



Q1 2020 results presentation

KRUK Group

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Financial results

Additional information

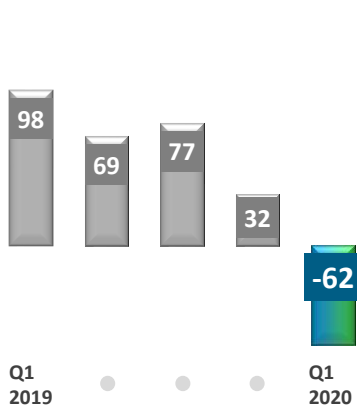
KRUK in the first part of 2020 – summary

- COVID-19 and its effects have had a negative impact on collections from portfolios in March to April 2020, but the full scale of the impact is yet unknown;
- Recoveries in April 2020 totalled 85% of the Operational Target set in the 2020 budget;
- Negative revaluation of the debt and loan portfolios in Q1 2020, of PLN -125m, reflects the best knowledge and experience at the time of preparation of the forecasts;
- Q1 2020 was the best quarter on record in terms of recoveries and cash EBITDA*, which came in at PLN 326m, an increase of 15% year on year;
- Due to the COVID-19 pandemic, KRUK temporarily reduced investment in new debt portfolios;
- KRUK expects the supply of portfolios to rise at the end of 2020 and in 2021;
- KRUK is well prepared to actively participate in the upward trend on the markets, with good financial and liquidity standing;
- KRUK has reviewed its cost base and is working on a range of cost-cutting measures;
- The Group operates in compliance with legal regulations, standards and corporate social responsibility, which is of particular importance now – during the COVID-19 pandemic;

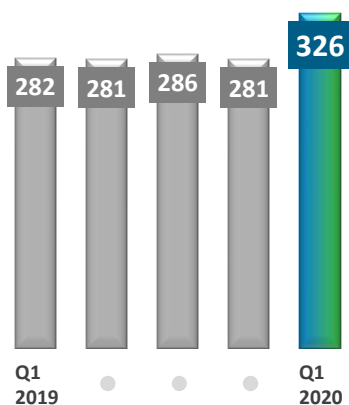
* Cash EBITDA = operating profit - depreciation/amortisation + cash recoveries from purchased debt portfolios - revenue from collection of purchased debt.

KRUK – COVID-19 pandemic and its effects reduced the results of Q1 2020 by over PLN 125m

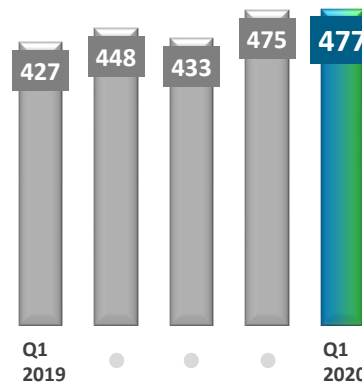
NET RESULT
PLN -62m
FY 2019: PLN 277m



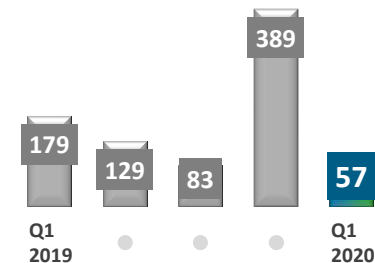
CASH EBITDA *
PLN 326m
FY 2019: PLN 1,130m



RECOVERIES FROM
PURCHASED DEBT PORTFOLIOS
PLN 477m
FY 2019: PLN 1,782m



PURCHASES
PLN 57m
FY 2019: PLN 781m



EPS CHANGE
Q1/Q1

-163%

2019/2018 : -17%

ROE LTM**

6%

Dec 31 2019 14%
2018 FY: 19%

PORTFOLIO
CARRYING AMOUNT

PLN 4.3bn

Dec 31 2019 PLN 4.2bn
Mar 31 2019 PLN 4.1bn

NET DEBT/
Cash EBITDA

2.1x

Dec 31 2019 2.3x
Mar 31 2019 2.3x

* Cash EBITDA = operating profit - depreciation/amortisation + recoveries from purchased debt portfolios - revenue from collection of purchased debt.

** LTM consolidated net profit divided by equity at end of the period.

KRUK in Q1 2020 – COVID-induced negative portfolio revaluation translated into net loss, with record-high recoveries and cash EBITDA

Financial results

- In Q1 2020, the net result was PLN -62m, mainly due to a PLN -125m negative effect of portfolio revaluation following revision of recovery projections carried out in response to COVID-19.
- KRUK generated record-high cash EBITDA of PLN 326m, an increase of 15% on Q1 2019 and 16% on Q4 2019.
- Having reviewed its cost base, KRUK has been implementing savings, set to reduce costs in 2020. The Group has identified potential for reducing its operating expenses and overheads in Q2 2020 by PLN 41m relative to the budget and by approximately PLN 26m relative to Q1 2020. The difference will be achieved partly on the back of savings and partly on costs being moved forward to future periods. The measures include a 25% pay cut taken by members of the Management Board and the Supervisory Board, and a 20% reduction in salaries of the management personnel in May–July 2020.

Recoveries from purchased debt portfolios

- The amount of recoveries from purchased debt portfolios was PLN 477m, an increase of 12% on the year before.
- Until the outbreak of the pandemic, total recoveries were above expectations, with targets exceeded in Poland, Romania and Italy.
- In each market, the recoveries exceeded accounting targets set for Q1 2020.
- Following the outbreak, April saw a decline in repayments, to 85% of the Operational Target set in the 2020 budget. The decrease was reflected in the accounting projections made at the end of Q1 2020.
- KRUK reviewed its collections projections as at the end of Q1 2020, to reflect its best knowledge at the time, with the proviso that the spread of the COVID-19 pandemic and its consequences carry a number of risks and uncertainties, which the KRUK Group may not be able to predict at the time of preparation of the Q1 2020 report.

New portfolio purchases

- In Q1 2020, the Group invested PLN 57m in debt portfolios with an aggregate nominal value of PLN 505m. Due to the COVID-19 pandemic, in March 2020 the Group temporarily suspended portfolio purchases.

KRUK – good liquidity position based on operating processes, strong balance sheet and cash flows

Stable financial and liquidity position

- The KRUK Group holds equity of PLN 2.0bn, representing 41% of its financing sources. With a net interest-bearing debt to equity ratio of 1.2x and a net interest-bearing debt to cash EBITDA of 2.1, 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 March 31st 2020, the ratio stood at 0.37, reflecting the Group's strong ability to cover its maturing debt.
- As at March 31st 2020, the amount of cash and cash equivalents was PLN 236m. The Group increased its cash position by PLN 80m relative to the end of 2019 and repaid some of its credit facilities (PLN 156m), which increased the amount currently available under the facilities to PLN 712m.

Dividend

- As at the issue date of the quarterly report, no decision had been made by the Management Board on proposed distribution of profit for 2019.
- KRUK intends to take advantage of the amendment to the regulations relating to COVID 19 and hold an Annual General Meeting by August 31st 2020. With the AGM date postponed, the KRUK Management Board will also postpone release of the recommendation.
- 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.

Changes on the Management Board of KRUK S.A.

- Agnieszka Kułton, responsible for purchased portfolio operations, resigned from her position as a member of the Management Board with effect as of May 28th 2020, citing health reasons. On May 29th, Piotr Kowalewski, who has worked closely with Agnieszka Kułton at KRUK for over 16 years, will take the position on the Management Board.
- Independently, Iwona Słomska, in charge of PR, marketing and human resources, resigned her post with effect as of July 31st 2020. Her duties will be taken over by other members of the KRUK Management Board, and as of August 1st 2020 the Management Board will comprise four members.

KRUK – Impact of COVID-19 and measures taken by the Group

Impact of COVID-19

- KRUK reviewed the accounting estimates of recoveries to reflect the expected impact of the COVID-19 pandemic, and recognised a PLN -125m revaluation loss on its portfolios in Q1 2020.
- The revaluation takes into account the decline in expected collections observed since the end of March, driven by such factors as the reduced frequency of field consultants' calls, restricted access to payment channels (postal services, payment agencies), disruptions in operation of courts and enforcement bailiffs, and changes in the legal regime.
- The pandemic and its consequences will have an adverse effect on recoveries in the coming months of 2020 and further COVID-induced negative revaluation of the portfolios cannot be ruled out;
- The 68% year-on-year decline in portfolio purchases was brought about by the pandemic, which made the Group scale down its purchasing activity. The KRUK Group is preparing for, and will actively participate in, the expected post-pandemic increase in the supply of debt driven by an increase in non-performing bank loans.
- The COVID 19-induced disruptions and obstacles are also affecting the regularity and continuity of debt outsourcing by primary creditors, which may adversely affect the performance of the Group's credit management line, but in subsequent months the scale of debt outsourcing to specialised debt collectors like KRUK should increase.
- The epidemic and its consequences adversely affect the results of Wonga.pl and Novum (lower sales and higher delinquency rates) as well as ERIF (lower sales of services) (the total impairment loss recognised in Q1 2020 due to the expected rise in delinquency rates caused by COVID-19 was PLN 5m).

Group's response

- The KRUK Group maintained continuity of its business through efficient and effective implementation of a remote work system across all markets. 95% of the employees have opted to work remotely.
- The Group continues to develop its online tools, i.e. online payments or the e-kruk platform for out-of-court amicable settlements.
- Both the out-of-court and court procedures, although conducted in challenging conditions, are used in each country where the Group operates.
- KRUK is reviewing its cost base and has implemented a range of measures to cut its operating expenses in 2020.
- In Q1 2020, the Association of Financial Companies in Poland – an organisation established by the Minister of Finance – carried out an ethics audit at KRUK. KRUK has received a certificate from the Ethics Committee confirming its compliance with the ethical principles.
- KRUK's response to the pandemic crisis included a donation for medical personnel (# graMYdlakOSZAROWEJ).

Management Board of KRUK S.A. – debt management professionals with the Company for more than 15 years



Piotr Krupa,
CEO and President of the Management Board

Shareholder and co-founder of KRUK S.A., President of the Management Board since 2005. He is responsible for IT, Corporate Governance, Processes, Audit and Corporate Strategy.



Michał Zasepa,
CFO and Member of the Management Board, Finance

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



Urszula Okarma,
Member of the Management Board, Strategic Transactions and Business Partners Relations

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



Iwona Słomska,
Member of the Management Board, Marketing, PR and Human Resources

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



Piotr Kowalewski,
Management Board Member, Purchased Portfolio Operations

With KRUK since 2004. Since 2015, he has served as Head of the Group's Debt Management. Management Board member as of May 29th 2020.

Changes on the Management Board of KRUK S.A.

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- Iwona Słomska, in charge of PR, marketing and human resources, resigned her post with effect as of July 31st 2020. Her duties will be taken over by other members of the KRUK Management Board, and as of August 1st 2020 the Management Board will comprise four members.

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KRUK Group in Q1 2020 by segment

■ Q1 2020

■ Q1 2019

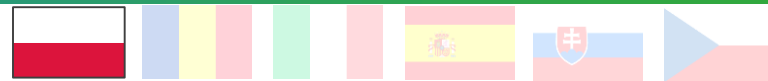
(PLNm)

	Poland		Romania		Italy		Other		Head Office	Total		
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019		Q1 2020	Q1 2019	
DEBT PORTFOLIOS PURCHASES	46	61	11	80	0	0	0	38	N/A	57	179	
DEBT PORTFOLIO COLLECTIONS	219	201	137	131	68	41	53	54	N/A	477	427	
CARRYING AMOUNT OF PRUCHASED DEBT PORTFOLIOS (PLN bn)	1.9	1.7	1.0	1.0	0.8	0.7	0.4	0.4	N/A	4.1	4.1	
REVENUE	128	222	47	65	16	45	9	39	N/A	199	306	
PURCHASED DEBT PORTFOLIOS	93	146	43	75	13	45	6	39	N/A	156	281	
CREDIT MANAGEMENT SERVICES	6	6	3	3	3	4	3	5	N/A	14	18	
WONGA	23								N/A	23	N/A	
OTHER ACTIVITIES	6	7	0.5	0.2	0.0	0.0	0.0	0.0	N/A	6	7	
EBITDA*	41	92	23	49	-31	7	-16	7	-12	-19	5	136
CASH EBITDA**	167	146	117	105	24	2	30	23	-12	-19	326	257

* EBITDA = operating profit - amortisation/depreciation - other income - other expenses (unallocated). FY 2019 EBITDA includes the effect of implementation of IFRS 16.

** CASH EBITDA = EBITDA – Revenue from purchased debt portfolios + cash recoveries.

KRUK Group's operations in Poland, excluding Wonga.pl



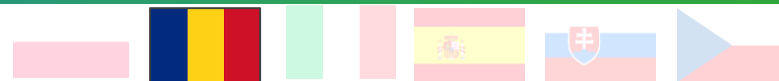
(PLNm)	Q1 2020	Q1 2019	yoy
DEBT PORTFOLIO PURCHASES	46	61	-25%
DEBT PORTFOLIO COLLECTIONS	219	201	+9%
PORTFOLIO CARRYING AMOUNT	1,851	1,903	-3%
REVENUE	105	146	-29%
INCLUDING FROM PURCHASED DEBT PORTFOLIOS	93	133	-30%
INCLUDING FROM REVALUATION	-31	12	-353%
CREDIT MANAGEMENT SERVICES	6	6	-7%
OTHER ACTIVITIES	5	7	-20%
EBITDA	36	92	-60%
CASH EBITDA	163	160	2%
PORTFOLIO PROFITABILITY (LTM)*	26%	32%	-20%

The OTHER ACTIVITIES section does not include WONGA's results.

- In Q1 2020, KRUK purchased nine debt portfolios with a total nominal value of PLN 0.5bn for PLN 47m. Due to the COVID-19 pandemic, KRUK suspended debt portfolio purchases in March 2020.
- Recoveries from purchased debt portfolios were 9% higher year on year and exceeded the accounting estimate for Q1 2020.
- Recoveries in April came in below the Operational Target, with the deviation less pronounced than the Group-wide decline. The main reason was the Group's failure to achieve the target collections from secured portfolios.
- Despite solid collections in Q1 2020 KRUK recognised a negative revaluation of PLN -31m reflecting the expected deterioration in future recoveries induced by COVID-19 and changes in the legal regime:
 - reduced frequency of field consultants' visits – the consultants partially resumed field work at the end of April and until then had served customers by telephone,
 - restricted access to payment channels (postal services, payment agencies),
 - disruptions in operation of courts, KRUK suspended the filing of claims with courts but continued referring relevant cases to bailiff enforcement.
- In Q1 2020, revenue from credit management services was similar to the Q1 2019 revenues.
- Other income (ERIF, Novum without Wonga) came in at PLN 5m, down 23% year on year. One reason was that Novum's results reflected a potential negative impact of COVID-19 on debt recovery rates of PLN -0.7m

* 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.
 ** FTE employment – the number calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.

KRUK Group's operations in Romania



(PLNm)	Q1 2020	Q1 2019	yoy
DEBT PORTFOLIO PURCHASES	11	80	-86%
DEBT PORTFOLIO COLLECTIONS	137	132	+5%
PORTFOLIO CARRYING AMOUNT	973	947	+3%
REVENUE	47	75	-38%
INCLUDING FROM PURCHASED DEBT PORTFOLIOS	43	72	-40%
INCLUDING FROM REVALUATION	-33	19	-271%
CREDIT MANAGEMENT SERVICES	3	3	-4%
OTHER ACTIVITIES	1	0	+182%
EBITDA	23	49	-54%
CASH EBITDA	117	108	8%
PORTFOLIO PROFITABILITY (LTM)*	37%	41%	-10%

- In Q1 2020, KRUK purchased eight portfolios with a nominal value of PLN 40m for PLN 11m. Due to the COVID-19 situation, KRUK suspended debt portfolio purchases in March 2020.
- Recoveries from purchased debt portfolios were up 5% on the same period of 2019, having exceeded the accounting estimate.
- Recoveries in April came in below the Operational Target, with the deviation deeper than the Group-wide percentage deviation. KRUK expects recoveries to improve going forward as the economy is gradually reopened.
- Despite solid collections in Q1 KRUK recognised a negative revaluation of PLN -33m reflecting the expected deterioration in future recoveries induced by COVID-19 and changes in the legal regime:
 - reduced frequency of field consultants' visits – the consultants partially resumed field work at the beginning of May and until then had served clients by telephone,
 - restricted access to payment channels,
 - legal restrictions were introduced with respect to bailiff enforcement against pensions and wages for those furloughed (with furlough benefits funded by the state) due to the pandemic; some enforcement proceedings will be suspended for 60 days after the lifting of the state of exception, i.e. until July 15th.
- KRUK significantly expanded its credit management business, having reported revenue of PLN 14m, up 37% year on year. The expansion was achieved through new business relationships and increased business with existing partners.

* 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.
 ** FTE employment – the number calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.



KRUK Group's operations in Italy



(PLNm)	Q1 2020	Q1 2019	yoy
DEBT PORTFOLIO PURCHASES	0	0	0%
DEBT PORTFOLIO COLLECTIONS	68	41	+68%
PORTFOLIO CARRYING AMOUNT	812	744	+9%
REVENUE	16	45	-65%
INCLUDING FROM PURCHASED DEBT PORTFOLIOS	13	42	-69%
INCLUDING FROM REVALUATION	-34	-4	-834%
CREDIT MANAGEMENT SERVICES	3	4	-29%
EBITDA	-31	7	-533%
CASH EBITDA	24	6	305%
PORTFOLIO PROFITABILITY (LTM)*	17%	12%	+47%

- In the face of the pandemic, in March 2020 KRUK again suspended portfolio purchases in Italy.
- In Q1 2020, recoveries from purchased debt portfolios rose substantially over the same period of 2019 (by 68%), coming in above the accounting estimate.
- Recoveries in April were below the Operational Target, their percentage decline comparable with the Group-wide percentage deviation. The degree of target achievement in that month was boosted by high unit recoveries under court proceedings.
- Despite solid recollections in Q1 KRUK recognised a negative revaluation of PLN -33m reflecting the expected deterioration in future recoveries induced by COVID-19 and changes in the legal regime:
 - visits from field consultants had been suspended since mid-March (they neither collected cash nor signed any settlements with clients). Consultants partly resumed field work in mid-May and until that they had served clients by telephone;
 - access to payment channels (postal services, payment agencies) was restricted,
 - restrictions on/suspension of court work, leading to delays in court proceedings.
- Despite a year-on-year decline in revenue in Q1 2020 in the aftermath of COVID-19, KRUK recorded an improvement in (LTM) portfolio profitability as revenue grew year on year over the three immediately preceding quarters.

* 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.

** FTE employment – the number calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.



KRUK Group's operations – other markets



(PLNm)	Q1 2020	Q1 2019	yoy
DEBT PORTFOLIO PURCHASES	0	38	-100%
DEBT PORTFOLIO COLLECTIONS	53	54	-3%
PORTFOLIO CARRYING AMOUNT	438	513	-15%
REVENUE	9	39	-76%
INCLUDING FROM PURCHASED DEBT PORTFOLIOS	6	34	-81%
INCLUDING FROM REVALUATION	-28	-3	-737%
CREDIT MANAGEMENT SERVICES	3	5	-43%
EBITDA	-16	7	-325%
CASH EBITDA	30	27	9%
PORTFOLIO PROFITABILITY (LTM)*	13%	22%	-42%

- In the face of COVID-19, in March 2020 KRUK suspended debt purchases in Spain, as well as the Czech Republic and Slovakia.
- Recoveries from purchased debt portfolios in Spain, the Czech Republic and Slovakia were above the accounting estimate during the period under review.
- In Spain, collections in April were far below the Operational Target, their decline much deeper than the Group-wide percentage deviation, both in the case of unsecured consumer and corporate debts. The Group expects recoveries to improve in the coming months as the economy is unlocked.
- KRUK made a downward revaluation of PLN -28m (including PLN -25m on Spanish assets) due to the expected deterioration in future recoveries induced by COVID-19 and changes in the legal regime:
 - visits from field consultants had been suspended since mid-March (they neither collected cash nor signed any settlements with clients);
 - access to payment channels (postal services, payment agencies) was restricted;
 - restrictions on/suspension of court work (given that Spanish courts intermediate in the transfer of funds at the court enforcement stage) halted payments from debtors to creditors

* 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.
 ** FTE employment – the number calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.



Material legislative changes attributable to COVID-19 identified by KRUK as at the date of issue of this report (May 28th 2020), which may affect the value of debt 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 (Art. 15zszs),
 - - court work was reorganised, e.g. open court hearings were limited to urgent cases (mainly criminal; Art. 14a-b),
 - evictions were suspended for the duration of the pandemic/pandemic emergency (Art. 15zszu);

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

- In the Act Amending Certain Acts on Protective Measures in Connection with the Spread of SARS-COV-2 of May 14th 2020, which entered into force on May 15th 2020 ('Shield 3.0'),
 - the amount free from bailiff seizure was increased by 25% (per each non-income earning family member that is the employed person's dependant) for persons who, due to measures taken in Poland to prevent the spread of SARS-CoV-2, have had their wages reduced (or whose family member has lost their source of income).

KRUK is analysing the impact of that change on the value of its portfolios, but since it was not yet precisely estimated at the end of Q1, the impact was not reflected in the accounting estimate made in the period.

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.

The estimated loss of court enforced collections due to the regulation was reflected in the accounting estimate as at the end of Q1 2020.

- 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 collections under court proceedings due to the regulation was reflected in the estimate as at the end of Q1 2020.

- Act No. 143/2020 on amendments to special regulation No. 37, which is now subject to a constitutional review (hearing set for 17th June 2020), prohibits any enforcement until December 31st 2020.

KRUK considers it unlikely that the act will come into force and therefore its impact, albeit potentially significant, has not been reflected in the accounting estimate.

Italy

The KRUK Group has not identified any material legislative changes attributable to the coronavirus 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 companies bankruptcies until the end of 2020.

The estimated effect of the law was not reflected in the forecast at the end of Q1 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 satisfaction surveys among clients who have interacted with the KRUK Group's employees – they have been highly appreciative of their work and attitude.
- We strive to understand the life situation of our customers as best as we can – only with that insight can we adjust the schedule of repayments to their circumstances – we regularly gather information on the needs and opinions of our customers.
- 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 Confindustria.
- 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.

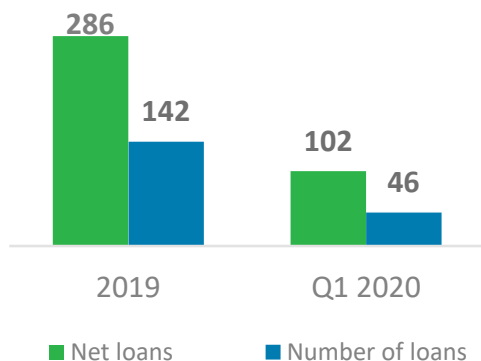
Our activities in Q1 2020

- In the first quarter, the Polish Association of Financial Companies – an organisation established by the Minister of Finance – carried out another annual ethics audit at KRUK and ERIF BIG S.A. Both companies have received certificates from the Ethics Committee confirming their compliance with the ethical principles.
- 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.
- 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.

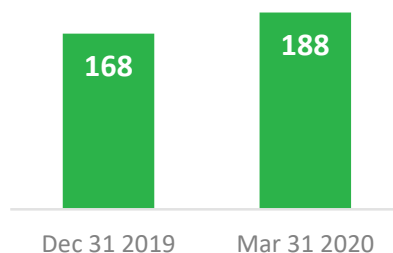
Other business lines - Wonga



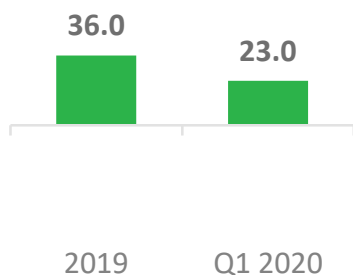
Amount and number of loans
(PLNm, '000)



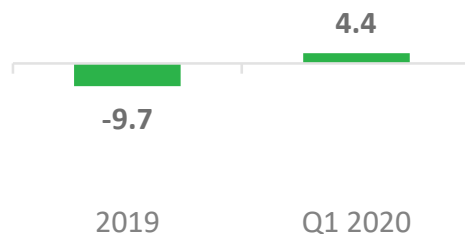
Carrying amount of loans
(PLNm)



Revenue
(PLNm)



EBITDA
(PLNm)



- Following the pandemic outbreak, Wonga temporarily scaled down loan sales, while introducing additional changes to its creditworthiness assessment process. It is based on obligatory documentation of income and analysis of 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 Q1 2020, Wonga recognised a PLN 4.2m allowance for expected credit losses reflecting an anticipated adverse impact of COVID-19 on loan performance.
- As at the date of issue of the Q1 report, the KRUK Group identified the following legislative change attributable to the coronavirus pandemic as material: introduction – as part of the programme to mitigate the effects of COVID-19 – of a cap on non-interest costs of consumer loans of 21% until March 31st 2021 and of 45% of the loan amount over the entire loan period. This will undermine the profitability of products offered by Wonga.
- At the same time, Wonga enjoys a strong brand recognition and has its own acquisition channels, marked by a low delinquency rate 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 eight months from that reporting period.

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

PLNm	Q1 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	1Q 20/19
Purchased debt portfolios							
Expenditure on debt portfolios	57	179	129	83	389	781	-68%
Recoveries	477	427	448	433	475	1 782	12%
Statement of profit or loss							
Operating income	199	306	316	327	303	1 251	-35%
Purchased debt portfolios	156	281	283	288	287	1 138	-44%
including revaluation	-125	25	6,8	21	8,3	61	-600%
Credit management services	14	18	16	15	3,3	52	-22%
Other products and services	29	7,2	16	24	13	61	303%
Gross profit	44	178	164	183	140	665	-75%
<i>Gross profit margin</i>	22%	58%	52%	56%	46%	53%	
Purchased debt portfolios	33	170	158	174	159	661	-81%
Credit management services	2,4	3,8	2,4	1,7	-9,2	-1,3	-37%
Other products and services	8,1	4,4	4	7,3	-10,1	5,6	84%
Administrative expenses	-37	-40	-45	-42	-51	-178	-8%
EBITDA	4,6	136	117	141	93	487	-97%
<i>EBITDA margin</i>	2%	45%	37%	43%	31%	39%	
NET PROFIT	-62	98	69	78	32	277	-163%
<i>Net profit margin</i>	-31%	32%	22%	24%	11%	22%	
<i>ROE rolling</i>	6%	18%	17%	15%	14%	14%	
CASH EBITDA *	326	282	281	286	280	1 130	15%

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

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

PLNm	Q1 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	1Q 20/19
Operating income	199	306	316	327	303	1 251	-35%
Poland	128	146	174	141	141	602	-12%
Romania	47	75	111	107	107	400	-37%
Italy	16	45	21	46	46	159	-64%
Other countries	9	39	11	32	8,8	91	-77%
Gross profit	44	178	164	183	140	665	-75%
<i>Gross profit margin</i>	22%	58%	52%	56%	46%	53%	
Administrative expenses	-37	-40	-45	-42	-51	-178	-8%
EBITDA	4,6	136	117	141	93	487	-97%
<i>EBITDA margin</i>	2%	45%	37%	43%	31%	39%	
Finance income/costs	-49	-32	-27	-43	-24	-126	53%
Income tax	-8,2	3,8	-13	-5	-23	-37	-316%
Net profit	-62	98	69	78	32	277	-163%
<i>Net profit margin</i>	-31%	32%	22%	24%	11%	22%	

KRUK Group – cash flows (presentation format)

PLNm	Q1 2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	1Q 20/19
Cash flows from operating activities:	225	238	238	216	208	901	-6%
Recoveries from debtors – purchased debt portfolios	477	427	448	433	475	1 782	12%
Operating costs – purchased debt portfolios	-123	-111	-126	-114	-128	-478	11%
Operating margin – credit management	1,8	3,8	2,4	1,7	-9,1	-1,2	-53%
Administrative expenses	-37	-40	-45	-42	-51	-178	-8%
Other operating cash flow	-95	-42	-41	-63	-79	-225	126%
Cash flows from investing activities:	-60,2	-184	-211	-87	-409	-891	-67%
Expenditure on debt portfolio purchases	-57	-180	-129	-83	-389	-781	-68%
Other investing cash flow	-3,2	-4,6	-81	-4,3	-20	-110	-30%
Cash flows from financing activities	-79	-9	180	-348	170	-6,9	778%
Issue of shares	0	0	0	0	0	0	-
Dividend	0	0	0	-95	0	-95	-
Increase in borrowings and lease liabilities	271	353	538	546	665	2 102	-23%
Issue of bonds	0	140	50	25	0	215	-100%
Decrease in borrowings and lease liabilities	-369	-462	-419	-644	-419	-1 944	-20%
Redemption of bonds	0	0	-50	-88	-75	-213	-
Other financing cash flow	20	-40	61	-92	-0,6	-72	-150%
Net cash flows:	86	45	191	-219	-15	3	90%

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

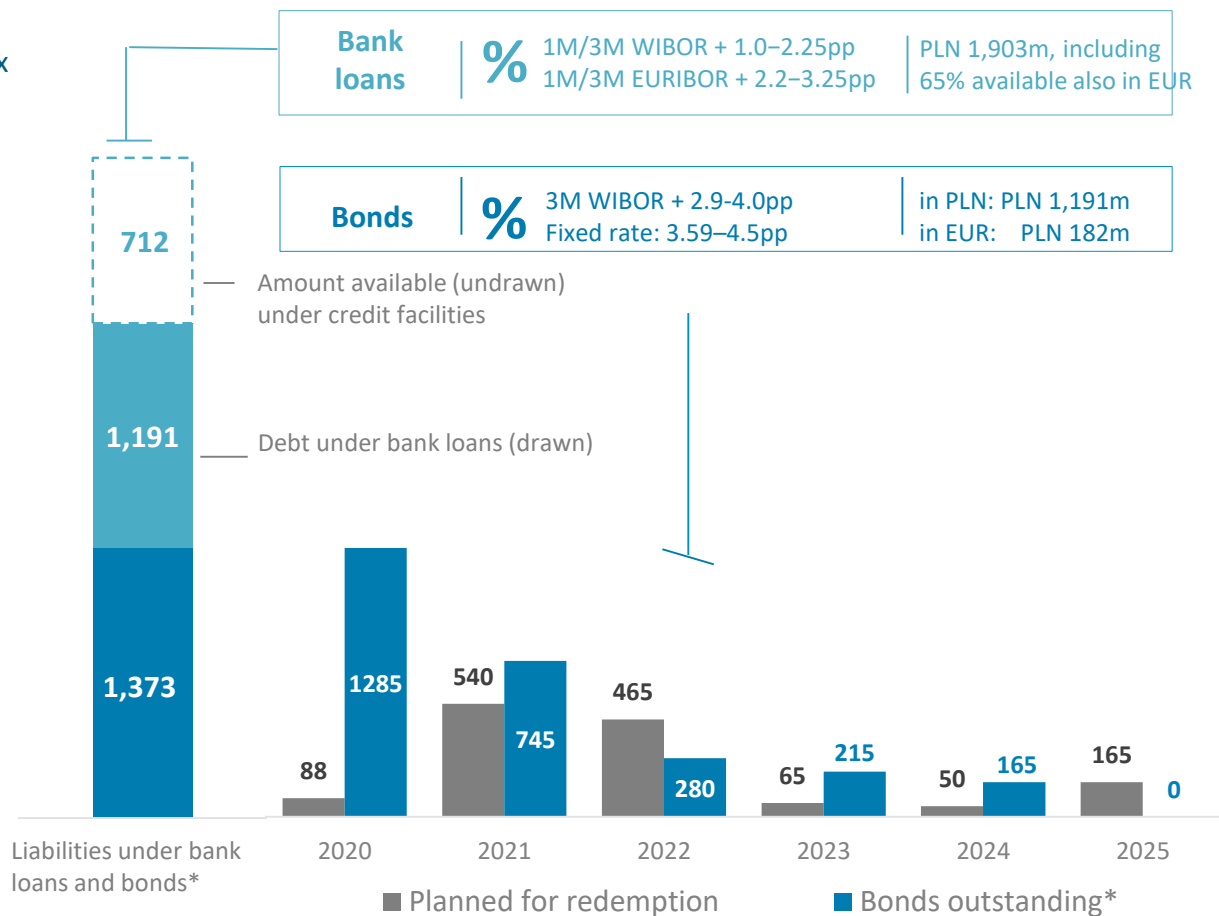
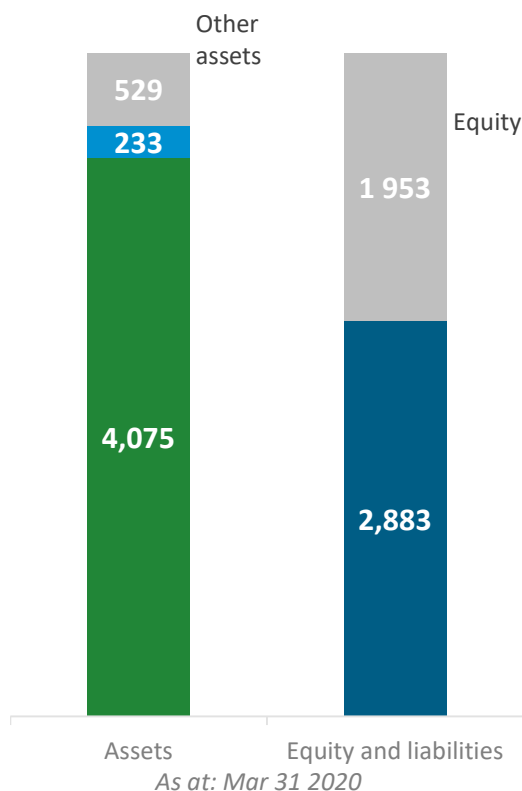
PLNm	Mar 31 2020	Dec 31 2019	Mar 31 2019
ASSETS			
Cash and cash equivalents	236	150	192
Investments in debt portfolios and loans	4 307	4 411	4 153
Other assets	293	278	281
Total assets	4 836	4 840	4 627
EQUITY AND LIABILITIES			
Equity	1 953	1 959	1 828
of which: Retained earnings	1 496	1 558	1 474
Liabilities	2 883	2 881	2 799
of which: Bank borrowings and leases	1 259	1 345	1 087
Bonds	1 376	1 361	1 501
Total equity and liabilities	4 836	4 840	4 627
METRICS			
Interest-bearing debt	2 635	2 706	2 588
Net interest-bearing debt	2 399	2 555	2 396
Net interest-bearing debt to equity	1,2	1,3	1,3
Net interest-bearing debt to LTM cash EBITDA	2,1	2,3	2,3

KRUK has a sound liquidity position and is prepared to increase its future investments

Net debt/equity 1.2x

Net debt/cash EBITDA: 2.1x

Debt maturing in 12M/cash EBITDA: 0.37x



Bank loans

% 1M/3M WIBOR + 1.0–2.25pp
1M/3M EURIBOR + 2.2–3.25pp

PLN 1,903m, including 65% available also in EUR

Bonds

% 3M WIBOR + 2.9–4.0pp
Fixed rate: 3.59–4.5pp

in PLN: PLN 1,191m
in EUR: PLN 182m

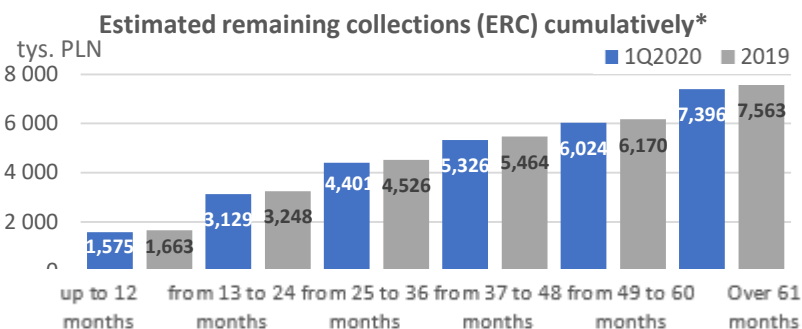
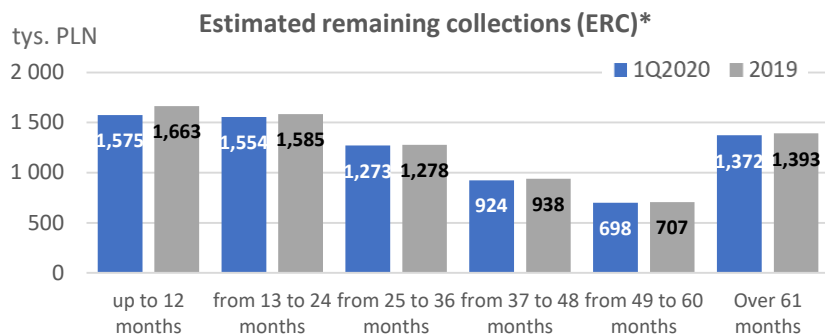
■ Investments in debt portfolios

■ Carrying amount of loans

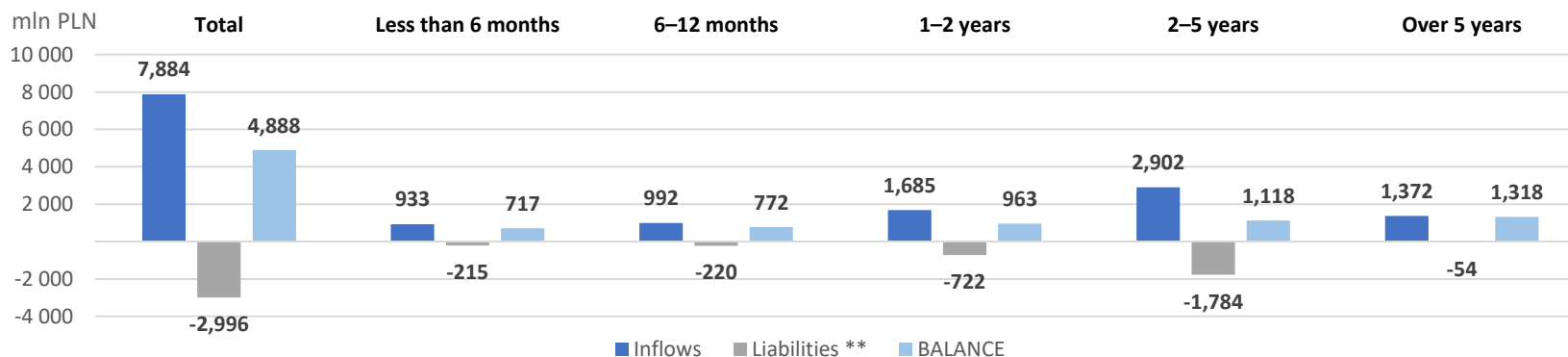
■ Liabilities

* - Nominal values as at March 31st 2020.

KRUK Group – expected ERC vs the Group's liabilities



Balance of inflows and liabilities



thousand PLN	Total	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
ERC (debt portfolios)	7,396,342	724,038	850,606	1,554,041	2,895,193	1,372,464
Loan repayments	487,796	208,733	141,221	131,272	6,569	0
Secured borrowings	-1,260,886	-16,028	-43,075	-36,772	-1,165,010	0
Unsecured bonds in issue	-1,520,800	-47,063	-165,667	-666,538	-590,879	-50,653
Other liabilities ***	-213,984	-152,210	-11,431	-18,532	-28,353	-3,458
BALANCE	4,888,468	717,470	771,654	963,471	1,117,520	1,318,353

* 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.

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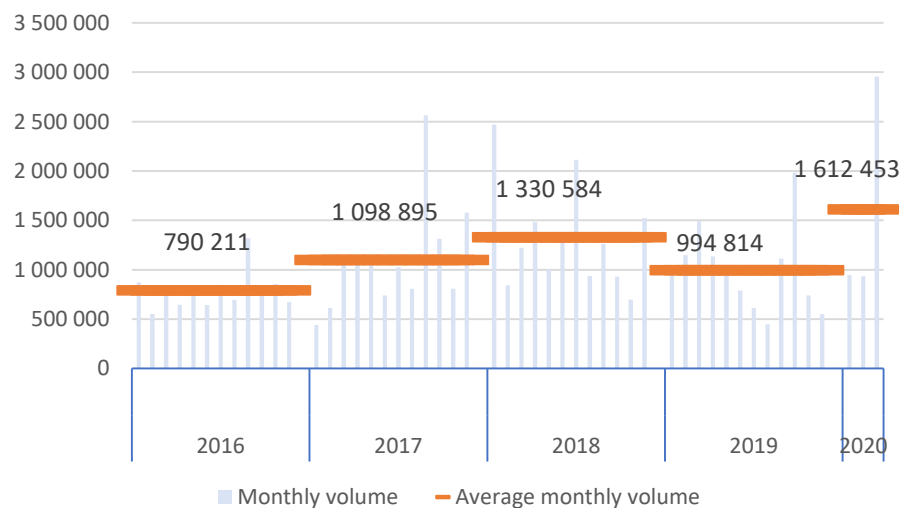
Date	Financial statements
March 5th	2019 full-year financial statements
May 28th	Q1 2020 financial statements
September 9th	H1 2020 financial statements
November 5th	Q3 2020 financial statements

Most recent recommendations

Date	Institution	Recommendation	Target price
April 2020	DM PKO BP	buy	PLN 147.00
April 2020	DM BDM	buy	PLN 90.00
April 2019	DM PKO BP	buy	PLN 236.00

For more information, go to pl.kruk.eu/relacje-inwestorskie/raporty/raporty-analityczne

KRUK as the 20th 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%

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*Source: stooq.pl

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