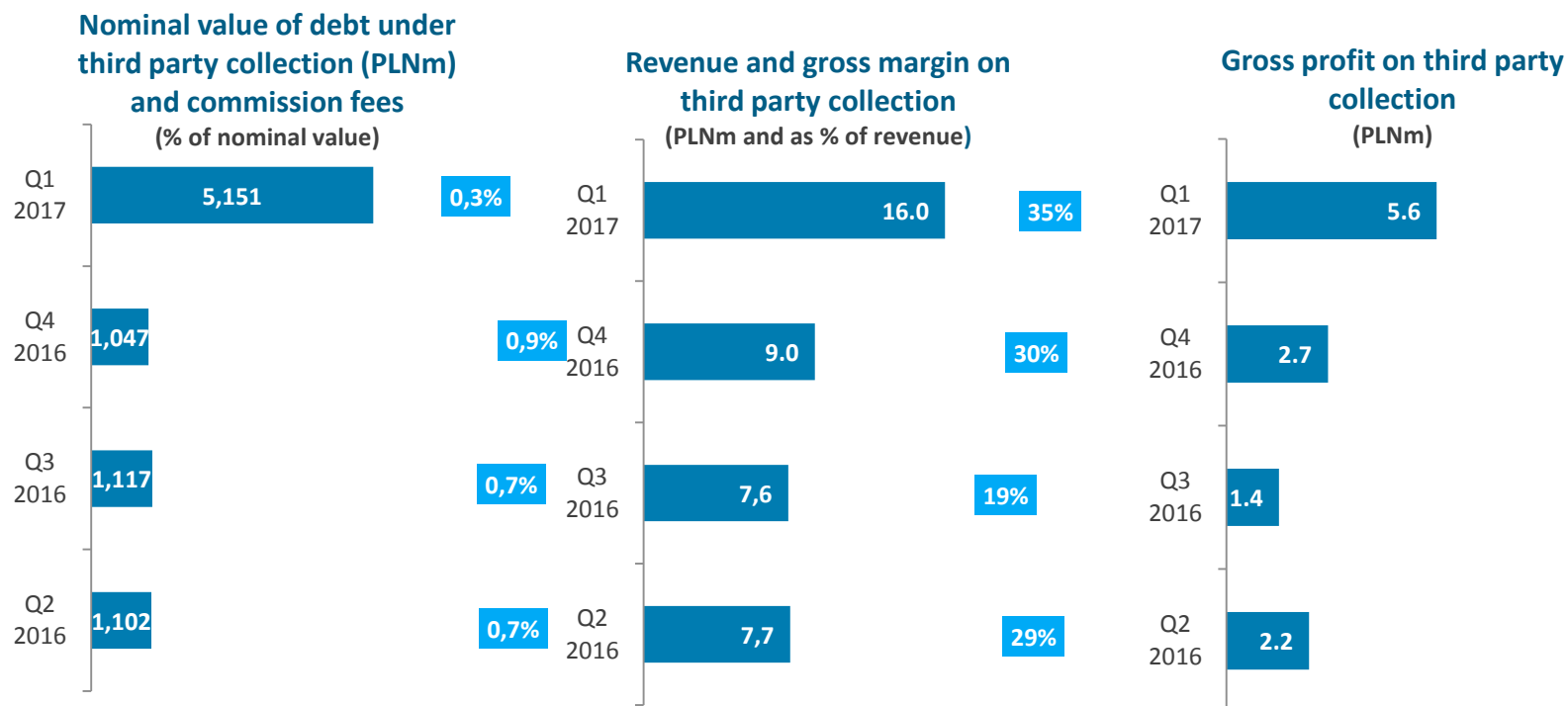
- In Q1 2017, KRUK's monthly average recoveries reached PLN 100m.
- The macroeconomic situation in Poland and Romania has had a positive effect on recoveries.

## 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

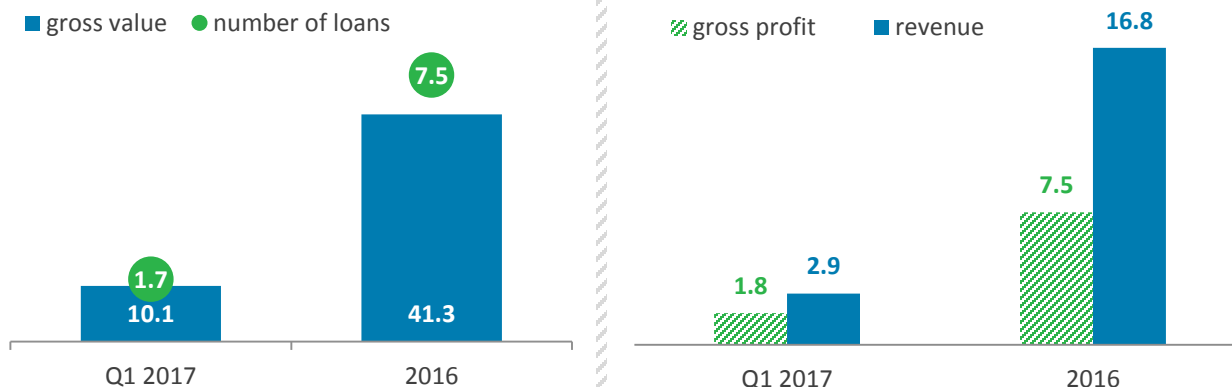


- The strong growth in the nominal value of debt under management and in related revenue and gross profit in Q1 2017 was led by acquisition of third party collection companies in Spain (Espand Group) and Italy (Credit Base) in late 2016.
- In other countries, the third party collection business remained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

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

## Novum – performance highlights

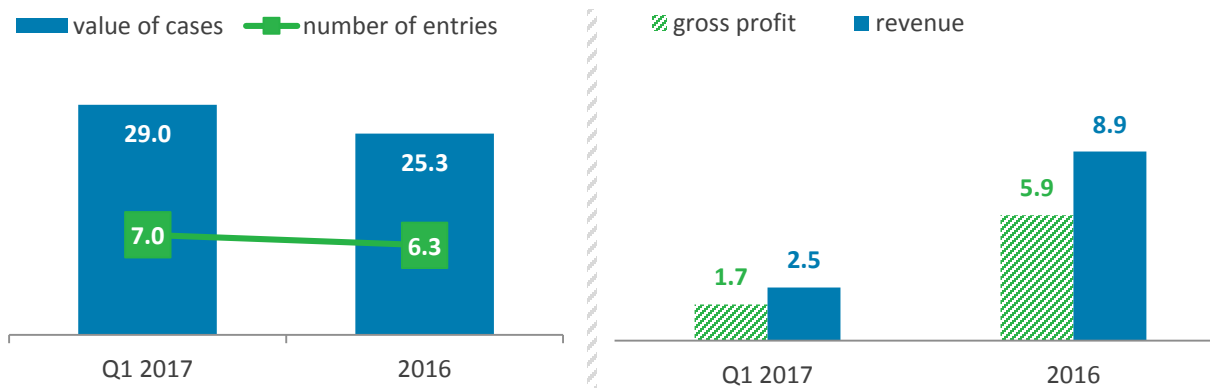
(in PLNm and thousands of loans)



- 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)



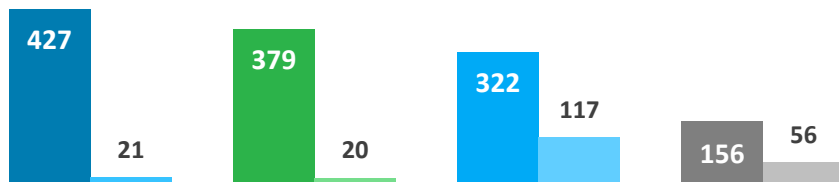
- ERIF BIG's revenue for Q1 2017 reached PLN 2.5m, with a robust margin of 68%.
- ERIF contains more than 4.6m positive credit entries, accounting for 66% of all information in the database.

# KRUK Group continues to expand Italian and Spanish operations

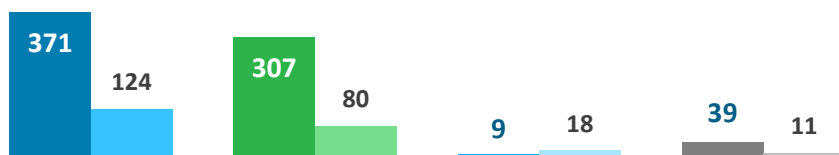
Poland	Romania	Italy	Other
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Investments in debt portfolios (PLNm)

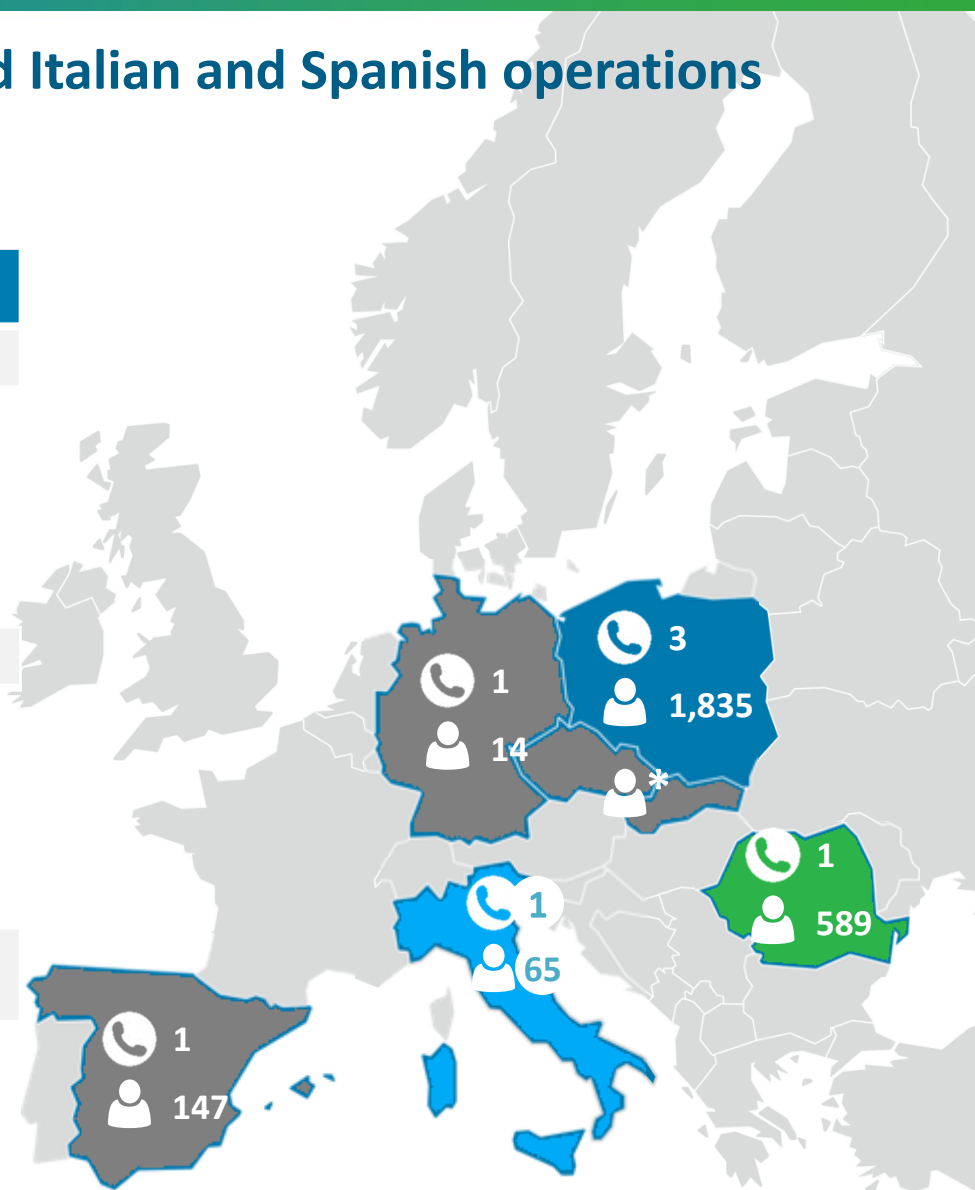
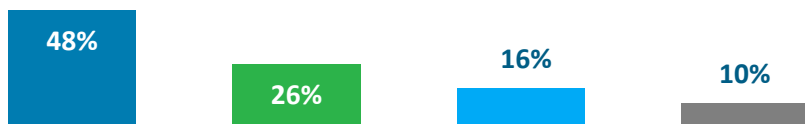
■ 2016r. ■ Q1 2017



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

# KRUK is a fast-growing and highly profitable business with strong cash flows

<i>PLNm</i>	2012	2013	2014	2015	2016	yoy	Q1 2017
<b>Debt portfolios purchased</b>							
investments in debt portfolios	-309	-367	-571	-489	-1,286	163%	-214
recoveries	451	538	712	826	992	20%	309
<b>STATEMENT OF PROFIT AND LOSS</b>							
<b>Total revenue</b>	<b>343</b>	<b>406</b>	<b>488</b>	<b>611</b>	<b>783</b>	<b>28%</b>	<b>254</b>
Revenue from own debt portfolios	303	356	442	564	725	29%	233
including revaluation	5	-13	8	53	84	59%	19
Revenue from third party collection	33	40	32	30	32	8%	16
Revenue from other products and services	7	10	14	18	26	48%	6
<b>Gross profit</b>	<b>194</b>	<b>223</b>	<b>294</b>	<b>358</b>	<b>477</b>	<b>33%</b>	<b>157</b>
<i>Gross margin</i>	<i>57%</i>	<i>55%</i>	<i>60%</i>	<i>59%</i>	<i>61%</i>	-	<i>62%</i>
Own debt portfolios	181	202	276	339	454	34%	14
Third party collection	12	19	12	9	9	-3%	6
Other products and services	1	2	6	10	13	33%	4
<b>EBITDA</b>	<b>144</b>	<b>162</b>	<b>220</b>	<b>262</b>	<b>363</b>	<b>38%</b>	<b>125</b>
<i>EBITDA margin</i>	<i>42%</i>	<i>40%</i>	<i>45%</i>	<i>43%</i>	<i>46%</i>	-	<i>49%</i>
<b>NET PROFIT</b>	<b>81</b>	<b>98</b>	<b>152</b>	<b>204</b>	<b>249</b>	<b>22%</b>	<b>80</b>
<i>net profit margin</i>	<i>24%</i>	<i>24%</i>	<i>31%</i>	<i>33%</i>	<i>32%</i>	-	<i>32%</i>
ROE	26%	24%	26%	26%	24%	-	20%
EPS (PLN)	4.8	5.8	8.9	11.8	14.1	19%	4.3
<b>CASH EBITDA*</b>	<b>292</b>	<b>344</b>	<b>489</b>	<b>524</b>	<b>630</b>	<b>20%</b>	<b>202</b>

Source: KRUK S.A.  
\*Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt.



# KRUK – the carrying amount of acquired debt portfolios increased tenfold over seven years

PLNm, as at the end of:	2011	2012	2013	2014	2015	2016	Q1 2017
<b>Assets</b>							
Cash and equivalents	36.2	42.7	35.3	70.5	14.7	267.4	148.2
Investments in debt portfolio purchases	718.7	873.4	1,053.9	1,366.5	1,620.6	2,676.2	2,764.3
Other assets	45.6	55.3	73.6	79.6	74.8	152.1	157.6
<b>Total assets</b>	<b>800.5</b>	<b>971.4</b>	<b>1,162.8</b>	<b>1,516.6</b>	<b>1,836.1</b>	<b>3,095.7</b>	<b>3,070.1</b>
<b>Equity</b>	<b>238.4</b>	<b>317.6</b>	<b>415.6</b>	<b>585.1</b>	<b>784.3</b>	<b>1,237.5</b>	<b>1,317.5</b>
including: Retained earnings	132.5	213.5	311.2	462.9	641.2	854.4	934.5
<b>Liabilities</b>	<b>562.1</b>	<b>653.8</b>	<b>747.3</b>	<b>931.6</b>	<b>1,051.8</b>	<b>1,858.2</b>	<b>1,752.6</b>
including: Borrowings and leases	118.0	169.0	112.9	349.2	245.7	266.6	279.1
Bonds	359	427.4	574.5	489.5	692.4	1,371.7	1,311.6
<b>Total equity and liabilities</b>	<b>800.5</b>	<b>971.4</b>	<b>1,162.8</b>	<b>1,516.6</b>	<b>1,836.1</b>	<b>3,095.7</b>	<b>3,070.1</b>
<b>Interest-bearing debt</b>	<b>477</b>	<b>596.4</b>	<b>687.5</b>	<b>838.6</b>	<b>938.1</b>	<b>1,638.3</b>	<b>1,581.4</b>
<b>Net interest-bearing debt</b>	<b>440.8</b>	<b>553.7</b>	<b>652.2</b>	<b>768.1</b>	<b>797.4</b>	<b>1,370.9</b>	<b>1,433.2</b>
Net interest-bearing debt to equity (x)	1.8	1.7	1.6	1.3	1.0	1.1	1.1
Interest-bearing debt to 12-month cash EBITDA (x)	2.1	1.9	1.9	1.6	1.5	2.2	2.1

## KRUK – strong cash flows (presentation format)

PLNm	2012	2013	2014	2015	2016	Q1 2017
<b>Cash flows from operating activities:</b>	<b>239.8</b>	<b>290.8</b>	<b>432.3</b>	<b>464.7</b>	<b>572.1</b>	<b>123.0</b>
Recoveries – purchased debt portfolios	451.3	537.7	711.8	825.7	992.4	309.3
Operating costs – purchased debt portfolios	-122.3	-153.4	-166.5	-225.0	-270.2	-85.2
Operating margin – third party collection	12.4	18.7	12.4	9.2	8.9	5.6
Administrative expenses	-50.2	-60.4	-72.6	-94.4	-117.3	-30.4
Other operating cash flow	-51.4	-51.8	-52.9	-50.7	-42.0	-76.3
<b>Cash flows from investing activities:</b>	<b>-323.3</b>	<b>-381.9</b>	<b>-582.1</b>	<b>-496.6</b>	<b>-1,361.4</b>	<b>-215.5</b>
Expenditure on debt portfolio purchases	-309.3	-367.2	-570.7	-489.3	-1,285.9	-213.5
Other investing cash flow	-14.1	-14.7	-11.4	-7.3	-75.5	-2.0
<b>Cash flows from financing activities:</b>	<b>90.0</b>	<b>83.6</b>	<b>185.2</b>	<b>102.1</b>	<b>915.9</b>	<b>-26.7</b>
Increase in borrowings and lease liabilities	373.7	617.4	1,698.8	939.5	1,590.4	261.0
Issue of bonds	190.0	250.0	45.0	243.4	833.3	0.0
Decrease in borrowings and lease liabilities	-322.5	-675.2	-1,462.3	-1,042.8	-1,557.0	-261.8
Redemption of bonds	-120.5	-101.5	-129.9	41.0	-154.0	-60.0
Other financing cash flow	-30.7	-7.1	33.6	-79.0	198.5	34.1
<b>Net cash flows:</b>	<b>6.5</b>	<b>-7.5</b>	<b>35.3</b>	<b>70.2</b>	<b>126.6</b>	<b>-119.2</b>

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# Update of the 2015-2019 strategy

**Target:** to grow by at least 15% annually in terms of EPS and maintain ROE at or above 20%

**Vision:** (long-term beyond 2019) to become a global leader among listed debt management companies in terms of market value

Current business lines		Poland	Romania	Czech Republic	Slovakia	Germany	Spain	Italy	...	...
Debt portfolio purchases	Consumer unsecured	●	●	●	●	◐	◐	◐	○	○
	Consumer mortgage	●	●	○	○	○	○	○		
	Corporate and SMEs	●	●	○	○	○	◐	○		
Third party debt collection		●	●	●	●	◐	●	○		
Consumer loans		●	◐	○						
Credit information		●	○							

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## As at the end of Q1 2017, the KRUK Group had a non-performing debt portfolio with a nominal value of PLN 47bn

Purchased debt portfolios PLNm	2013	2014	2015	2016	Q1 2017
Nominal value of purchased debt portfolios	3,791	3,776	4,926	16,440	3,830
Accumulated nominal value of purchased debt portfolios	17,917	21,693	26,619	43,059	46,889
Cash recoveries	538	712	826	992	309
Accumulated cash recoveries	1,943	2,655	3,481	4,919	5,228
Fair value	1,054	1,367	1,621	2,641	2,726
Fair value revaluation	-13	8	53	84	19
Share of the revaluation in fair value (%)	1.3%	0.6%	3.3%	3.2%	0.6%

### Operational initiatives undertaken by the KRUK Group with a view to enhancing its effectiveness in debt recovery

Development and optimisation of the field adviser network in Poland, Romania and the Czech Republic

Development of court collection in Romania  
Development of amicable collection in the Czech Republic and Slovakia

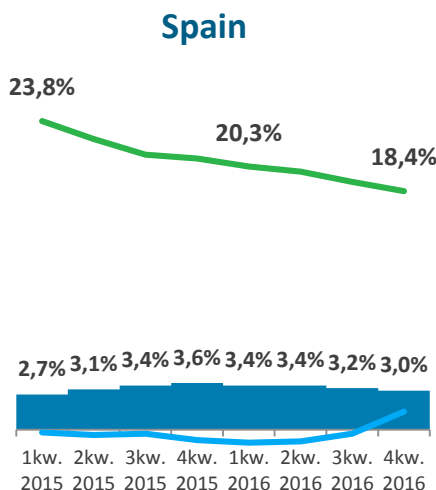
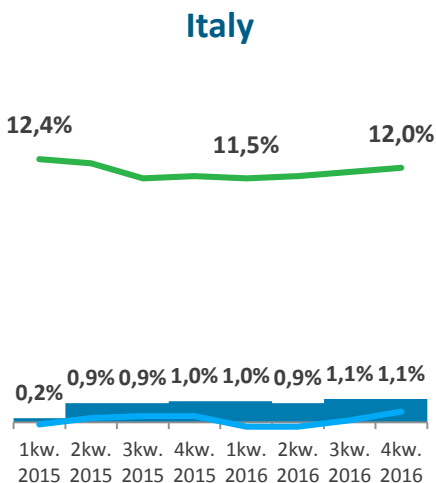
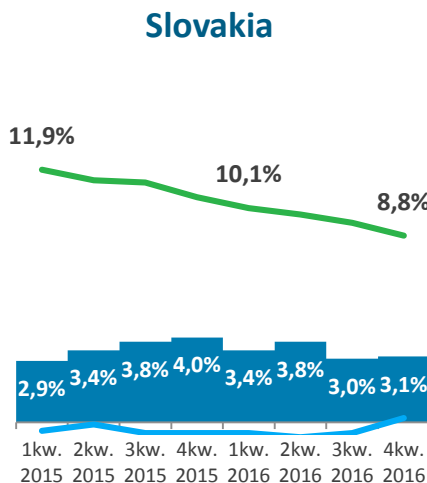
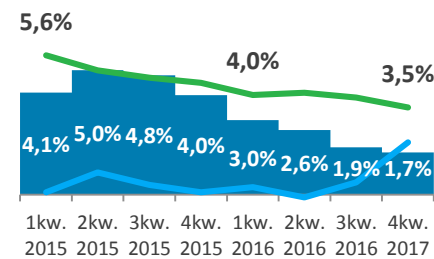
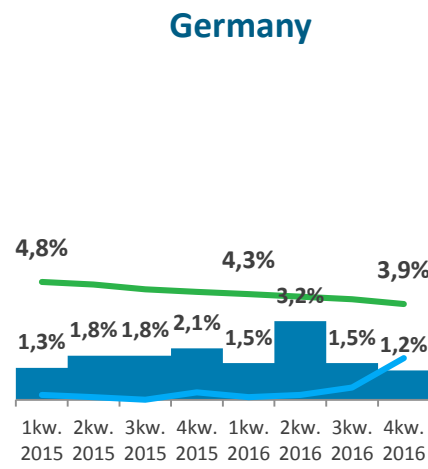
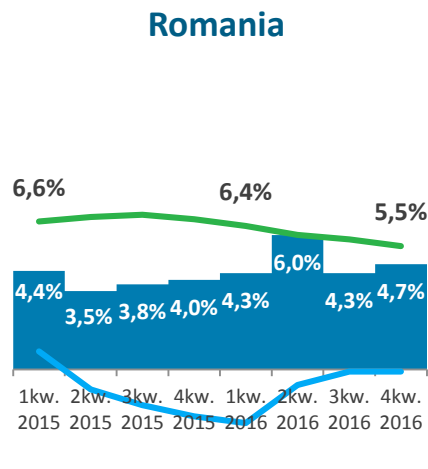
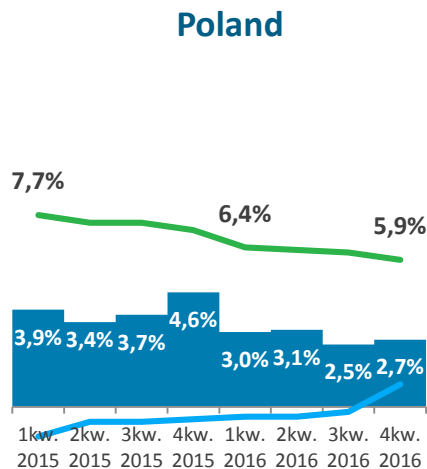
Enhancement of the effectiveness of marketing measures providing access to indebted individuals

Increase in the operating scale and awareness of ERIF BIG S.A.

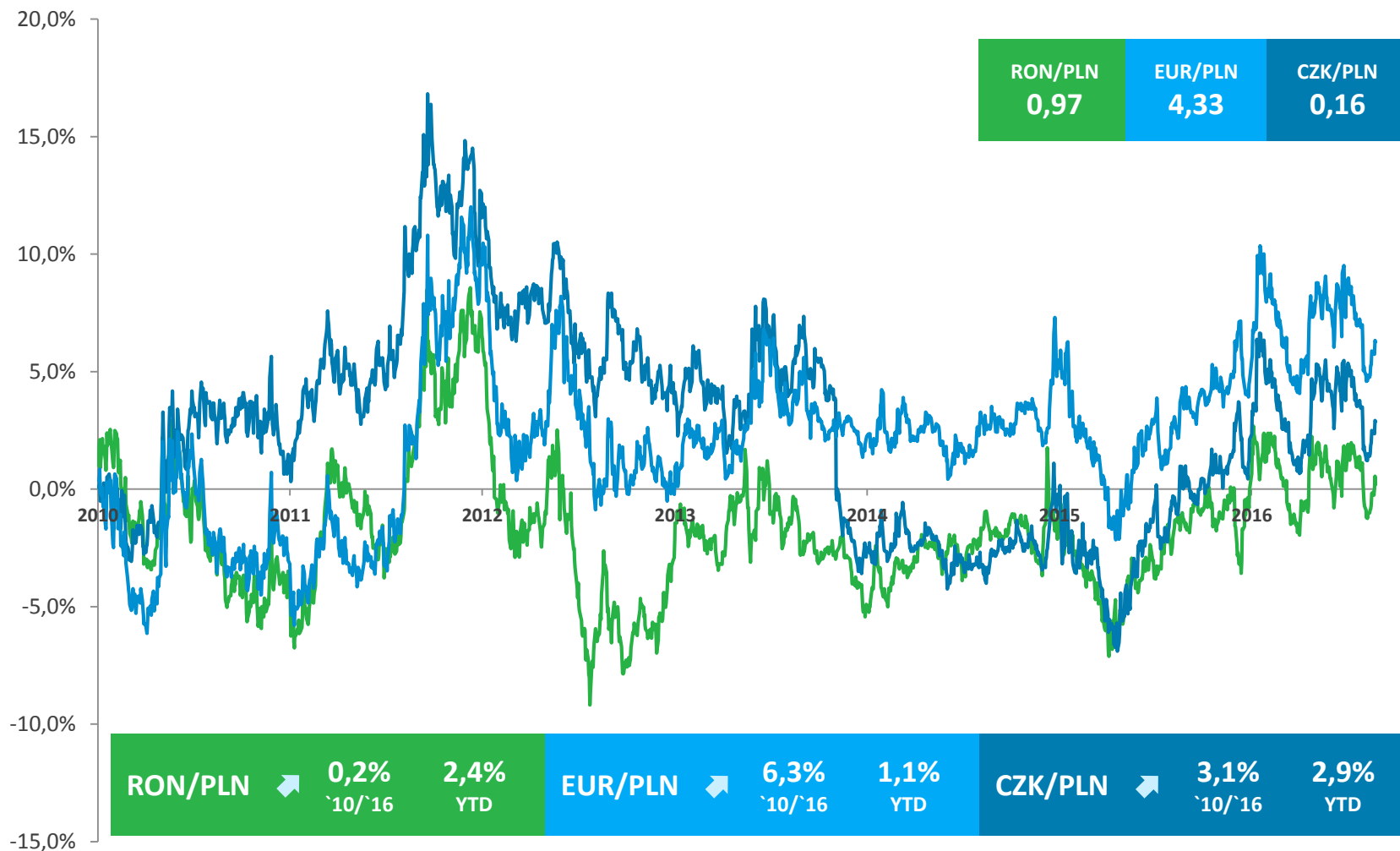
# The macro environment is favourable for KRUK

■ GDP growth (%)  
 — inflation (%)  
 — unemployment (%)

**Czech Republic**



# The Polish złoty exchange rate against the Romanian leu, the euro and the Czech koruna remains stable

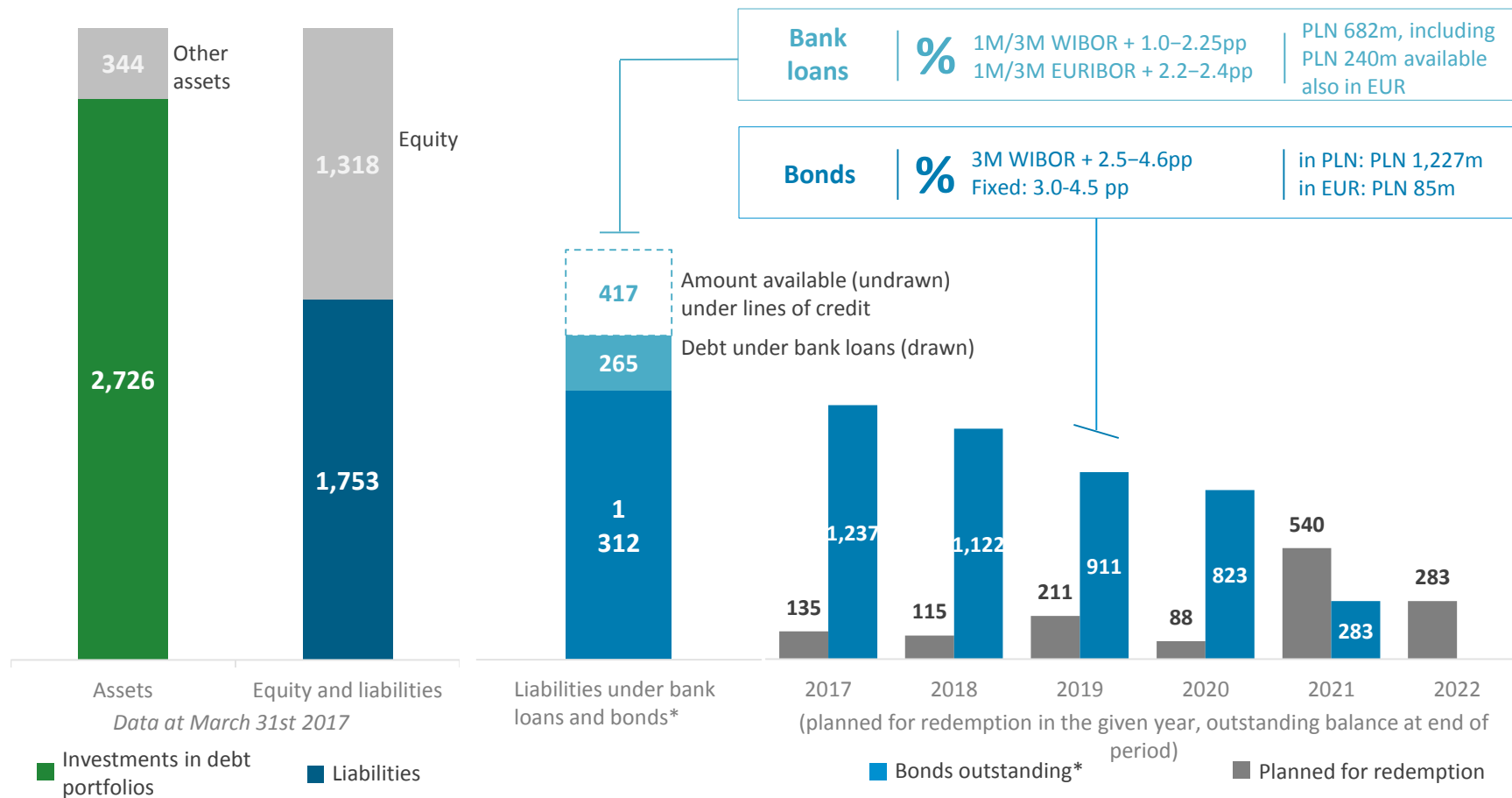




# KRUK has room to leverage its balance sheet and attractive access to debt funding to fund further investments

Net debt/equity: 1.1x

Net debt/cash EBITDA: 2.1x



\* Nominal value.

# 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
May 2017	DM BDM	buy	PLN 320.1
April 2017	Trigon DM	buy	PLN 290.0
March 2017	JP Morgan	buy	PLN 294.0
March 2017	Erste Group	buy	PLN 301.0

For more details, go to:

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

## Sell-side analysts covering KRUK

Institution	Analyst	Email address
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