



KREDYT INKASO

The place of good solutions

Financial results of Kredyt Inkaso Group for the first half of the financial year **2023/2024**

19.12.2023




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Agenda

- 1 Summary of the 1st half of the year 2023/2024
- 2 Financial and operational performance
- 3 Financial situation
- 4 Corporate situation
- 5 Market environment
- 6 Development prospects

GK KI – important figures

22 years

operations in Poland
16 years on 

548

employees in 4 markets
PL, RO, BLG, RUS

> 10 years

experience in 5 CEE markets
PL, RO, BLG, RUS, CRO

nearly PLN 1.5 bn PLN

bonds issued,
of which nearly **1.3 bn PLN**
already redeemed

> 1 bn PLN

investments in portfolios
(historically)

> 2.4 bn PLN

contributions on own portfolios
(historically)

1.4 bn PLN

ERC from own portfolios
>1.6 m receivables handled

683 m PLN

book value of own portfolios

351 m PLN

equity

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Record contributions from own portfolios **176.7 m PLN**

in 6M (+13% y/y)



Growing share of contributions from newer portfolios

34% recoveries in 1H 2023/24 came from portfolios purchased after 04.2020



Maintaining significant investment in new portfolios **135.7 m PLN**

in 6M (+292% y/y) noticeable effects of new purchases will appear in subsequent periods



Securing financing for further development - credit limit and bond issues

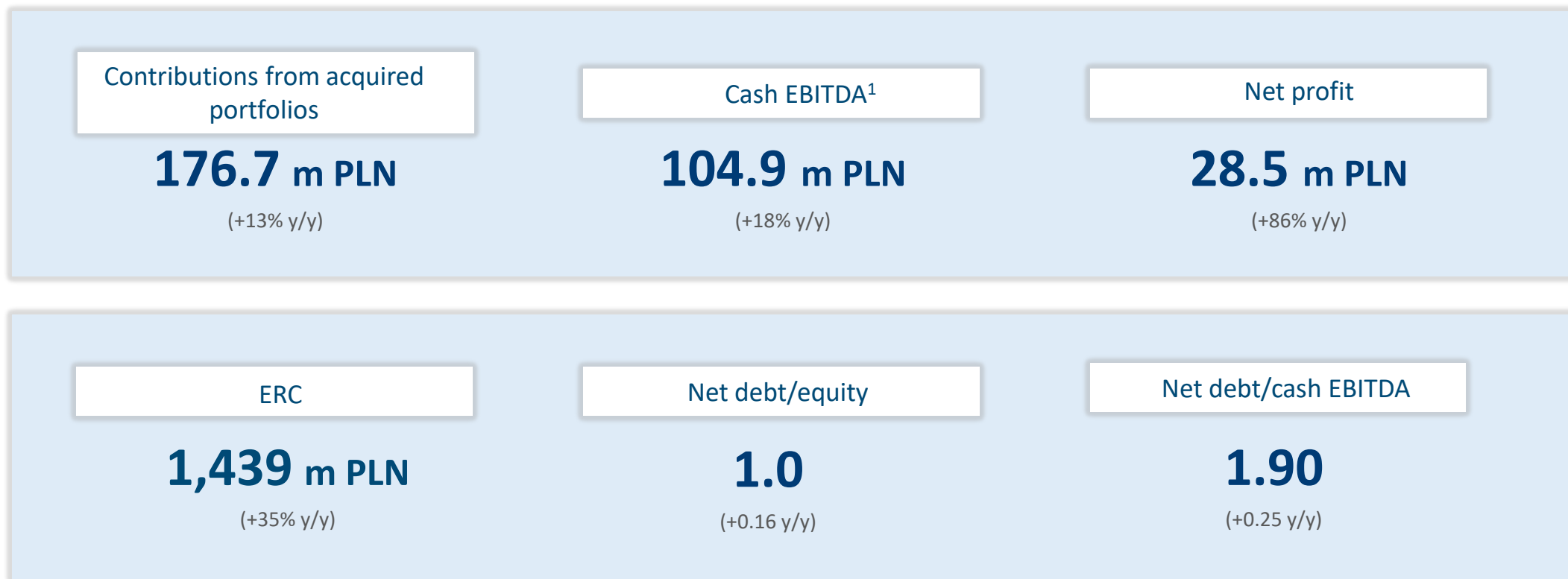
Prospectus up to 100 million PLN valid until 16 February 2024. Successful bond issue M1 (15 m PLN, 11% reduction in subscriptions), N1 (18 m PLN, 38% reduction) and P1 (15 m PLN, 36% reduction). Private bond issue O1 (37.741 m PLN). Overdraft in the amount of 10 m PLN.



Maintaining safe debt levels

(net debt/equity 1.0; net debt/cash EBITDA 1.90)

Financial highlights for the 1st half of the year 2023/2024



¹ Cash EBITDA = Operating profit/(loss) + depreciation of property, plant and equipment and intangible assets - interest income from purchased receivables - revaluation of purchased receivables + repayments from purchased receivables

1 Summary of the 1st half of the year 2023/2024

2 Financial and operational performance

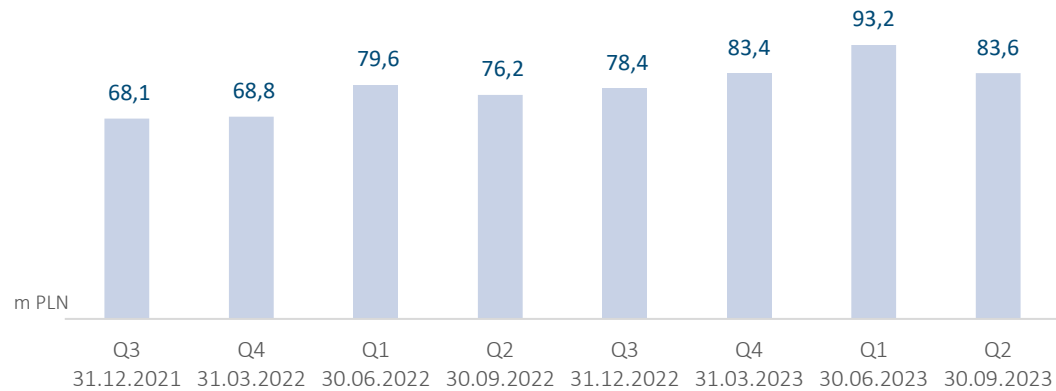
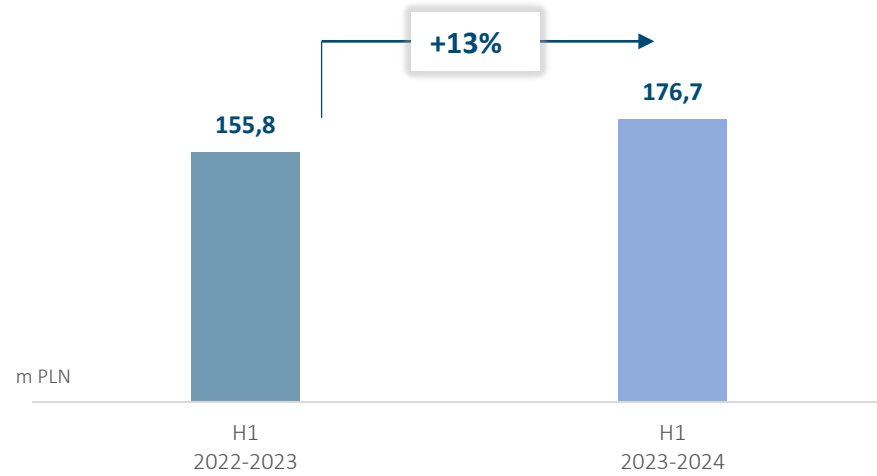
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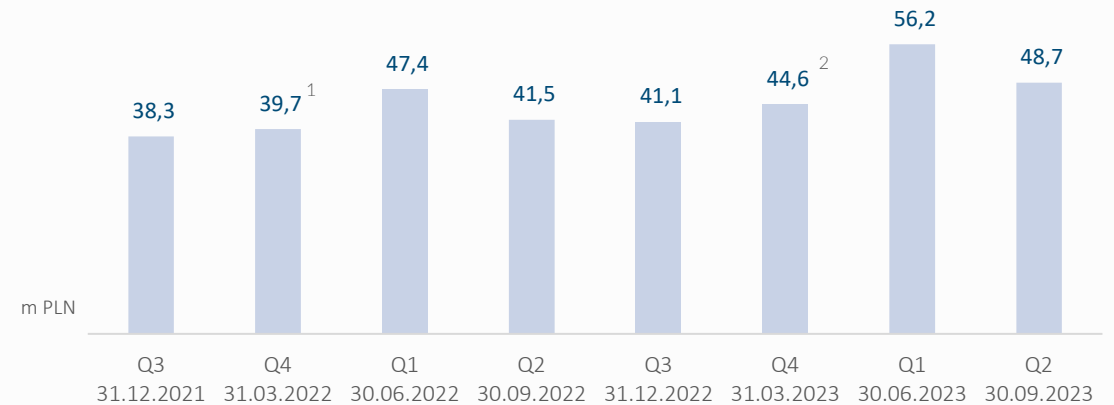
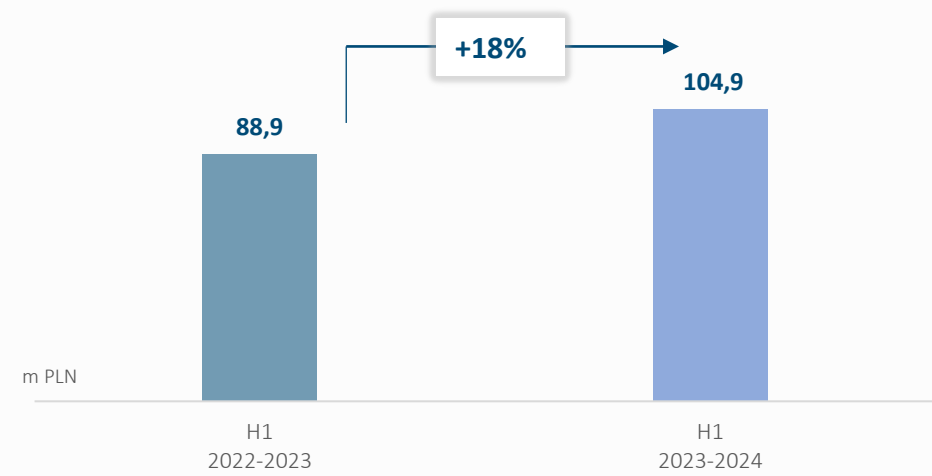
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CONTRIBUTIONS FROM ACQUIRED PORTFOLIOS



CASH EBITDA

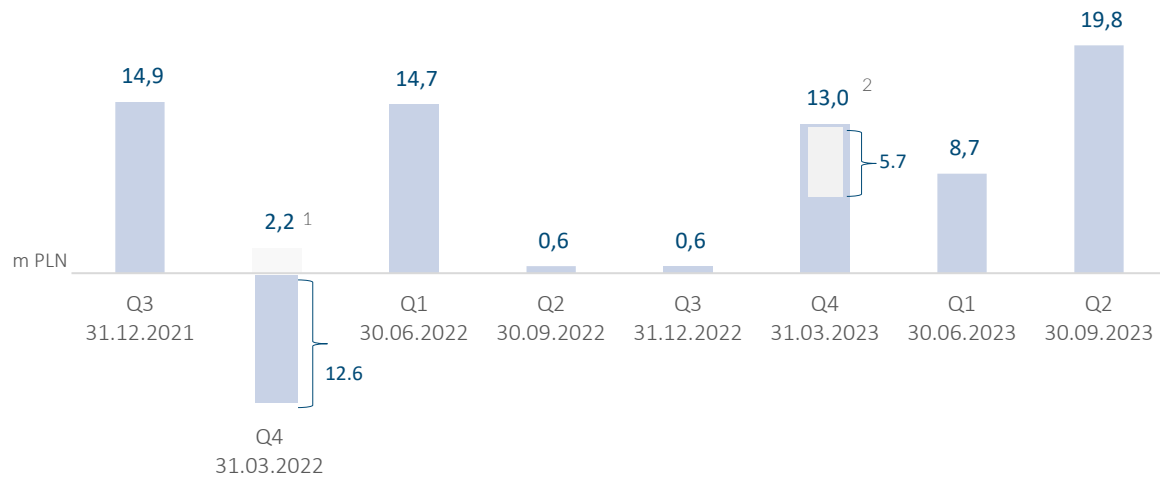
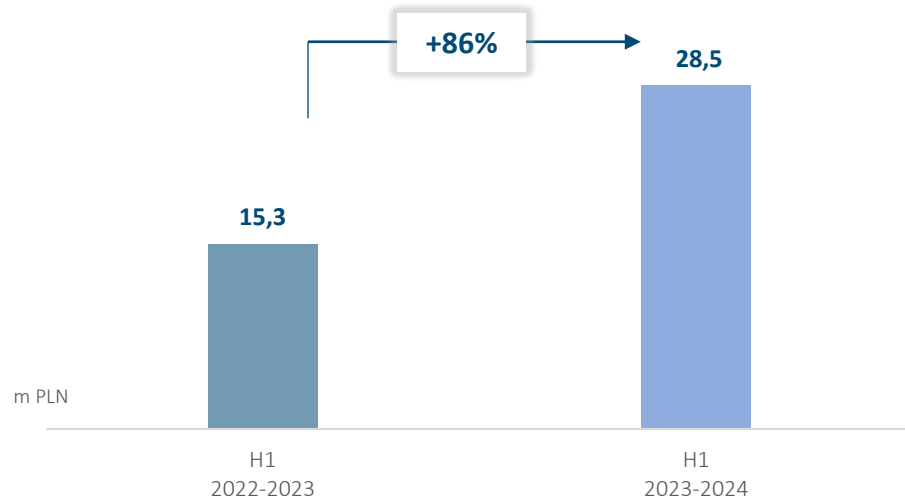


¹ After adjusting for non-cash allowance for KI RUS

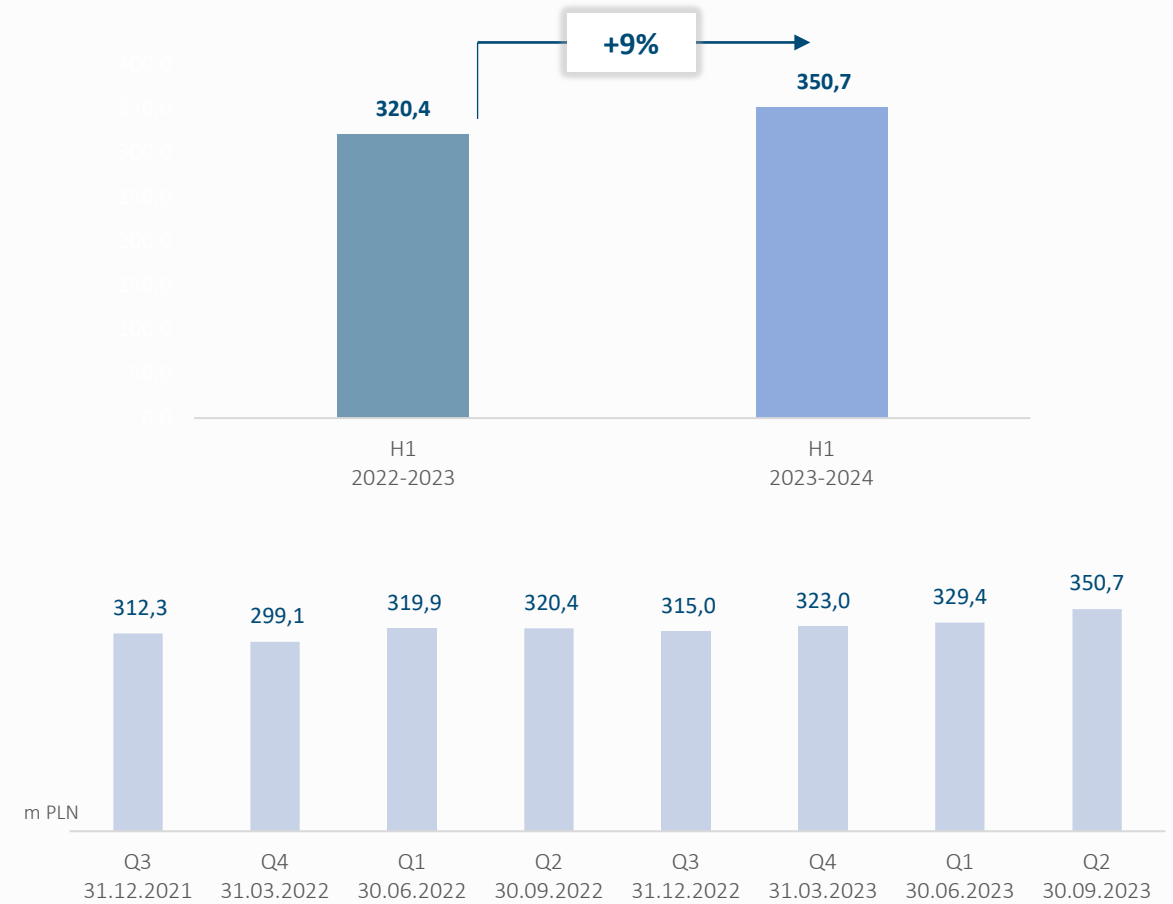
² After adjusting for the non-cash effect of the provision related to the KIRUS tax audit

Key results II

NET PROFIT (LOSS)



EQUITY



¹ After adjusting for non-cash allowance for KI RUS

² After adjusting for the non-cash effect of the provision related to the KIRUS tax audit

Profit and loss account I

	th PLN	6M 2023/24	6M 2022/23	Change (%)	Q2 2023/24	Q1 2023/24	Q4 2022/23	Q3 2022/23	Q2 2022/23	Q1 2022/23	Q4 2021/22 converted	Q3 2021/22
Contributions		176,737	155,755	13%	83,565	93,172	83,350	78,398	76,151	79,604	68,775	68,116
Cash EBITDA		104,914	88,878	18%	48,714	56,200	38,914	41,094	41,521	47,357	34,832	38,311
Interest income		72,595	59,127	23%	38,013	34,582	32,582	29,515	29,503	29,624	27,845	31,200
Package valuation update		57,476	43,595	32%	30,156	27,320	30,167	19,857	17,787	25,808	5,043	19,376
Other net income		3,109	453	586%	2,402	707	2,270	1,176	(662)	1,115	4,079	1,217
Total net income		133,180	103,175	29%	70,571	62,609	65,019	50,548	46,628	56,547	36,967	51,793
Salaries, social security contributions		(28,480)	(25,502)	12%	(13,932)	(14,548)	(14,833)	(14,071)	(13,029)	(12,473)	(13,501)	(12,073)
Third-party services		(23,825)	(21,441)	11%	(11,658)	(12,167)	(11,837)	(10,996)	(10,473)	(10,968)	(9,886)	(10,417)
Court and enforcement fees		(19,150)	(17,738)	8%	(9,905)	(9,245)	(10,620)	(11,521)	(9,206)	(8,532)	(8,462)	(7,140)
Other		(7,730)	(6,328)	22%	(3,887)	(3,843)	(11,423)	(3,848)	(3,019)	(3,309)	(8,146)	(3,007)
Total operating expenses		(79,185)	(71,009)	12%	(39,382)	(39,803)	(48,713)	(40,436)	(35,727)	(35,282)	(39,995)	(32,637)
Profit (loss) on operating activities		53,995	32,166	68%	31,189	22,806	16,306	10,112	10,901	21,265	(3,028)	19,156
Net financial costs		(22,407)	(12,453)	80%	(9,236)	(13,171)	(10,418)	(9,906)	(6,694)	(5,759)	(4,928)	(2,840)
Profit (loss) before taxation		31,588	19,713	60%	21,953	9,635	5,888	206	4,207	15,506	(7,956)	16,316
Income tax		(3,131)	(4,395)	-29%	(2,147)	(984)	1,418	405	(3,599)	(796)	(2,502)	(1,326)
Net profit (loss)		28,457	15,318	86%	19,806	8,651	7,306	611	608	14,710	(10,458)	14,990

Profit and loss account II

	th PLN	6M 2023/24	6 M 2022/23
Verification of the forecast		2,622	(1,652)
Deviations of actual payments from projected payments		54,936	41,975
Extension of projected recoveries		553	611
Change in exchange rate		(635)	2,661
Package valuation update		57,476	43,595

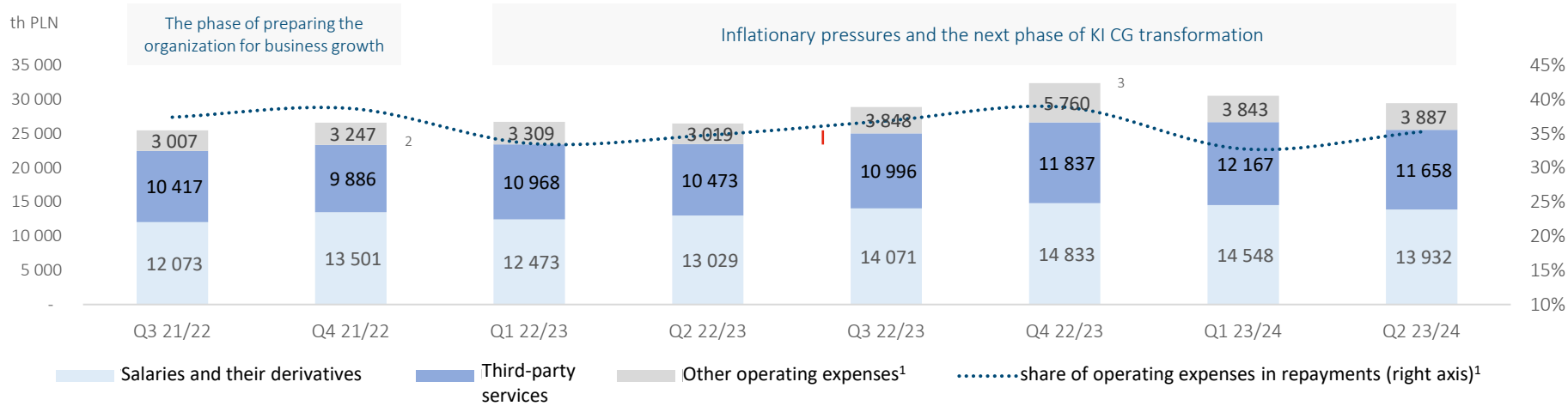
	th PLN	6M 2023/24	6 M 2022/23	Change (%)
Salaries, social security and other benefits		28,480	25,502	12%
Third-party services		23,825	21,441	11%
Court and enforcement fees		19,150	17,738	8%
Depreciation		4,253	3,679	16%
Taxes and fees		944	665	42%
Consumption of materials and energy		1,129	965	17%
Other costs by type		1,404	1,019	38%
Operating costs		79,185	71,009	12%
net of court and enforcement fees		60,035	53,271	13%

- The high **deviation of actual payments from forecasts** is a cash effect (real cash inflow to the CG) observed in all markets where the CG operates.
- Positive **revision of forecast** due to maintenance of **conservative** approach regarding repayment curves for secured receivables, offset by **positive** impact of valuation of unsecured receivables (both non-cash effects).
- Negative impact of **exchange rate differences** (RON) – non-cash effect.

- Year-on-year increase in recurring operating expenses mainly due to increases in **salary costs, court and enforcement fees** and **third-party services**.
- **Operating costs**, net of court and enforcement fees, are **growing at a rate similar to that of repayments (13% y/y)**.
- The increase in salaries costs mainly due to inflationary pressures and as a consequence of the process carried out in previous periods to prepare the organization for a **significant increase in the scale of operations**.
- The increase in the cost of **court and enforcement fees** closely related to the **high level of investment in portfolios** should bring an **increase in payments from debtors** in future quarters.

Profit and loss account III

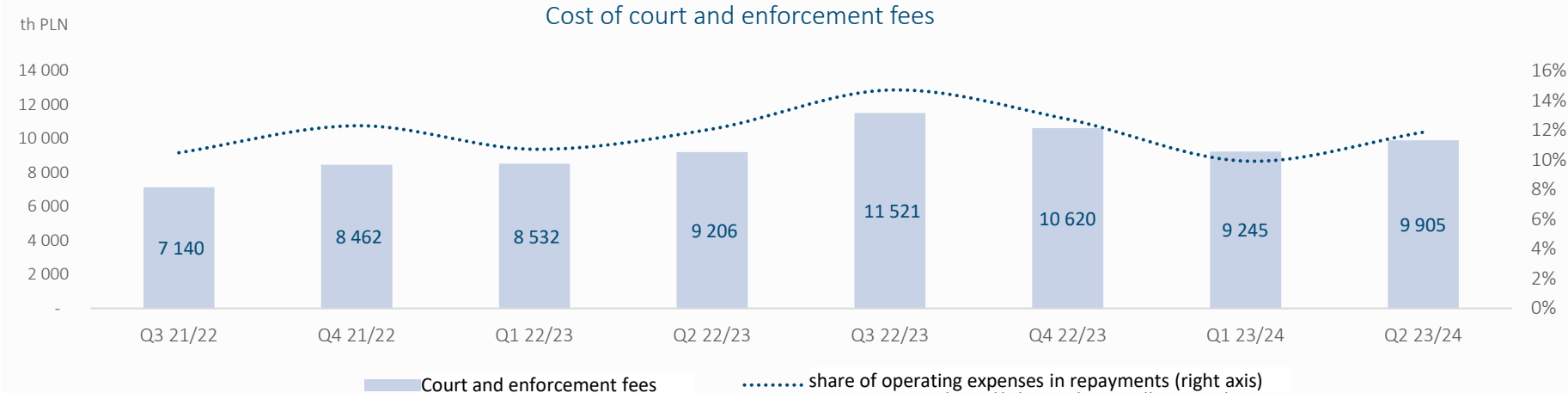
Operating cost (net of court and enforcement fees)



Noticeable improvement in profitability in the long term - the share of operating expenses (excluding court fees and enforcement fees) in repayments decreased from 40% in H1 20/21 to 34% in H1 23/24.

Share of **salaries** in repayments (17% in Q2 23/24) at the level of **best industry benchmarks**.

Cost of court and enforcement fees



Higher share of court fees and enforcement fees in repayments in 2022/2023 should translate into **increased repayments in subsequent periods** (mainly PL and RO).

¹ After excluding court and enforcement fees

² After adjusting for non-cash allowance for KI RUS

³ After adjusting for the non-cash effect of the provision related to the KIRUS tax audit

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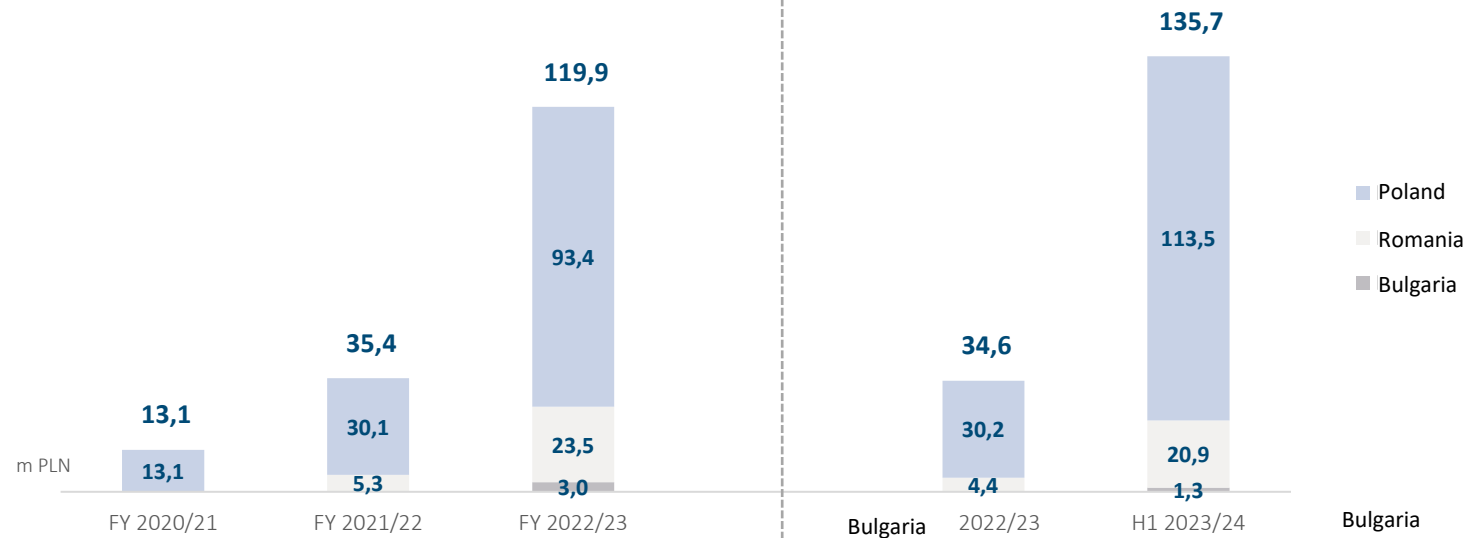
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Investments in the last 3 years and in H1 2023/24

Outlays for purchase of debt packages



Dynamic return to investment in new portfolios

135.7 m PLN

3.9x

H1 2023/24 vs H1 2022/23

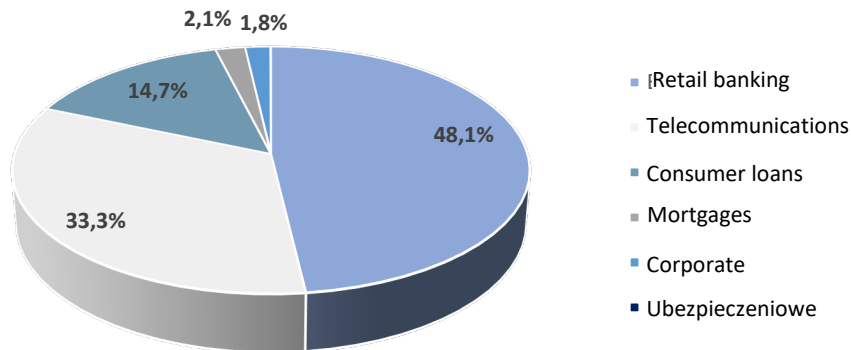
Further investment growth planned in Poland, Romania and Bulgaria.



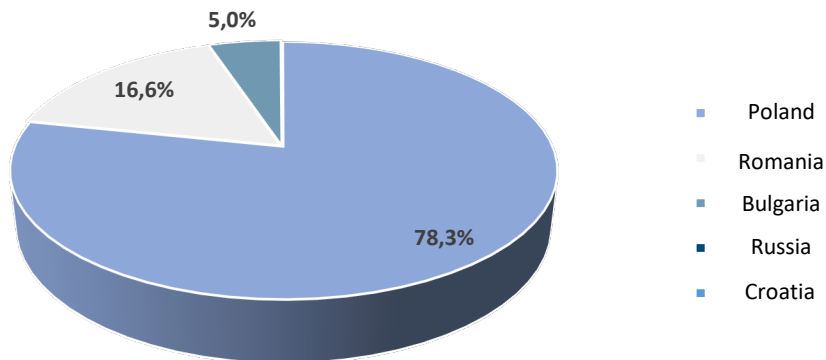
Date of purchase of debt packages	Amount of debt packages purchased (m PLN)	Payments from debtors 2020/21 (m PLN)	Payments from debtors 2021/22 (m PLN)	Payments from debtors 2022/23 (m PLN)	Payments from debtors H1 2023/24 (m PLN)	Contributions / Purchase amount (%) 2020/21	Contributions / Purchase amount (%) 2021/22	Contributions / Purchase amount (%) 2022/23	Contributions / Purchase amount (%) H1 2023/24
2020/21	13.1	3.5	16.3	15.0	5.6	27%	125%	115%	43%
2021/22	35.4	-	2.7	22.5	9.8	0%	8%	64%	28%
2022/23	119.9	-	-	18.1	32.9	0%	0%	15%	27%
H1 2023/24	135.7	-	-	-	12.3	0%	0%	0%	9%
Total	304.1	3.5	19.0	55.7	60.6				

Characteristics of KI CG portfolios

Types of managed holdings by carrying value as of 30 September 2023.



Carrying value of debt portfolios by country of origin as of 30 September 2023



Carrying value
as of 30.09.2023

682.5 m PLN

Carrying value of KI Group's debt portfolios (m PLN)

	Carrying value as of 30.09.2023	Percentage share (%)	Change y/y (p.p)
Retail banking	328.5	48.1	(5.5)
Telecommunications	227.2	33.3	11.0
Consumer loans	100.1	14.7	(1.1)
Mortgages	14.4	2.1	(3.0)
Corporate	12.1	1.8	(1.4)
Insurance	0.3	0.0	(0.0)
Total	682.5	100.0	

Carrying value of KI Group's debt portfolios (m PLN)

	Repayments from debtors 6M 2023/2024	Carrying value as of 30.09.2023	Percentage share (%)	Change y/y (p.p)
Poland	131.5	534.4	78.3	0.1
Romania	27.2	113.2	16.6	1.1
Bulgaria	11.2	34.5	5.0	(0.9)
Rosja	6.7	0.3	0.0	(0.1)
Croatia	0.2	0.2	0.0	(0.2)
Total	176.7	682.5	100.0	

The book value of the Russian portfolios represents about 0% of the carrying value of all receivables acquired and amounts to **0.3 m PLN**; no further discounting related to the war in Ukraine.

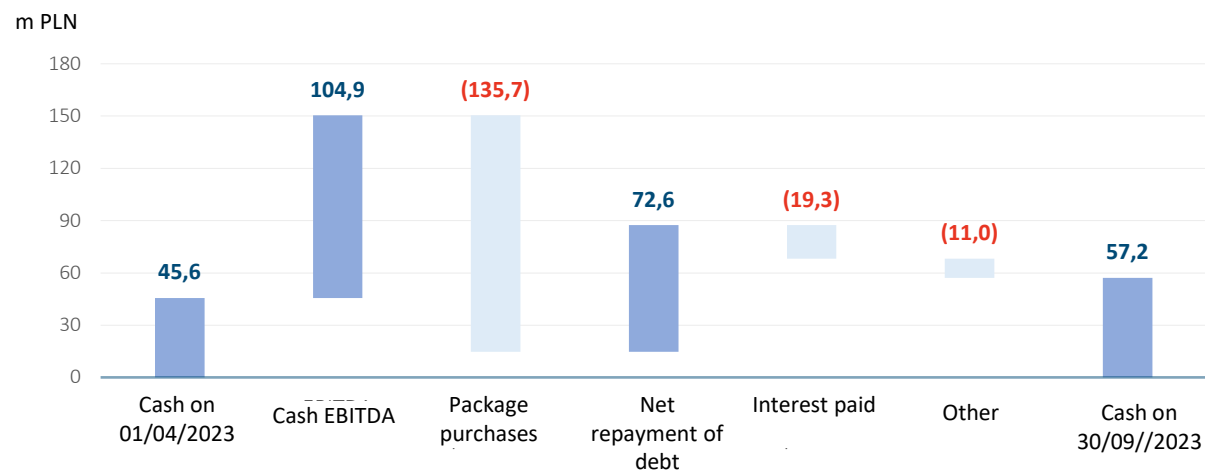
Cash flow and cash position

Cash flow [m PLN]	6M 2023/24	6M 2022/23
Cash at the beginning of the period	45.6	98.2
Operating activities	94.7	81.4
Investment activities	(134.5)	(47.9)
Financial activities	53.3	(79.3)
Exchange rate differences	(1.9)	5.3
Cash at the end of the period	57.2	57.8

In 6M 2023/24, the Group concluded package purchase transactions amounting to **135.7 m PLN**, all purchases paid for as of the balance sheet date.

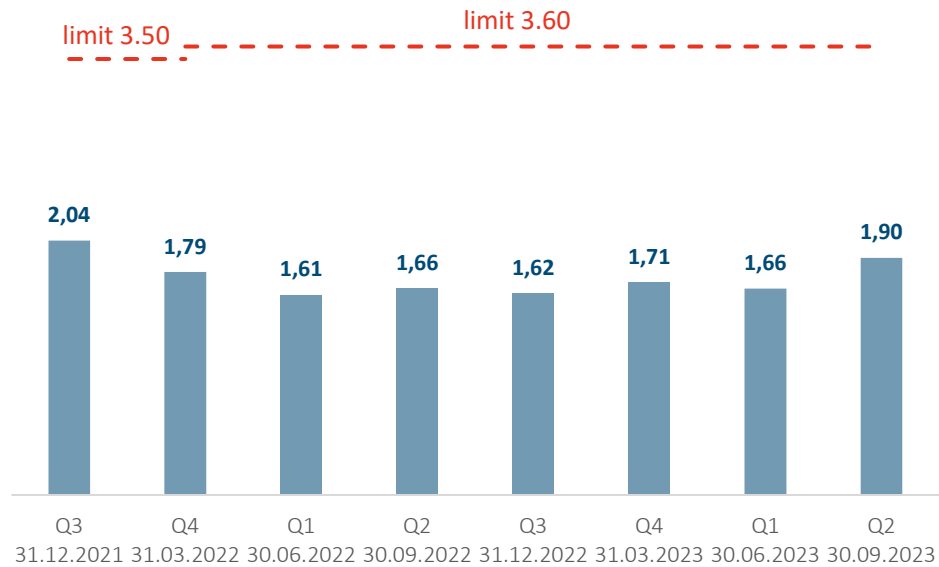
In 6M 2023/24, purchases were made at nearly **4 time** the rate of purchases in the **same period of the previous fiscal year** (more contracts for the purchase of debt packages signed after the balance sheet date).

The Group is poised to make **further significant expenditures on package purchases** – promising prospects in the coming quarters (expected supply of portfolios in the market).



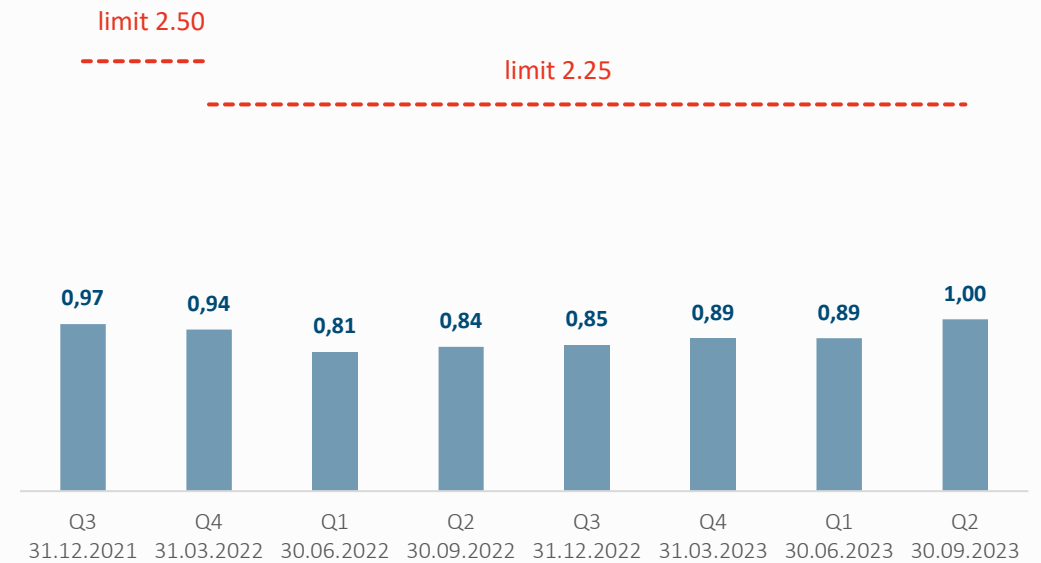
Debt ratios

NET DEBT/CASH EBITDA



Ambition and capacity for new investment thanks to **safe debt levels** (DN/\$EBITDA and DN/KW).

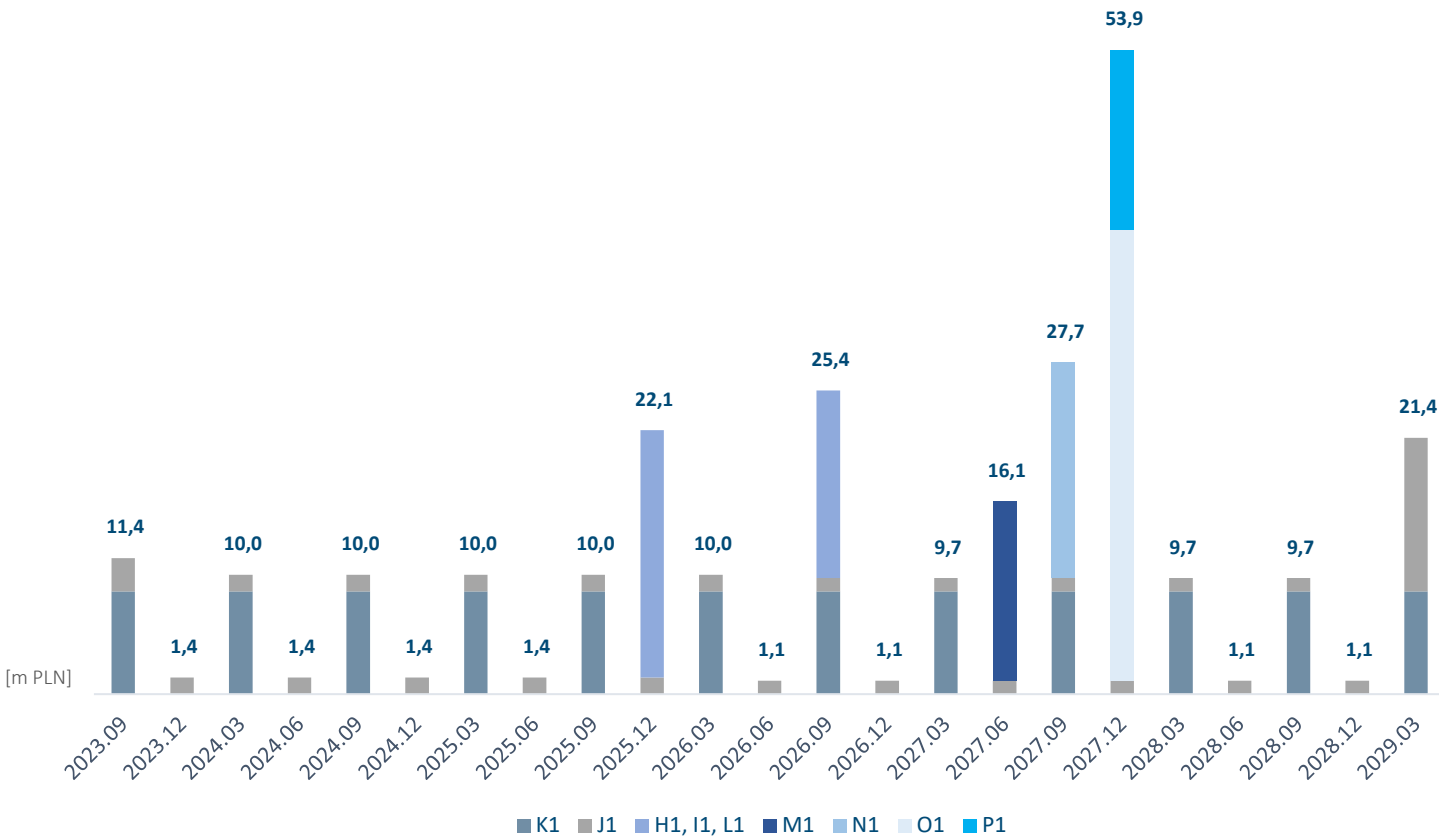
NET DEBT/EQUITY



Net debt as of 30 September 2023 at **352.1 m PLN** (+31% y/y).

Safe repayment plan for current bonds, increase financing options

Bond repayment schedule as of 6 December 2023



- As of the balance sheet date of 30 September 2023, there were 7 series of Kredyt Inkaso Group bonds with a nominal value of 202.8 m PLN. The structure of bondholders is diversified, with a significant share of both financial institutions and individual investors.
- **Subsequent bond issues and availability of a revolving credit line limit** mean that the Group has sufficient liquidity for new major investments.
- **On 14 April 2023, the Issuer allocated Series M1 bonds worth 15 m PLN.** This was the first issue under the Bond Issuance Program of up to 100 m PLN dated 22.09.2022 issued under the Prospectus approved on 14.02.2023. **The issue ended with an 11.5% reduction in subscriptions.**
- **On 13 July 2023, the Issuer allocated Series N1 bonds worth 18 m PLN.** The issuance took place within the framework of the aforementioned Bond Issuance Program. **The issue ended with a 38.6% reduction in subscriptions.**
- **On 28 September 2023, the Issuer conditionally allocated Series O1 bonds worth 37.7 m PLN.** The issue was made under the Bond Issuance Program of up to 150 m PLN without a prospectus dated 29.08.2023.
- **On 22 November 2023, the Issuer conditionally allocated Series P1 bonds worth 15 m PLN.** The issuance took place within the framework of the Bond Issuance Program without a prospectus. **The issue ended with a 36.2% reduction in subscriptions.**
- **As of 30 September 2023, the Group had loan debt of approximately 196 m PLN.** The item was entirely related to two loans granted to the Group by ING Bank Śląski. **The total available limit is 200 m PLN, and the funds can be used to purchase debt portfolios.** The amortization period for each financing tranche is 5 years, and as of now, the final expiration date of the loan agreements is the end of 2032.
- In Q1 2023/2024, the Company also entered into a loan agreement with ING Bank Śląski S.A. for an **overdraft facility of 10 m PLN** and a guarantee loan of 449 th PLN. With the conclusion of the aforementioned agreement **the Group has further optimized its short-term liquidity management process.**
- As of 30 September 2023, **the Group had 57.2 m PLN in cash.**

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Special auditor

- The appointment of a special auditor was requested by BEST SA, a shareholder of Kredyt Inkaso, during the EGM in April 2022. The scope of the auditor's examination was to cover: potential manipulation of Kredyt Inkaso's share price in September 2016, the reasonableness of the conclusion and execution of the consulting agreement with Prosperus Partners, signed in May 2016, and the reasonableness of the conclusion and execution of the 2017 consulting agreement with Waterland Private Equity Investments.
- On 22 April 2022, Kredyt Inkaso's Board of Directors expressed its position on BEST SA's application in RB 24/2022. The Company's Supervisory Board subsequently took the same position on the proposal in question.
- The special auditor, Rödl Kancelaria Prawna sp. k. and Roedl Audit sp. z o.o., provided the Company with a written report on the results of the audit on 22 November 2023 (rather than within 60 days of its commencement, as required by the Court's order). The Company published the report the same day in RB 50/2023.
- The auditor did not make any specific recommendations to be implemented for the Company in connection with the audit results presented.
- The Board of Directors will publish its position after the audit on the Company's website, and report on how it has taken into account the results of the audit at the EGM on 21 December 2023.

Strategic options

- As part of the process of reviewing strategic options, as mentioned in Kredyt Inkaso S.A. Current Report No. 60/2022 of 30 September 2022 and Current Report No. 09/2023 of 4 April 2023, the Company's advisor, Ipopema Securities S.A., has provided additional information on the Company and its Group Companies to potential investors and is holding discussions with potential investors.
- The review of strategic options has not been completed, and no binding decisions have yet been made regarding the selection of the option to be implemented as a result of the completion of the strategic options review process, nor can it be ruled out that the process will be completed with the status quo.
- At present, the date of completion of the strategic options review process is not precisely defined, and information regarding the possible completion of the strategic options review process will be provided by Kredyt Inkaso S.A. in an appropriate manner.
- The next stages of strategic options, which, viewed objectively, may (but still do not have to) generate disclosure obligations on the part of the Company, may be, for example, reaching an agreement on the material terms of a transaction with a specific entity (investor), concluding transaction documentation and closing a given transaction.
- The goal of the Board and advisors is to complete the review of strategic options in the first months of 2024.

Tax audit at the Russian Group company

- In the period XII/2022 - VI/2023, a tax audit took place at the Group's Russian company, focusing on taxes and fees and insurance premiums for the period from 1 January 2019 to 31 December 2021.
- As a result of the audit, a protocol was issued that questioned the settlements of the debt assignment agreements and the agency agreement concluded in 2014.
- The Group company submitted its objections to the audit protocol in writing, and on 21 August 2023 made a payment of tax arrears (excluding interest and fines) totalling 31.5 m RUB.
- On 30 August 2023, KI RUS received the final decision on the results of the audit. The total amount of tax arrears, fines and interest paid for irregularities identified by the tax authority for 2019 - 2021 amounted to 32.4 m RUB.
- KI RUS also adjusted its tax settlements for the unaudited period from January 2022 to March 2023, resulting in a tax payment with interest of 5.6 m RUB. As of April 2023, KI RUS makes tax settlements according to the interpretation indicated by the tax authority.
- As of 30 September 2023, the Group dissolved the unused portion of the provision set up in connection with tax proceedings in Russia in the amount of 41.8 m RUB, which is equivalent to 1.9 m PLN at the exchange rate as of 30 September 2023.

Draft of 2 October 2022 of the act on debt collection activities and the debt collector profession:

- the obligation for a debt collection company to have a permit and for a debt collector to have a license,
- subject limitation (e.g., people over 75, people with certain disabilities) and object limitation (e.g., time-barred cases, with objections raised by the debtor) in conducting amicable collection,
- obligation to maintain additional documentation for debt collection activities (including, but not limited to, the application for the initiation of debt collection activities, debt collection note, debt collection protocol, list of telephone calls, audiovisual calls and text messages sent, including with the use of: faxes, e-mail, SMS, MMS or instant messaging, list of conducted debt collections),
- shortening the statute of limitations.

Current status:

The draft act authored by the Ministry of Justice did not reach the Parliament of the previous term and the legislative process has not begun.

Act of 16 August 2023 on amending certain laws in connection with ensuring the development of the financial market and the protection of investors in this market

- aligns Polish legislation with EU Regulation 2017/2402 on the establishment of a general framework for securitization (STS Regulation), including, among other things, changing the name of "securitization fund" to "receivables fund."
- introduction of an obligation for shareholders to submit notifications of changes in the threshold in the total number of votes, as referred to in Article 69 section 1 of the act on offering, through the ICT system of the Financial Supervision Authority;
- introduction of the possibility for 5% of shareholders to call a public company's AGM to appoint a special affairs auditor, the auditor will be given the authority to audit not only the public company, but also its subsidiaries;
- restricting the ability to offer corporate bonds to retail customers outside the regulated market, alternative trading system and crowdfunding platforms;
- making it mandatory to sell bonds to retail customers only through investment firms;
- introducing the possibility of providing brokerage services by banks, under a unified banking license;
- increasing the level of digitization in the FSA's implementation of its supervisory duties, particularly in the conduct of inspection activities;
- increasing and expand administrative sanctions, the possibility of imposing penalties on individual members of the authorities independently of proceedings against institutions depending on the violation

Current status:

The act entered into force (with exceptions) on 29 September 2023.

Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit buyers and amending Directives 2008/48/EC and 2014/17/EU (NPL Directive):

- The directive regulates, among other things, the rules for the disposal of receivables (relations with the seller), the rules for servicing receivables (relations with the buyer), the rules for collection (relations with the debtor), cross-border servicing of receivables, authorization and supervision,
- date of implementation of the NPL Directive in the national legal order - until 23 December 2023.

Draft law implementing the directive: Draft of 15 June 2023 of the act on credit servicers and credit buyers:

- the proposed regulation is to clarify the terms of activity, rights and obligations of credit buyers who acquire the lender's rights under an unserviced credit agreement or the unserviced credit agreement itself, as well as to indicate a catalog of entities to which the provisions of the proposed law will not apply (to the servicing of the lender's rights under a credit agreement or the servicing of the credit agreement itself, carried out by, among others - under certain conditions - a company, an alternative investment company (AIC) manager, alternative investment fund managers and investment companies).

Current status:

Draft act prepared by the Ministry of Finance under public consultation. Legislative work in parliament has not yet begun. The act will be dealt with by the parliament of the new term, most likely in 2024.

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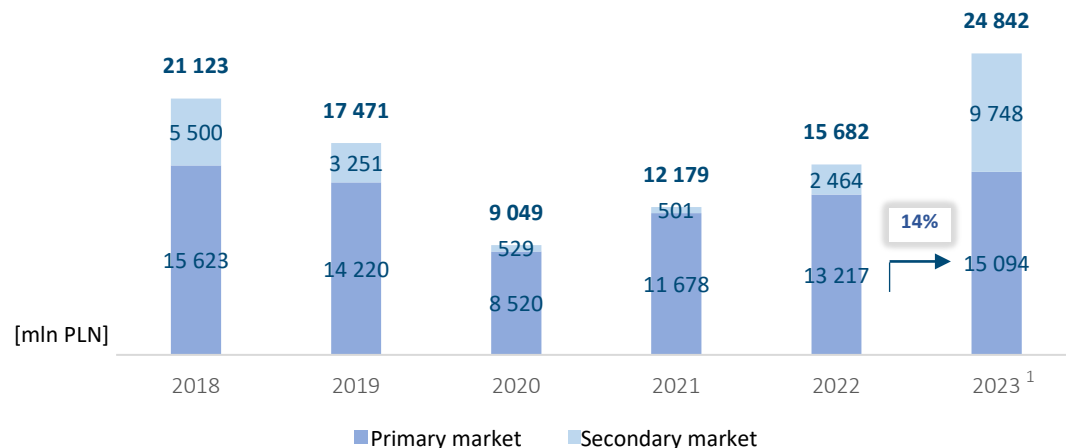
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Portfolio supply in the primary and secondary debt market in Poland



Supply of debt portfolios in years



- The level of sales of non-performing debt portfolios on the primary market is steadily increasing year after year. There has been an upward trend for the past two years.
- This year - compared to previous years - the supply of portfolios on the secondary market has increased significantly.
- Poland continues to experience low unemployment and intensifying wage pressures.
- Continued high levels of inflation and, consequently, high interest rates will translate into higher levels of NPLs in future years.
- Banks, seeking to further improve their financial performance, will put better quality debt portfolios up for sale.
- Further CJEU rulings on borrowers' claims could mean additional burdens for the banking and lending sectors.

	Oct23	2023 forecast	2024 forecast
HICP* inflation	6.3%	11.1%	6.2%
Unemployment rate**	5.0%	5.1%	5.0%
GDP growth rate***	- 1.1%****	0.4%	2.7%

* data from Eurostat; projections from the EC
 ** data from the Ministry of Family and Social Policy; projections from the Polish Chamber of Commerce
 *** data from the PFR Analysis Office "Overview of European economies
 Selected macroeconomic indicators in EU, EFTA and UK
 November 2023
 **** data for IIQ2023

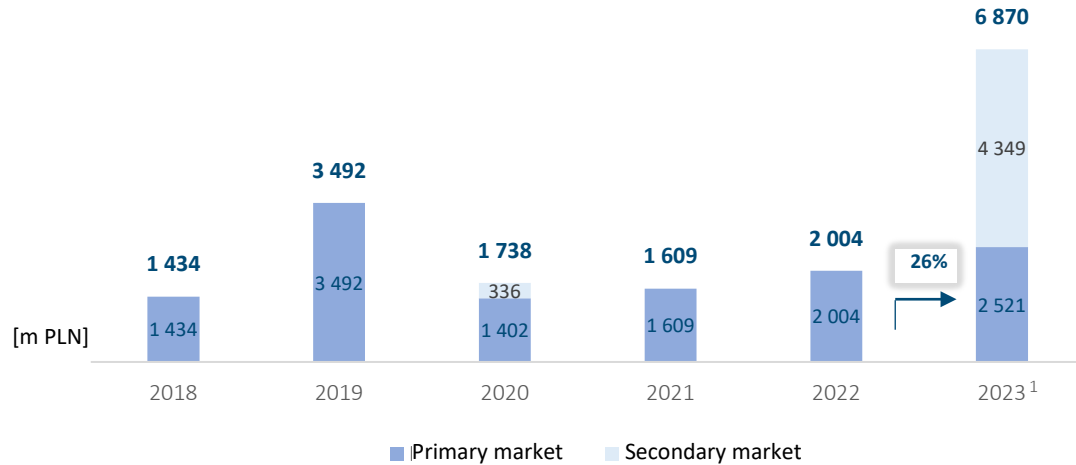
Key players in the market in PL



Portfolio supply in the primary and secondary debt market in Romania



Supply of debt portfolios in years



- The supply of debt portfolios in 2022 increased by 27% compared to the previous year.
- A further 26% increase in the available denominations of debt portfolios can be expected in 2023.
- The share of the banking portfolio in total supply, at around 40-45%, will remain at its current level.

	Oct23	2023 forecast	2024 forecast
HICP* inflation	8.3%	7.1%	4.2%
Unemployment rate**	5.4%	5.2%	5.3%
GDP growth rate***	2.6%***	2.2%	3.1%

* data from Eurostat
 ** data from the PFR Analysis Office "Overview of European economies Selected macroeconomic indicators in EU, EFTA and UK. November 2023"
 *** data from the PFR Analysis Office "Overview of European economies Selected macroeconomic indicators in EU, EFTA and UK. November 2023"
 **** data for IIQ2023

Key players in the market in RO



1 Summary of the 1st half of the year 2023/2024

2 Financial and operational performance

3 Financial situation

4 Corporate situation

5 Market environment

6 Development prospects

Development prospects

- Increasing funding:
 - another bond issue under the current prospectus,
 - preparing a new prospectus to continue issuing bonds to a wide range of investors,
 - talks with banks to increase bank financing.
- Further investments in three key markets: Poland, Romania and Bulgaria
- Continuation of transformation projects in the Group.
- The development of our workforce by creating an inclusive and diverse workplace.
- Implementation of modern technological solutions to improve process efficiency.
- Regardless of the company's growth scenario - continuous increase of its value and taking advantage of market opportunities .





KREDYT INKASO

The place of good solutions

Thank you for your attention!

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