Gdynia, 29/04/2019

Dear Sir/Madam,

On behalf of the Management Board of BEST S.A., I would like to present to you the annual reports showing the results and achievements of BEST S.A. and of BEST Capital Group in 2018.

Last year, after three years of very intensive development and investments, we focused primarily on optimising our operations, improving the balance sheet structure, reducing the amount of debt and improving cost efficiency. The effects of these measures can already be seen. The amount of repayments due to the Group increased by nearly 10% year-on-year, exceeding PLN 260 million. We also recorded an increase in full cash EBITDA by 18% to PLN 220 million. All this with limited expenditures on new portfolios.

In 2018, we adopted a careful approach to purchasing new claim portfolios. This decision was well thought-out and related to the imbalance caused on the market by irresponsible actions of one of the market participants. The price inflation by GetBack caused banks to set high sale prices in their plans for 2018. It was frequently the case that sellers, unable to obtain a satisfying price, withdrew from the tender process. The prices of claims at the tenders have been high due to the peak phase of the economic cycle. We have to bear in mind that we will be collecting these claims during a different phase of the economic cycle, and this also has stopped us from entering into large-scale transactions. However, we believe that the situation will soon return to normal. Last year, in connection with the situation of GetBack S.A., we had limited access to capital in the form of bonds. BEST has issued PLN 30 million worth of bonds in its public offering, but at the same time we secured bank financing that fully satisfies our potential investment needs.

Despite the turmoil, we purchased 9 claim portfolios with a nominal value of PLN 1.4 billion for PLN 81 million, and took control of BEST III NSFIZ, which positively affected the structure of our balance sheet. We also repaid PLN 177 million in financial liabilities, as result of which the Group’s financial debt ratio at the end of 2018 decreased to 1.18 and was one of the lowest in the industry.

BEST also develops its international operations. We established a company in Italy, BEST Italia, whose task will be to collect the Group’s claims and coordinate the work related to the activities entrusted to other servicers and law firms. In early 2019, the company obtained a license allowing it to start its operating activities. Italy’s banking sector is eight times bigger than in Poland. Italy’s claims market is also bigger. Its size combined with the effects of the economic crisis has caused a significant increase in the value of the sale of non-performing debt portfolios.
At the end of 2018 we had very good results on our core business. Repayments were on the rise and we managed to keep the costs in line despite having to adapt to the changing legal environment (a new law on court enforcement officers and court enforcement costs), which meant that we had to take a number of measures to secure the value of our portfolios. Considering numerous changes in the law, and also due to the lower than expected level of forecast performance, we have been very careful about the balance sheet measurement process. The final results were affected by the revaluation of our claim portfolios, which amounted to PLN -66 million Ultimately, the Group’s net profit amounted to nearly PLN 35 million, and the total value of the Group’s claim portfolios at the end of the year exceeded PLN 1 billion, and their nominal value amounted to PLN 17.8 billion.

We ended 2018 with a sense of success and accomplishment. Once again we have proven the effectiveness of our strategy and actions. I would like to thank all Employees, and Members of the Management Boards and Supervisory Boards of the companies of our capital group for their dedication and support, and our Bondholders and Shareholders and for their trust.

President of the Management Board of BEST S.A.
Krzysztof Borusowski