



**KRUK Group**



REJESTR DŁUŻNIKÓW  
**E R I F**  
BIG S.A.

Kancelaria Prawna  
**RAVEN**  
Krupa & Stańko



# **PRESENTATION**

**of H1 and Q2 2011 results**

**KRUK Group**

**August 2011**

# Agenda

## Introduction

Debt collection industry in Poland and Romania

Operations

Financial performance

# KRUK – excellent performance in Q2 and H1 2011

In H1 2011, **net profit grew** by 124% year on year.

**High ROE** (over 27%)

The KRUK Group made **record purchases of debt portfolios**, investing more than PLN 317m in Poland and Romania.

The **KRUK Group has been successfully raising funds** for new projects (in H1, it issued bonds with a value of PLN 138m and executed revolving credit facility agreements for PLN 105m).  
At the same time, the Group has been **reducing its borrowing costs**.

The KRUK Group won an impressive **share of the debt purchase market** in Poland and Romania (over 50%)\* and the credit management market (over 30%)\* in H1 2011.

**Retail debt supply has been growing rapidly** both in Poland (PLN 3.2bn\* in H1 2011 compared with PLN 3.5bn in the entire 2010 year) and in Romania (PLN 1.4bn\* in H1 2011 relative to PLN 2.1bn in the entire 2010 year).

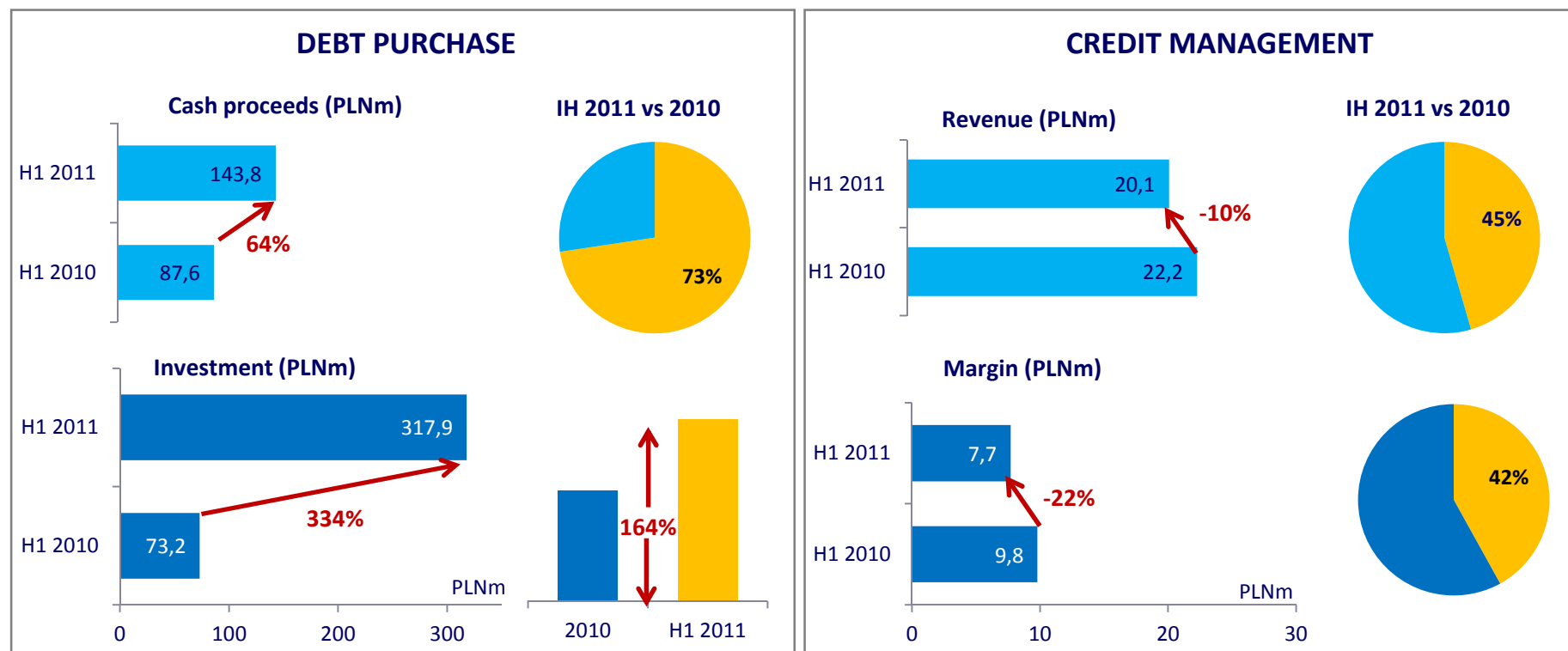
In H1 2011, **KRUK entered the Czech market**.

**Development of Biuro informacji Gospodarczej RD ERIF** – a credit information agency whose database comprised approximately PLN 750 thousand cases as at the end of June (confirmed by KPMG's audit).



Source: KRUK S.A. \* H1 2011 expenditure and nominal value of debt are based on Kruk's estimates

# KRUK – year-on-year increase in net profit and EPS by, respectively, 124% and 114% in H1 2011



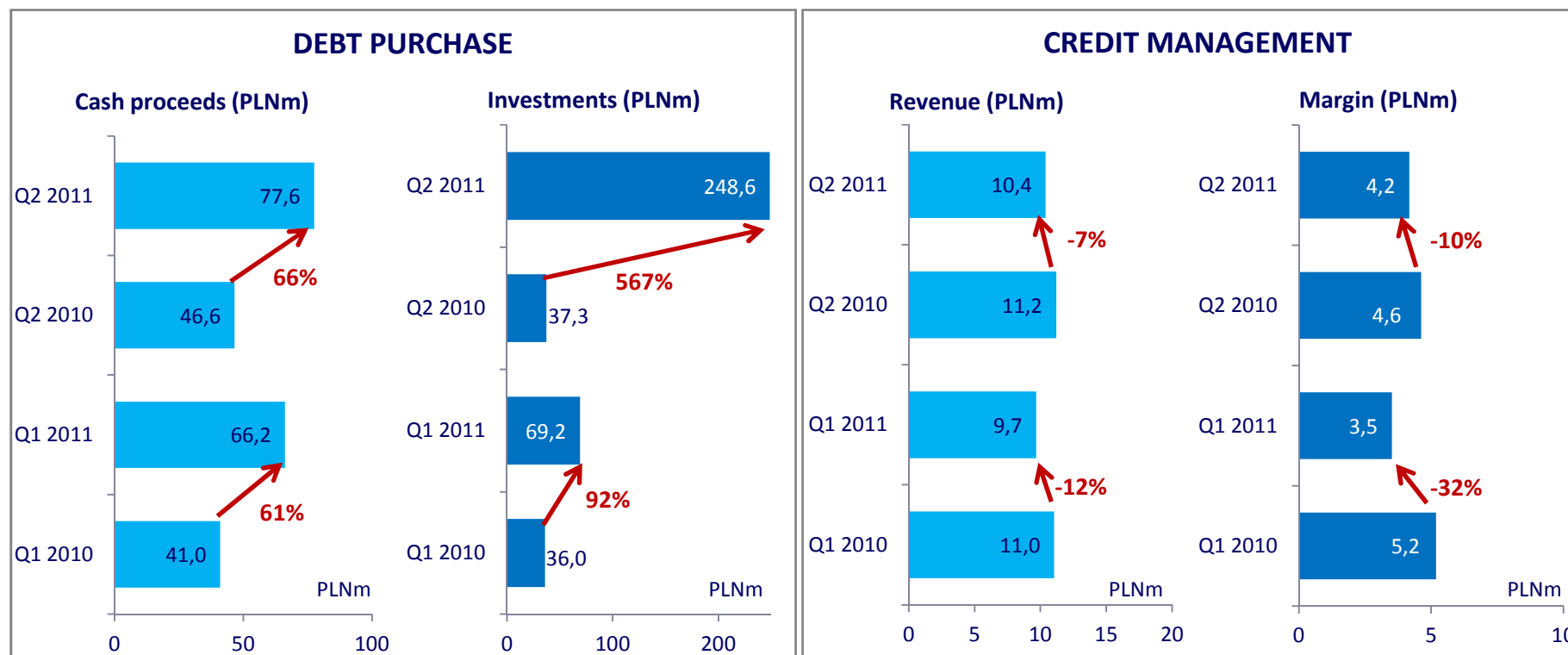
	H1 2011	H1 2010	Change	2010	% of 2010
Revenue (PLNm)	123.9	74.5	66%	164.3	75%
EBIT (PLNm)	48.7	18.5	163%	42.6	114%
Net profit (PLNm)	39.1	17.5	124%	36.1	108%
EPS (PLN)	2.4	1.1	114%	2.34	104%

	H1 2011	2010	Change
ROE	27.3%	27.3%	0.0 %

Source: KRUK S.A.



## KRUK – quarter-on-quarter increase in net profit and EPS by, respectively, 78% and 71% in Q2 2011



	Q2 2011	Q2 2010	Change	Q1 2011	Q1 2010	Change
Revenue (PLNm)	70.7	41.1	72%	53.2	33.4	59%
EBIT (PLNm)	30.6	10.8	183%	18.1	7.7	134%
Net profit (PLNm)	25.0	10.3	142%	14.1	7.2	97%
EPS (PLN)	1.56	0.67	132%	0.91	0.46	97%

Source: KRUK S.A.

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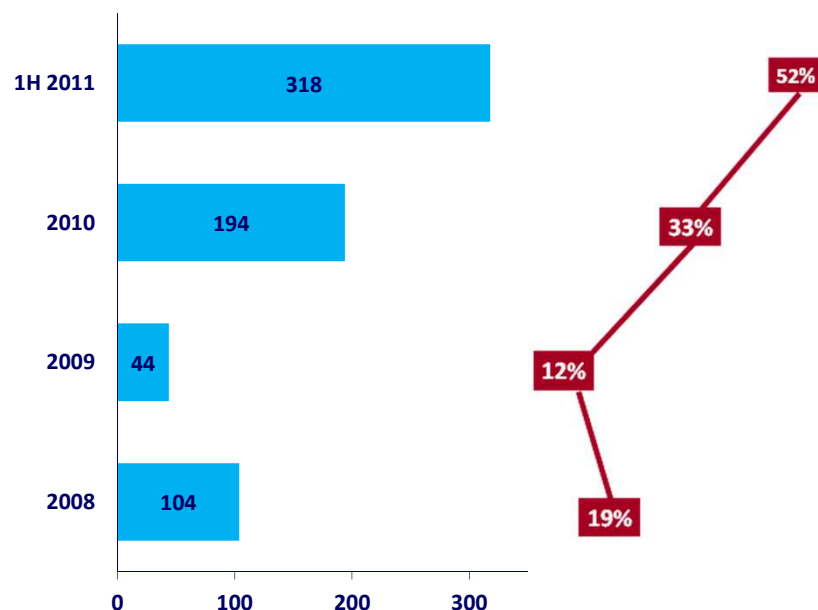
**Debt collection industry in Poland and Romania**

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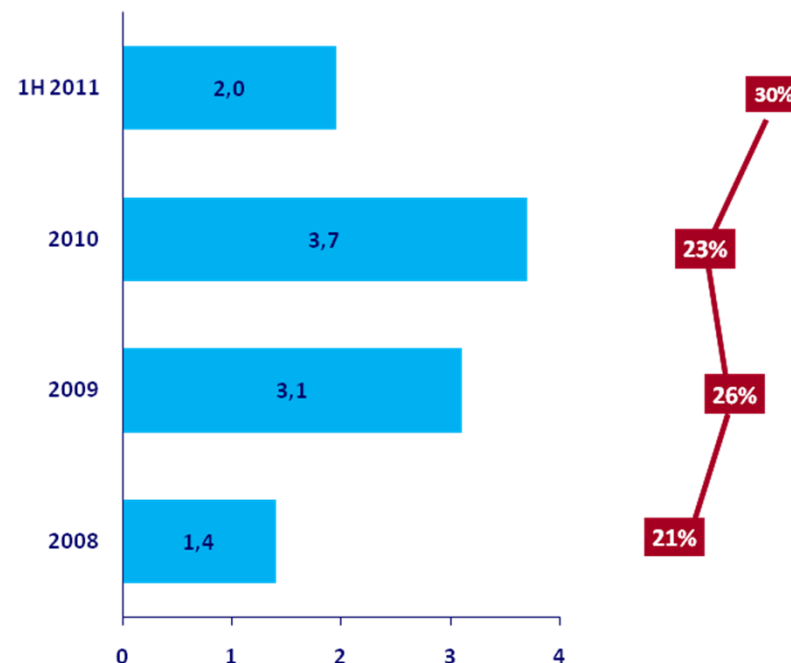
Financial performance

# In H1 2011, KRUK had an over 50% share of the debt purchase market and a 30% share of the credit management market

Purchased retail debt portfolios in Poland and Romania (PLNm) and market share (%)



Nominal value of debt outsourced for collection (PLNbn) and market share (%)



**KRUK secured a considerable share in debt purchase market due to:**

Effective collection process – positive results of the amicable settlement strategy

Synergies generated between the credit management and debt purchase businesses

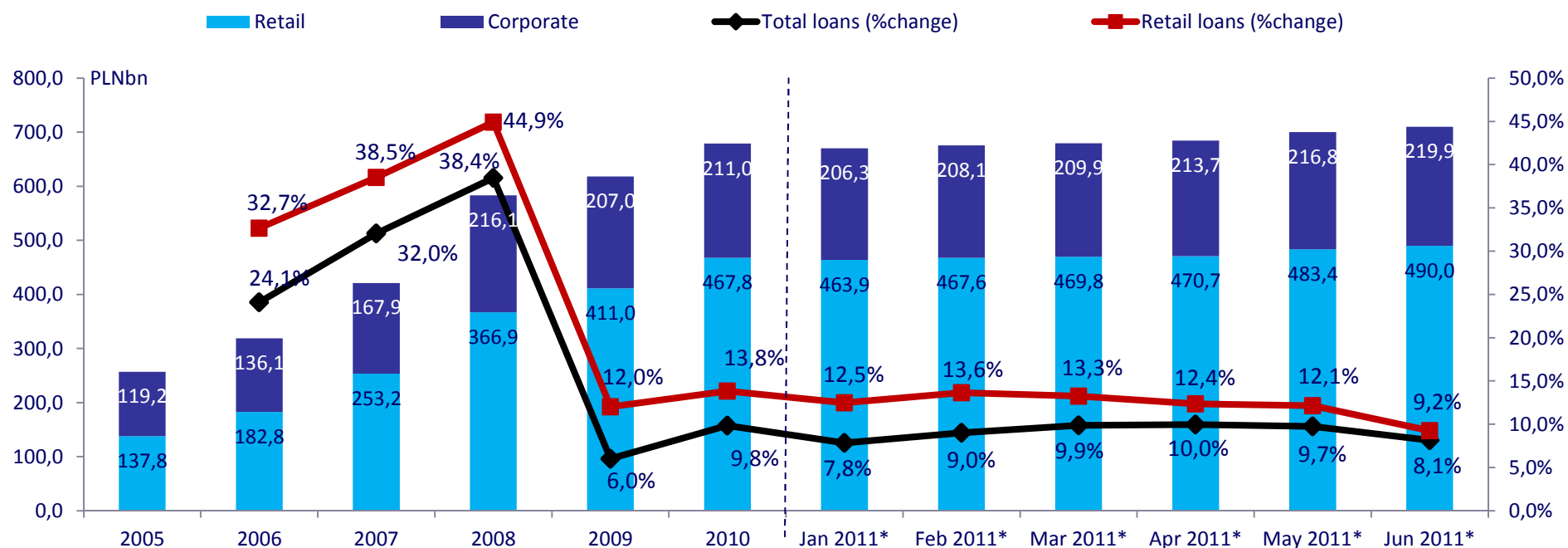
Scope of and access to financing

**KRUK maintains a leading position in the CMS market.**

Comparing H1 2011 to 2010, the Group's market share grew as a result of the execution of a contract with a high nominal value.

Source: KRUK S.A.; \* Additionally, KRUK invested PLN 10m in corporate debt in 2009.

# In line with our expectations, the Polish credit market began to rebound in Q2 2011



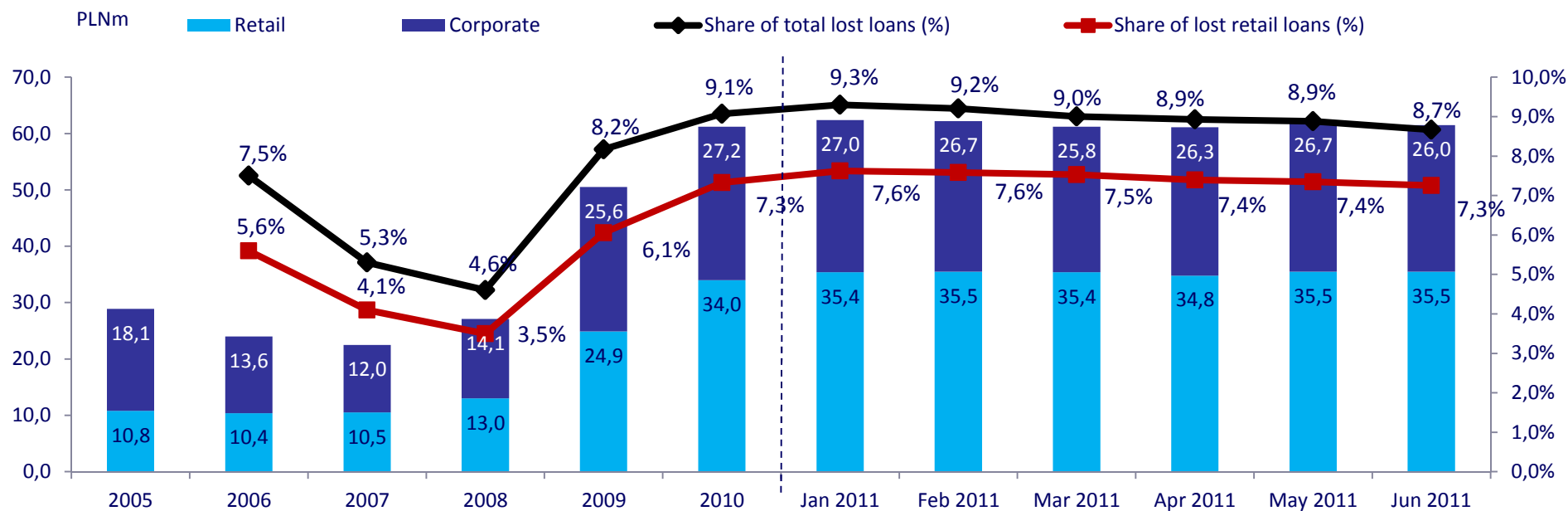
The value of retail loans in Poland rose by 5% during H1 2011.

The expanding sector of consumer loans offered by non-banking institutions is set to benefit from restrictions imposed on banks by Recommendation T.

Source: NBP; \* The growth rate was calculated relative to the corresponding month of 2010, i.e. January 2011 vs. January 2010, etc.



## Despite sale of debt portfolios with a nominal value of approximately PLN 3bn, in Poland the value of impaired loans remains high



The value of impaired retail loans in the period December 2010–June 2011 rose by 4.5%.

The value of impaired corporate loans in the period December 2010–June 2011 fell by 4.3%, although it still remains high.

Source: NBP, KRUK; \*based on KRUK's estimates

# Debt supply in Poland grew rapidly in H1 2011 and is expected to remain strong in the quarters to come

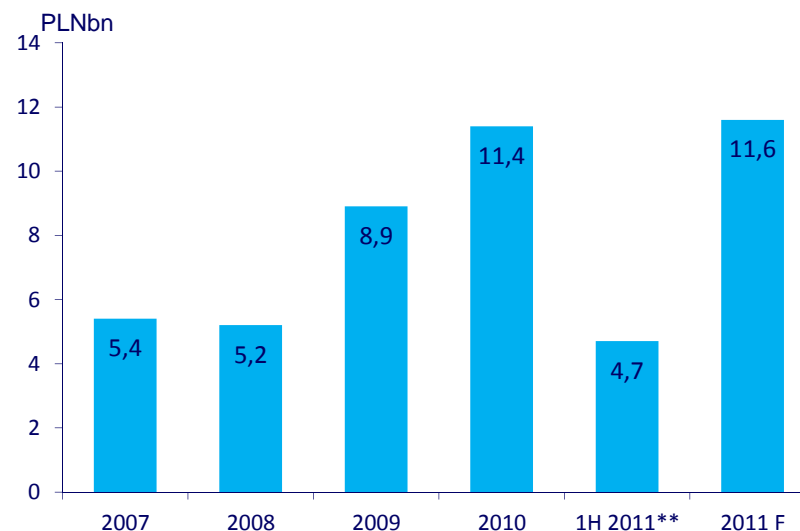
The market of debt portfolios put up for sale by nominal value and average market prices\*



The debt purchase market is resilient to crisis – any deterioration of the macro-economic environment may actually fuel its growth.

The increase in the prices of debt is attributable to its higher quality but also to competitive pressures.

Nominal value of debt outsourced for collection in a given year



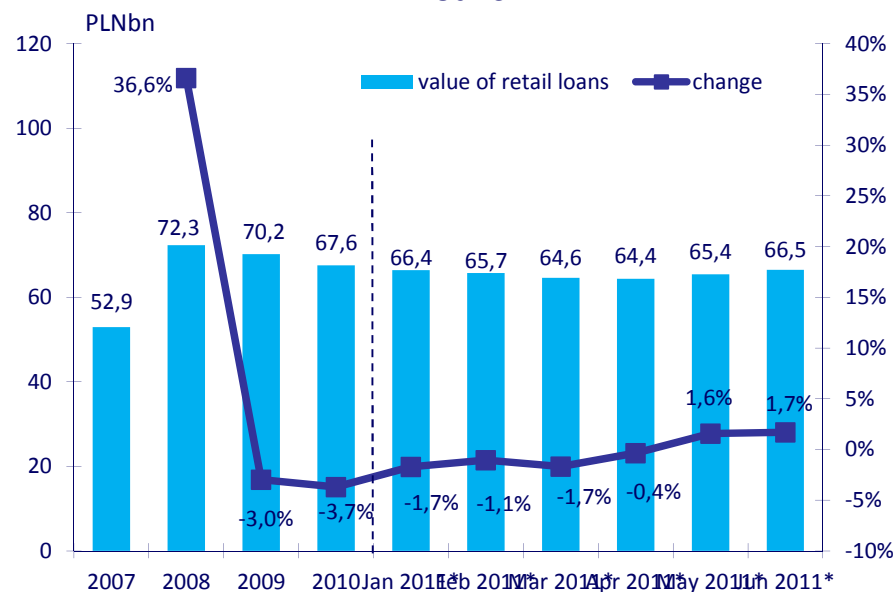
As sales of new consumer loans slowed down, some banks reduced the volume of debt outsourced for collection.

As lending picks up, the conditions on the credit management market are expected to improve.

Source: KRUK SA, NBP, IBnGR; \* average price calculated as a percentage of nominal value  
\*\*based on KRUK's estimates

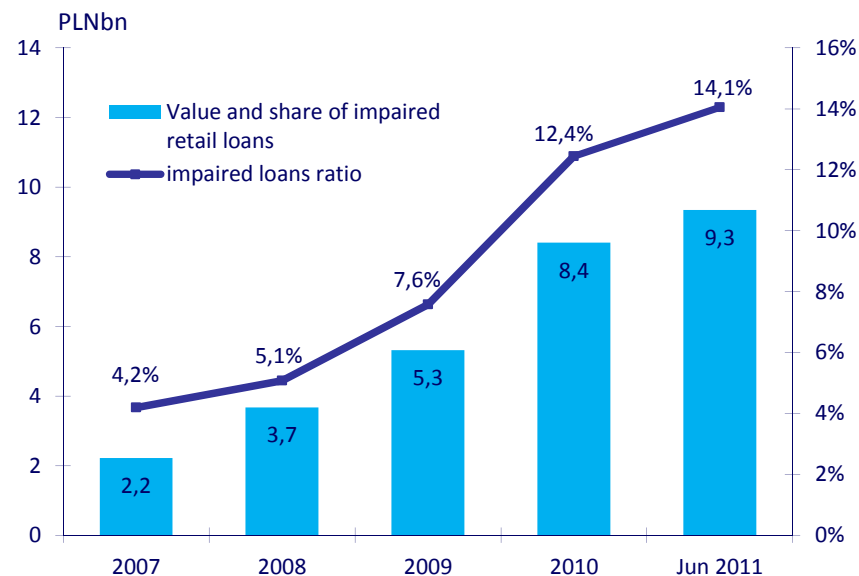
# On the Romanian market, the value of impaired loans continues to grow and lending is beginning to recover

**Value and growth rate of non-mortgage retail loans**



As at the end of June 2011, household debt fell relative to the end of 2010, but the last months of H1 2011 saw a recovery in lending.

**Value and share of impaired retail loans**

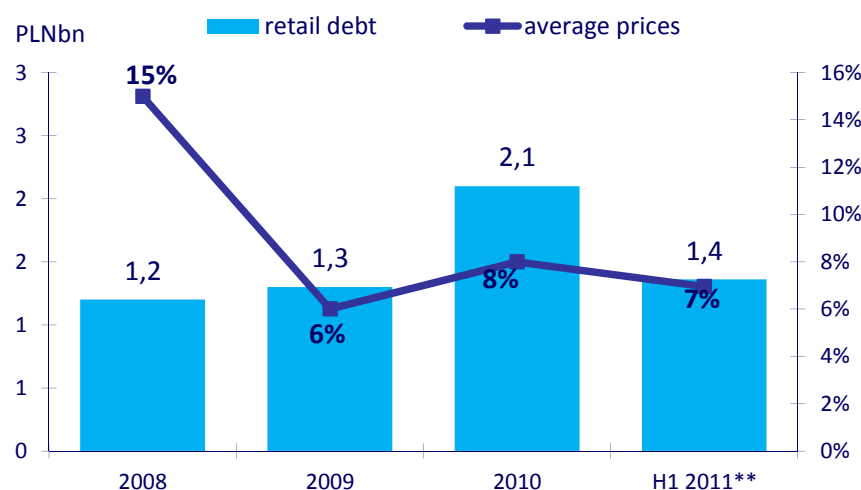


According to KRUK's estimates, the value of non-mortgage retail NPL increased between December 2010 and June 2011 by approximately 11%.

Source: NBR; KRUK SA, exchange rate as at December 31st 2010 \* The growth rate was calculated relative to the corresponding month of 2010, i.e. January 2011 vs. January 2010, etc.

# NPL supply in Romania remains very strong – in H1 2011, its nominal value reached PLN 1.4bn\*, which represents 66% of the corresponding figure for the entire 2010 year

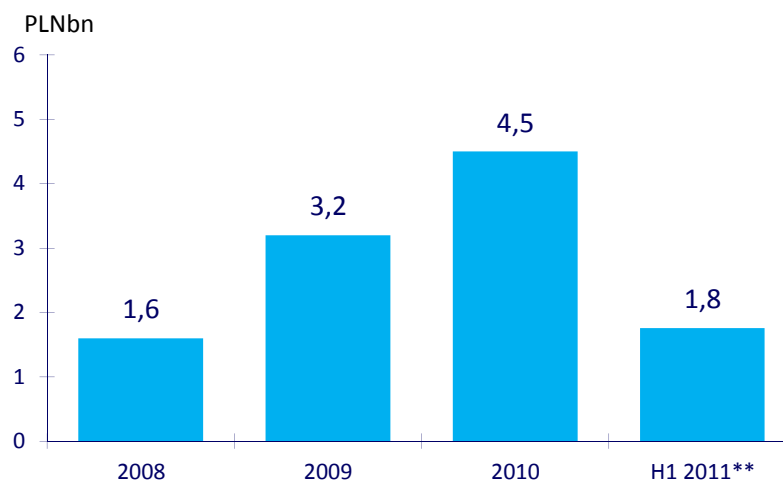
**NPL sales market by nominal value and average market prices\*\***



The selling prices remain relatively low due to the characteristics of debt portfolios in Romania and weaker competition than in Poland.

In 2011, sales of bank's NPLs remain strong.

**Credit management market by nominal value**



A drop in lending caused by the crisis has resulted in a lower value of debt outsourced for collection.

We expect that in 2011 the Romanian credit management market will remain weak, until lending begins to recover.

Source: KRUK S.A.; \* based on KRUK's estimates  
\*\* as a percentage of nominal value;

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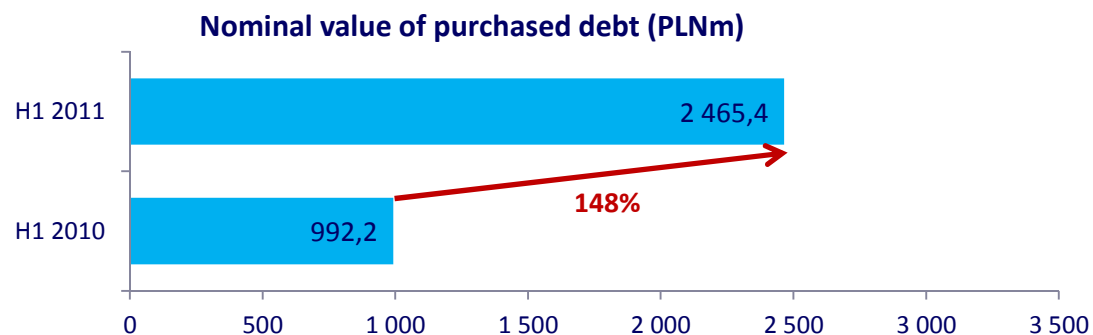
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Debt collection industry in Poland and Romania

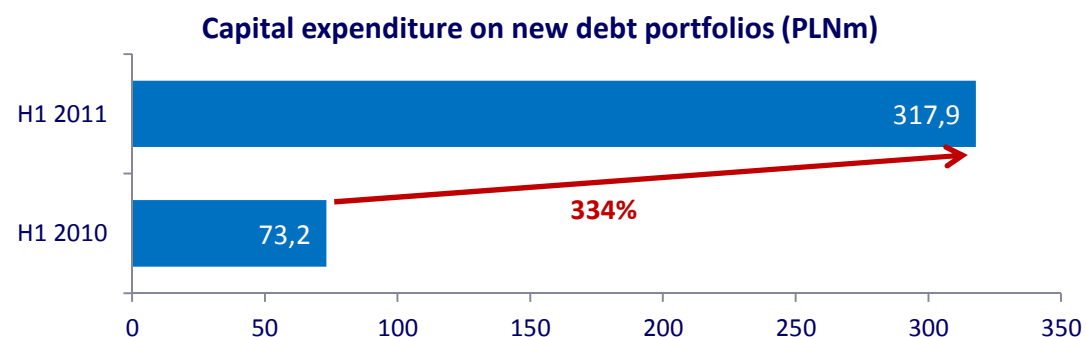
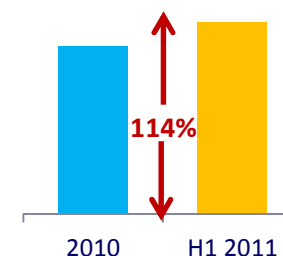
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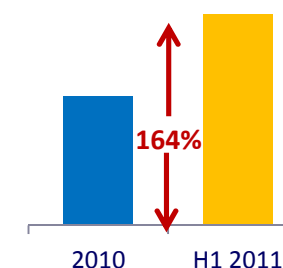
# KRUK – investment in debt purchases



**1H 2011 vs 2010**



**1H 2011 vs 2010**



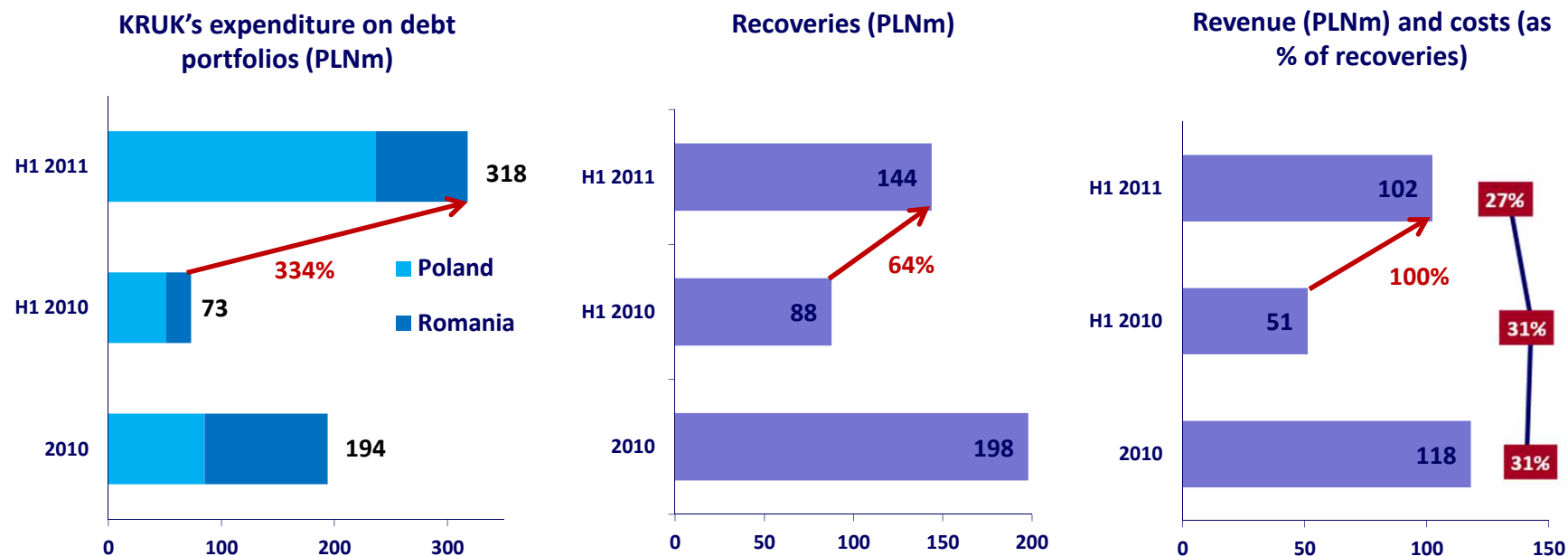
**In H1 2011, KRUK purchased 22 new retail debt portfolios.**

**The KRUK Group purchased debt mainly from financial institutions (approximately 98% of the total nominal value), while debt of telecom operators accounted for the remaining 2%.**

Source: KRUK S.A.

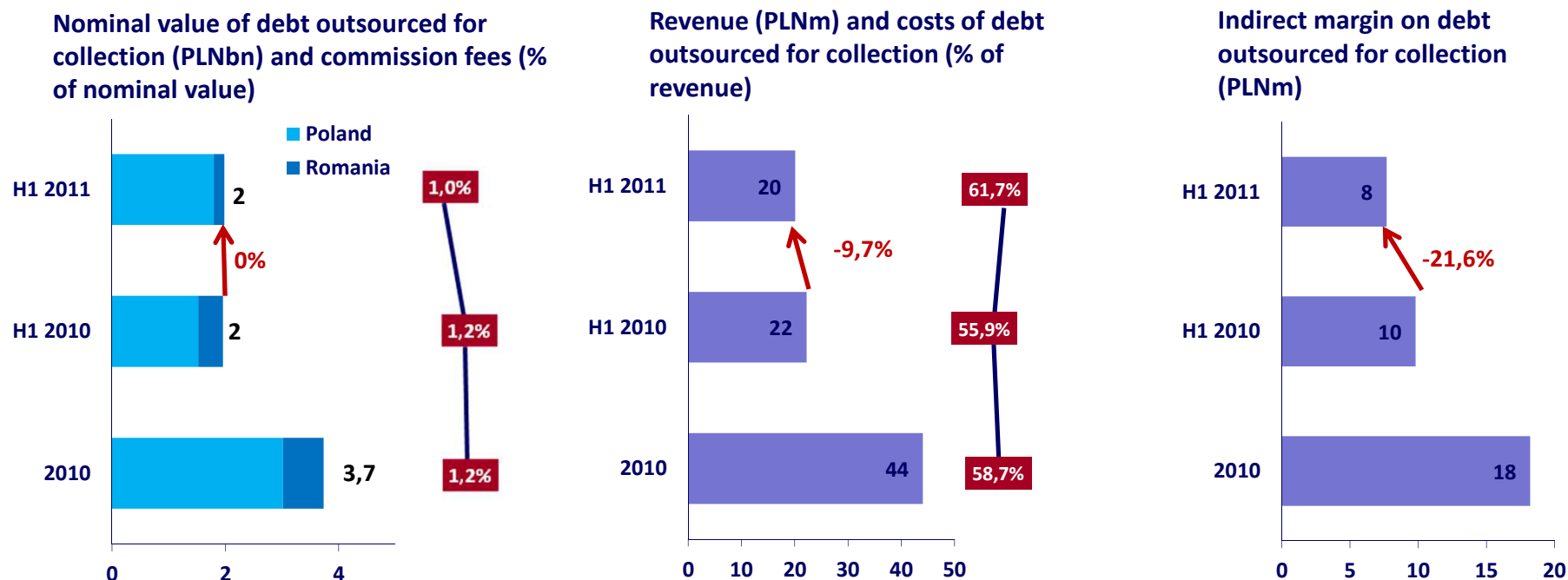


# KRUK's debt purchase - rapid growth and high margin in H1 2011



The KRUK Group reported a record-high level of expenditure on debt portfolios, improving its operating margin in H1 2011.

# KRUK's credit management – market downturn erodes performance, but credit management remains a highly profitable business

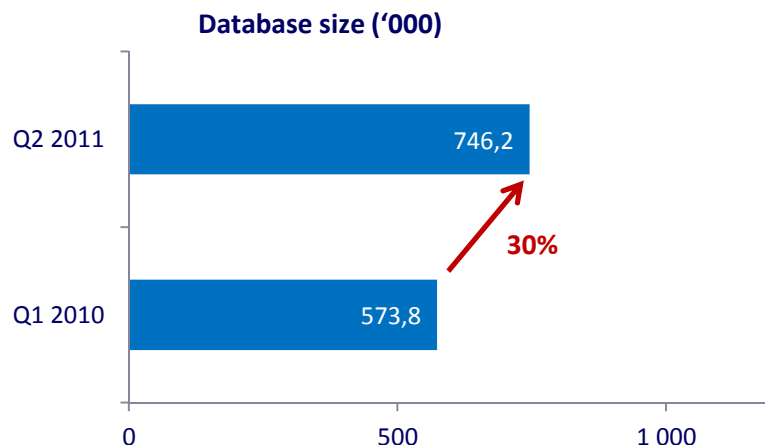


Credit management continues to be a highly profitable business line, which is strategically important to KRUK given the synergies with the debt portfolio purchase business.

KRUK remains a market leader.

# KRUK's new projects in Poland – strong potential for growth in the following years

**RD ERIF (credit information agency)**

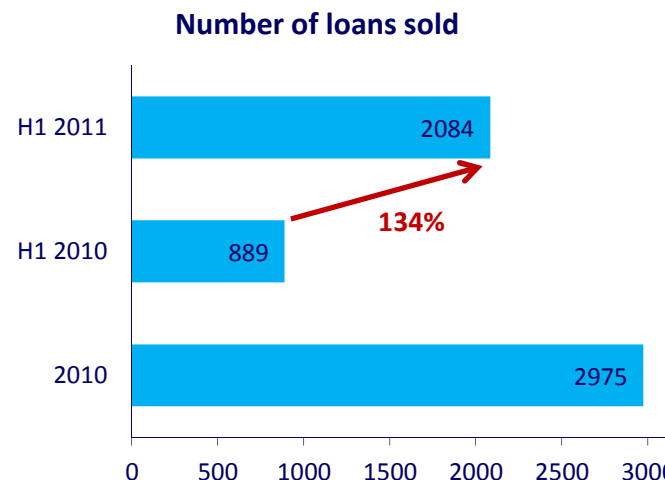


RD ERIF's database has been rapidly expanded, by 30% in Q2 2011.

RD ERIF is the first credit information agency to audit its database, thus confirming its quality.

RD ERIF is developing sales to the corporate sector and institutions with large consumer debt, as well as to the SME sector.

**NOVUM LOANS**



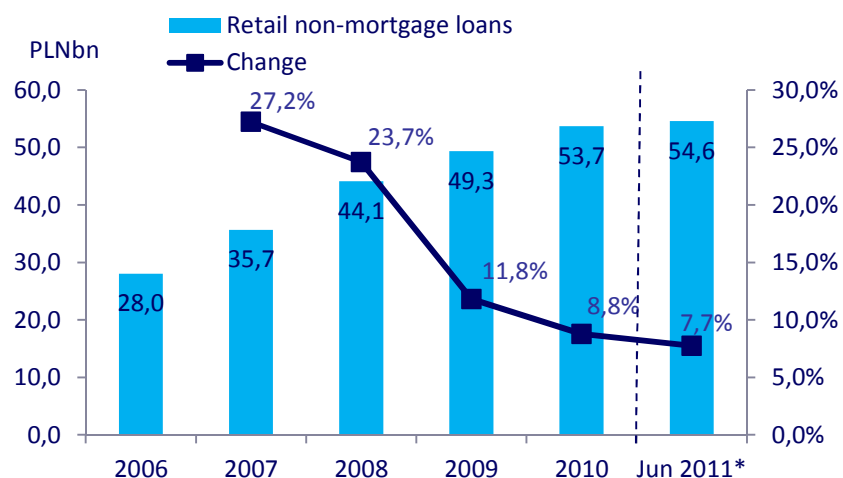
The product is currently targeted at persons who have already settled their debt with KRUK and are regularly repaying other liabilities.

Prospective clients, due to their status and conditions on the banking market, have limited access to bank loans.

The company's significant competitive edge comes from the ability to mitigate risk thanks to its knowledge of borrowers' profiles and debt collection know-how.

# Czech Republic – a new high-potential market for KRUK

Nominal value of retail non-mortgage bank loans



## KRUK Group in the Czech Republic

The Czech company is already eight-person strong, including: COO, CFO and Head of Administration. The recruitment process is still under way.

KRUK's offices in the Czech Republic are located on the outskirts of Prague.

The first debt portfolio is to be acquired for management in autumn 2011.

The value of retail non-mortgage bank loans approximates to the value of the Romanian market but is growing at a considerably higher rate.

Having entered the market, we estimate that capital expenditure on debt purchase exceeds PLN 200m a year, more than twice the previous estimate

## MARKET

The Czech debt collection market is fragmented into numerous debt collection companies (over 200). Our major competitors will include: Alfa Collect, APS, EOS KSI, Intrum Justitia, MBA Finance, Profidebt and Transcom.

On the Czech debt collection market, all major banks and telecom operators are active, outsourcing their debt for collection and selling debt portfolios.

## KRUK – material events subsequent to H1 2011

<b>POLAND</b>	<b>Bank receivables</b>	<b>In August 2011, the Group won an auction for the purchase of a PLN 346m debt portfolio from PKO BP.</b>
<b>ROMANIA</b>	<b>Bank receivables</b>	<b>In July 2011, the Group purchased a debt portfolio with a nominal value of PLN 57m from Piraeus Bank Romania S.A.</b>
<b>POLAND</b>	<b>Financing</b>	<b>In July, KRUK issued bonds with a par value of PLN 38m. In August, the Company resolved to raise up to PLN 80m through another bond issue, scheduled for September.</b>

Source: KRUK S.A.

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# KRUK – P&L by business segments

PLNm	Q1 2011	Q2 2011	H1 2011	Q1 2010	Q2 2010	H1 2010	Change Q1/Q1	Change Q2/Q2	Change 1H1/1H
<b>DEBT PURCHASE</b>									
Debt purchased - recoveries	66.2	77.6	143.8	41.0	46.6	87.6	61%	66%	64%
Debt purchased - expenditure	69.2	248.6	317.9	36.0	37.3	73.2	92%	567%	334%
<b>INCOME STATEMENT</b>									
<b>Revenue</b>	<b>53,2</b>	<b>70,7</b>	<b>123,9</b>	<b>33,4</b>	<b>41,1</b>	<b>74,5</b>	<b>59%</b>	<b>72%</b>	<b>66%</b>
Debt purchase	42,9	59,5	102,4	22,0	29,2	51,2	95%	104%	100%
Including revaluation	-0,9	7,9	7,0	0,3	5,5	5,8			
Credit management	9,7	10,4	20,1	11,0	11,2	22,2	-12%	-7%	-10%
Other products and services	0,6	0,8	1,4	0,3	0,8	1,1			
<b>Operating expenses</b>	<b>-25,3</b>	<b>-27,8</b>	<b>-53,1</b>	<b>-18,3</b>	<b>-22,9</b>	<b>-41,2</b>	<b>38%</b>	<b>21%</b>	<b>29%</b>
Debt purchase	-18,4	-20,7	-39,1	-12,0	-15,5	-27,5	53%	34%	42%
Credit management	-6,2	-6,2	-12,4	-5,8	-6,6	-12,4	7%	-7%	0%
Other products and services	-0,8	-0,8	-1,6	-0,4	-0,9	-1,3			
<b>Indirect margin</b>	<b>27,8</b>	<b>43,0</b>	<b>70,8</b>	<b>15,1</b>	<b>18,2</b>	<b>33,3</b>	<b>84%</b>	<b>137%</b>	<b>113%</b>
Debt purchase	24,5	38,8	63,3	10,0	13,8	23,8	145%	182%	167%
Credit management	3,5	4,2	7,7	5,2	4,6	9,8	-33%	-9%	-22%
Other products and services	-0,2	0,0	-0,2	-0,1	-0,1	-0,2			
<b>General &amp; administrative expenses</b>	<b>-8,2</b>	<b>-10,7</b>	<b>-18,9</b>	<b>-5,9</b>	<b>-6,7</b>	<b>-12,6</b>	<b>39%</b>	<b>60%</b>	<b>50%</b>
<b>EBIT</b>	<b>18,1</b>	<b>30,6</b>	<b>48,7</b>	<b>7,7</b>	<b>10,8</b>	<b>18,5</b>	<b>135%</b>	<b>182%</b>	<b>163%</b>
<i>EBIT margin</i>	34%	43%	39%	23%	26%	25%			
<b>Finance income/expenses</b>	<b>-3,9</b>	<b>-5,5</b>	<b>-9,4</b>	<b>-0,4</b>	<b>-0,9</b>	<b>-1,3</b>			
<b>Tax</b>	<b>-0,1</b>	<b>0,0</b>	<b>-0,1</b>	<b>-0,2</b>	<b>0,4</b>	<b>0,2</b>	<b>-50%</b>	<b>-107%</b>	<b>-160%</b>
<b>NET PROFIT</b>	<b>14,1</b>	<b>25,1</b>	<b>39,2</b>	<b>7,2</b>	<b>10,3</b>	<b>17,5</b>	<b>96%</b>	<b>144%</b>	<b>124%</b>
<i>Net profit margin</i>	27%	36%	32%	22%	25%	23%			

Source: KRUK S.A.

# KRUK – P&L by geographical segments

PLNm	Q1 2011	Q2 2011	H1 2011	Q1 2010	Q2 2010	H1 2010	Change Q1/Q1	Change Q2/Q2	Change H1/H1
<b>INCOME STATEMENT</b>									
<b>Revenue</b>	<b>53.2</b>	<b>70.7</b>	<b>123.9</b>	<b>33.4</b>	<b>41.1</b>	<b>74.5</b>	<b>59%</b>	<b>72%</b>	<b>66%</b>
Poland	32.3	47.0	79.3	24.3	28.8	53.1	33%	63%	49%
Romania	20.9	23.6	44.5	9.1	12.3	21.4	130%	93%	109%
<b>Operating expenses</b>	<b>-25.3</b>	<b>-27.8</b>	<b>-53.1</b>	<b>-18.3</b>	<b>-22.9</b>	<b>-41.2</b>	<b>38%</b>	<b>21%</b>	<b>29%</b>
Poland	-20.9	-23.1	-44.0	-15.7	-20.0	-35.7	33%	15%	23%
Romania	-4.4	-4.7	-9.1	-2.6	-2.9	-5.5	69%	60%	65%
<b>Indirect margin</b>	<b>27.8</b>	<b>43.0</b>	<b>70.8</b>	<b>15.1</b>	<b>18.2</b>	<b>33.3</b>	<b>84%</b>	<b>137%</b>	<b>113%</b>
Poland	11.3	24.1	35.4	8.5	8.9	17.4	33%	169%	103%
Romania	16.5	18.9	35.4	6.5	9.3	15.8	154%	103%	124%
<b>General &amp; administrative expenses</b>	<b>-8.2</b>	<b>-10.7</b>	<b>-18.9</b>	<b>-5.9</b>	<b>-6.7</b>	<b>-12.6</b>	<b>39%</b>	<b>60%</b>	<b>50%</b>
<b>EBIT</b>	<b>18.1</b>	<b>30.6</b>	<b>48.7</b>	<b>7.7</b>	<b>10.8</b>	<b>18.5</b>	<b>135%</b>	<b>182%</b>	<b>163%</b>
<i>EBIT margin</i>	<i>34%</i>	<i>43%</i>	<i>39%</i>	<i>23%</i>	<i>26%</i>	<i>25%</i>			
<b>Finance income/expenses</b>	<b>-3.9</b>	<b>-5.5</b>	<b>-9.4</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-1.3</b>			
<b>Tax</b>	<b>-0.1</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.2</b>			
<b>NET PROFIT</b>	<b>14.1</b>	<b>25.1</b>	<b>39.2</b>	<b>7.2</b>	<b>10.3</b>	<b>17.5</b>	<b>96%</b>	<b>144%</b>	<b>124%</b>
<i>Net profit margin</i>	<i>27%</i>	<i>36%</i>	<i>32%</i>	<i>22%</i>	<i>25%</i>	<i>23%</i>			

Source: KRUK S.A.

# KRUK – selected balance-sheet items and cash-flow highlights (for presentation purposes)

PLNm	Q1 2011	Q2 2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>19.4</b>	<b>19.4</b>	<b>18.8</b>
<b>Current assets</b>	<b>386.1</b>	<b>581.6</b>	<b>298.7</b>
including: investment in debt purchase	307.0	533.9	263.2
Cash	31.2	27.9	20.8
<b>Total assets</b>	<b>405.5</b>	<b>601.0</b>	<b>317.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>146.0</b>	<b>211.9</b>	<b>132.0</b>
including retained earnings	122.1	147.1	108.0
<b>Liabilities</b>	<b>259.5</b>	<b>389.1</b>	<b>185.5</b>
including: loans and leases	39.8	70.6	25.6
Bonds	95.9	233.9	95.9
<b>Total equity and liabilities</b>	<b>405.5</b>	<b>601.0</b>	<b>317.6</b>

	Q1 2011	Q2 2011	H1 2011	2010
<b>Cash flows from operating activities:</b>	<b>42.4</b>	<b>46.5</b>	<b>88.9</b>	<b>124.1</b>
Debt purchased - recoveries	66.2	77.6	143.8	197.9
Other cash flows from operating activities	-23.8	-31.1	-54.9	-73.8
<b>Cash flows from investing activities:</b>	<b>-71.1</b>	<b>-250.5</b>	<b>-321.6</b>	<b>-201.0</b>
Debt purchased - investments	-69.2	-248.7	-317.9	-194.0
Other cash flows from investing activities	-1.9	-1.8	-3.7	-7.0
<b>Cash flows from financing activities:</b>	<b>39.1</b>	<b>200.7</b>	<b>239.8</b>	<b>73.9</b>
Increase in loans and lease liabilities	19,8	67,5	87,3	17,2
Bond issue	0,0	138,0	138,0	112,0
Repayment of loans and lease liabilities	-5,8	-36,8	-42,6	-37,9
Repayment of bonds	0,0	0,0	0,0	-34,0
Other cash flows from financing activities	25,1	32,1	57,2	16,6
<b>Net cash flows:</b>	<b>10.4</b>	<b>-3.3</b>	<b>7.1</b>	<b>-3.0</b>

Source: KRUK S.A.

## External financing: still a relatively low level of indebtedness and growing interest from banks and bondholders

PLNm	Q1 2011	Q2 2011	2010
<b>FINANCING</b>			
Loans and lease liabilities	39.8	70.6	25.6
Bonds	95.9	233.9	95.9
<b>Interest debt</b>	<b>135.7</b>	<b>304.5</b>	<b>121.5</b>
Cash	31.2	27.9	20.8
<b>Net interest debt</b>	<b>104.5</b>	<b>276.6</b>	<b>100.7</b>
Net interest debt to equity	0.72	1.31	0.76
Interest debt to cash EBITDA*	0.97	1.93	0.97

### The KRUK Group has successfully raised financing for debt purchase:

Since the beginning of 2011, the Group has issued bonds with a par value of PLN 176m.

Since the beginning of the year, the Group has executed revolving credit facility agreements for PLN 105m.

By July 2011, the KRUK Group secured approval to increase the financial covenants for bonds, which has enhanced its financing flexibility (the interest debt to equity ratio was increased from 1.7 to 2.5).

As access to financing has improved, KRUK has also reduced its borrowing costs.

KRUK intends to execute new credit facility agreements and issue new bonds.

*Source: KRUK S.A. \* Cash EBITDA – pre-tax earnings plus interest and amortisation, reduced by revenue from debt purchase and increased by cash proceeds from debt purchase.*

# KRUK – set for robust growth

**Effective collection process** is the key to success in the long term – the innovative strategy of amicable settlement allows KRUK to secure a large market share and above-average profitability.

KRUK has **good access to financing** (both on the bond and credit markets), which fuels its growth.

KRUK has developed a **replicable business model** relying on both debt purchase and credit management (successfully introduced in Romania, currently deployed in the Czech Republic and Slovakia).

The **debt collection market** is expanding and showing resilience in the face of the economic slowdown. We expect the value of investment in debt purchase in Poland to double in 2011 relative to 2010, from approximately PLN 0.4bn to PLN 0.8bn

KRUK is developing **new business ventures**, such as RD ERIF BIG and NOVUM consumer loans.

KRUK is looking to explore new **foreign markets** and acquisition opportunities in Poland.

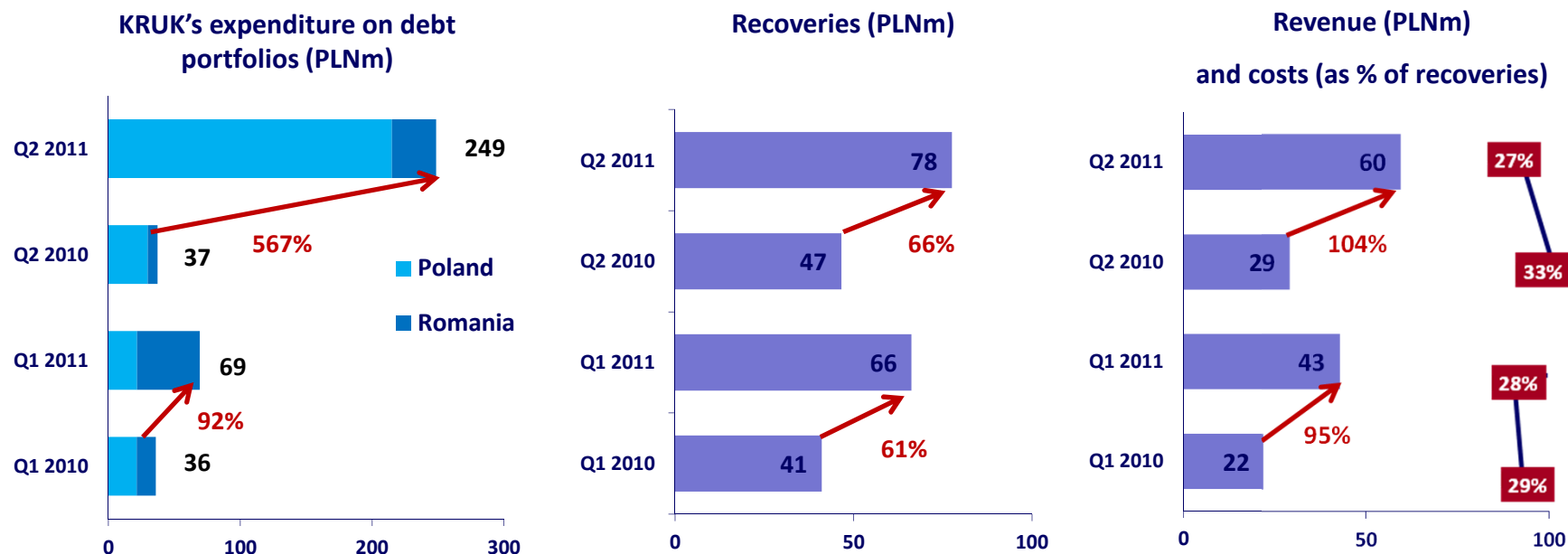


# Agenda

## Appendices



# KRUK's debt purchase – significant investment in Poland in Q2 2011

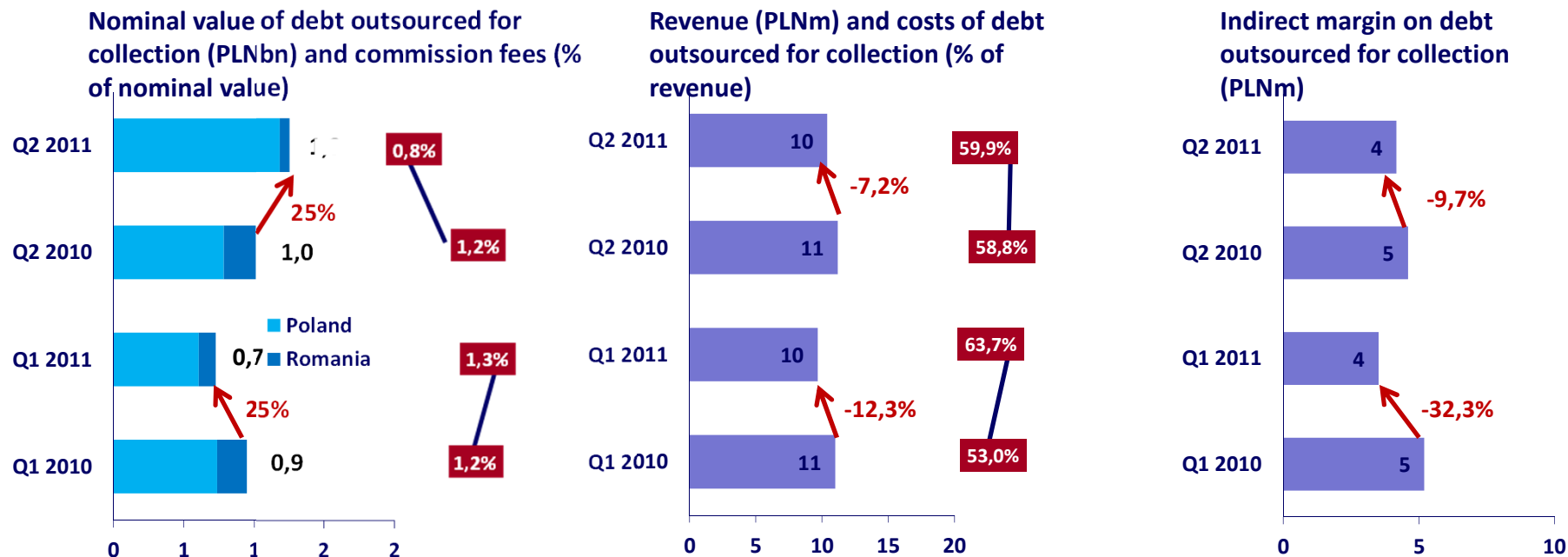


In Q2 2011, KRUK purchased two large retail debt portfolios in Poland:

PKO BP's portfolio with a nominal value of PLN 541m

a portfolio of bank receivables with a nominal value of PLN 601m

# KRUK's credit management – substantial value of new debt outsourced to KRUK for collection in Q2 2011



Source: KRUK S.A.

# KRUK - business model and milestones

## KRUK Group's business model

### Creditors

Banks~ 70%\*\*

banks insurers telecom operators cable TV operators other media

**Credit management**

**Debt purchase**

### debt collection process

shared debt collection platform, tools and infrastructure  
(IT, telco, call centre)

### Debtors

Retail~ 70%\*\*

**Retail debtors**

**Corporate debtors**

**B2B debtors (receivables)**

## We help people pay their debts

as 76% of all debtors are willing to pay their overdue liabilities\*

Source: KRUK S.A. \* Długi jako wstydlivy problem, CBnZE, 03/2010 (Debt as a shameful problem), \*\* of total debt in collection in 2009, according to IBnGR, \*\*\* in terms of the nominal value of debt

## KRUK Group's milestones – innovation leader

**2000** Launch of the credit management business

**2001** Introduction of the "success only fee" in CMS

Debt portfolio market emerges – decision to raise new equity

**2003** KRUK as the CMS market leader\*\*\*  
Enterprise Investors invests USD 21m (PEF IV)  
Purchase of the first debt portfolio

**2005** First securitisation process in Poland  
Branch launched in Wałbrzych

Decision to replicate business outside of Poland

**2007** Entry into the Romanian market  
Acquisition of Rejestr Dłużników ERIF BIG S.A.

Innovative approach to debtors

**2008** Amicable settlement solutions (voluntary settlement or litigation) introduced on a mass scale

**2010** Legislative changes enable ERIF to use TV commercials as a mass debt collection tool

Prospects of a large supply of NPL

**2011** IPO on the WSE  
Entry into the Czech and Slovakian markets

# Collection market valuation methodology



Source: KRUK S.A.

# How does KRUK recognise revenue from purchased debt portfolios?

## Purchased debt - division into interest and principal

- for each purchased debt portfolio, the discount rate (IRR for recovery) is calculated based on projected recoveries,
- the product of the discount rate for a given debt portfolio and the portfolio's fair value is recognised as revenue in a period,
- the difference between recoveries and revenue reduces the portfolio's fair value in the balance sheet (debt portfolio amortisation),
- each debt portfolio is reviewed quarterly, any changes in the actual or projected recoveries or expenses are used to remeasure fair value based on the original discount rate, and the difference is recognised in P&L as revaluation.

## Example calculation of recoveries and revenue from purchased debt portfolio

	PERIOD			
	0	1	2	3
purchase value	100			
planned recoveries	-100	70	70	70
discount rate	49%			
valuation at beginning of period		100	79	47
recoveries:		70	70	70
- revenue /interest/		49	38	23
- amortisation		21	32	47
valuation at end of period		79	47	0

outcome of planned revenue and purchase price

product of value and discount rate

difference between recoveries and revenue

starting value reduced by amortisation

Source: KRUK S.A.



**KRUK Group**



REJESTR DŁUŻNIKÓW  
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