



**KRUK Group**

## **PRESENTATION OF Q1 2011 RESULTS**

**May 2011**  
version 1.1.

# Agenda

## Introduction

Debt collection industry in Poland and Romania

Operations

Financial performance

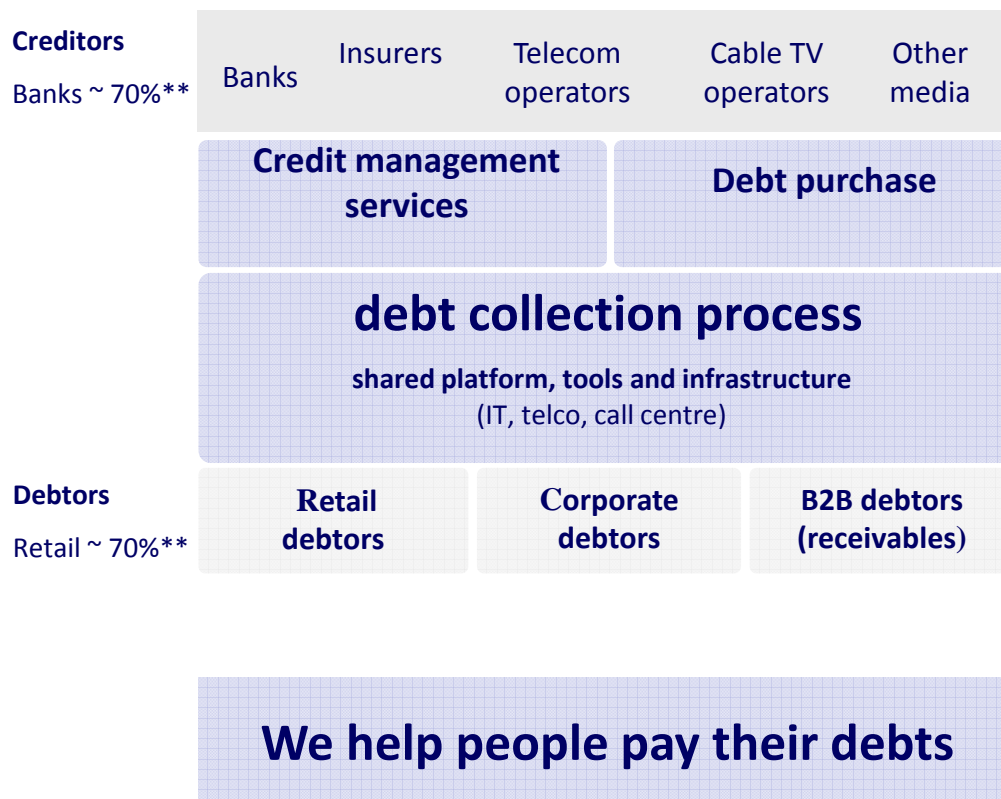


PRZYWRACAMY KRAŻENIE... TWOICH PIENIĘDZY



# KRUK - business model and milestones

## KRUK Group's business model



76% of debtors want to pay their overdue liabilities \*

## KRUK Group's milestones

– innovation leader

- 2000** Company launched credit management services
- 2001** introduction of „success only fee” in CMS  
portfolio market emerges – decision to raise new equity
- 2003** KRUK as 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 ERIF BIG credit agency  
innovative approach to debtors
- 2008** amicable settlement solutions (voluntary settlement or litigation) introduced on a mass scale
- 2010** changes in the law; ERIF credit agency fully operational; TV commercials as mass CM tool  
expected significant growth of debt purchase market
- 2011** IPO on the WSE

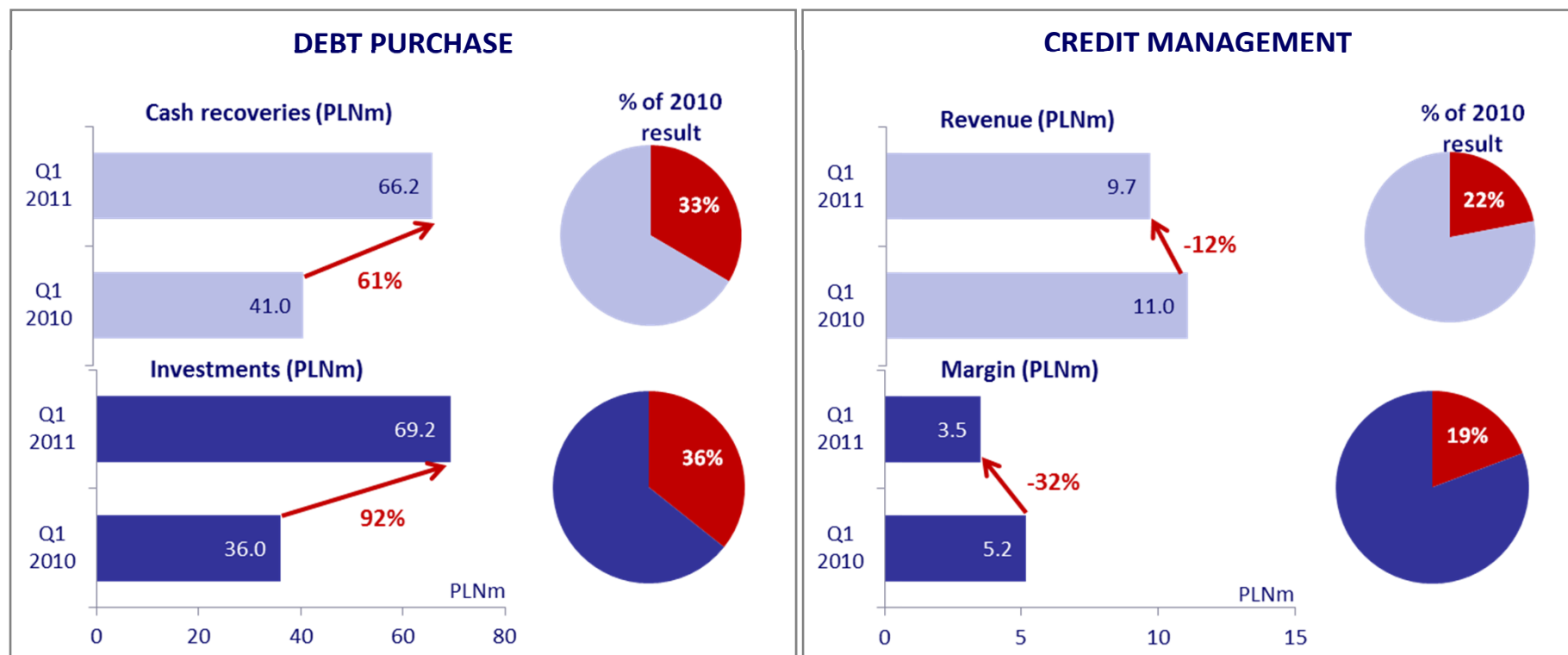
Source: KRUK S.A., \* Długi jako wstydlivy problem, CBnZE, 03/2010 (Debt as a shameful problem), \*\* of total debt collection in 2009 according to IBnGR, \*\*\* in terms of nominal value of processed debts



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## Year-on-year rise in revenue and net profit by 59% and 97%, respectively, on the back of expanding debt purchase business



	Q1 2011	Q1 2010	Change	2010	% of 2010 result
Revenue (PLNm)	53,2	33,4	59%	164,3	32%
EBIT (PLNm)	18,1	7,7	134%	42,6	42%
Net profit (PLNm)	14,1	7,2	97%	36,1	39%
EPS (PLN)	0,90	0,46	94%	2,34	38%

	Q1 2011	2010	Change
ROE	29.4%	27.3%	7.7%

Source: KRUK S.A.



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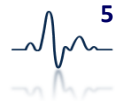
**Debt collection industry in Poland and Romania**

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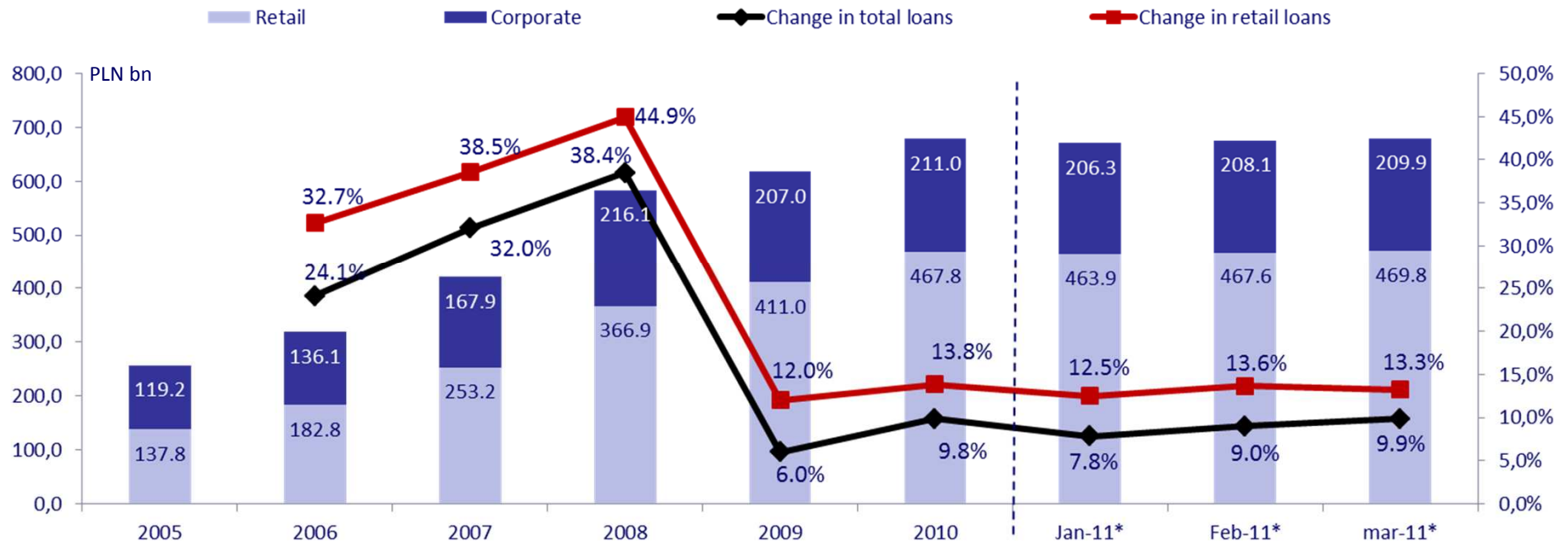
Financial performance



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**In Q1 2011, retail and corporate loans in Poland rose by approximately 10% on Q1 2010, but have remained flat since the end of 2010**

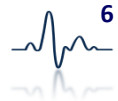


- We expect banks to step up lending later on in 2011 relative to Q1 2011.
- We expect the non-bank consumer loan market to grow as it will benefit from the restrictions imposed on banks by Regulation T.

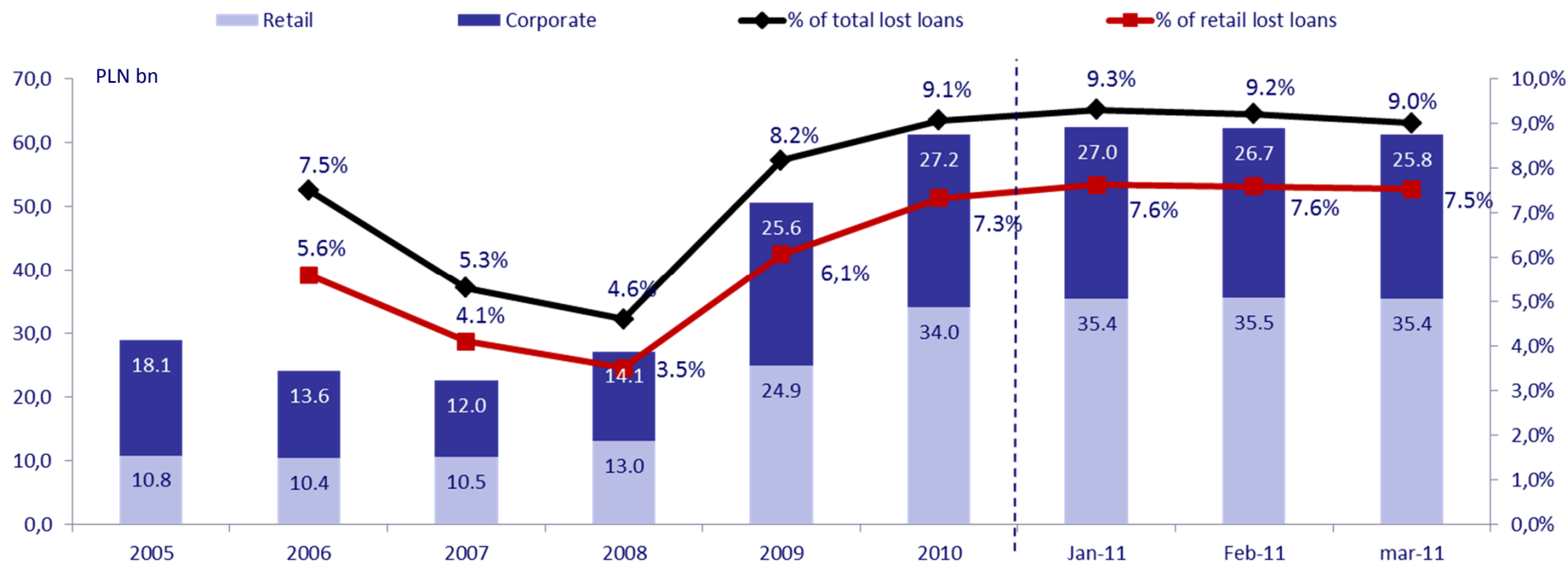


Source: NBP; \* Growth rate calculated in relation to the corresponding month of 2010 (January 2011 vs. January 2010, etc).

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# The value of NPLs/impaired loans\* remains high in Poland



- The value of impaired retail loans rose between December 2010 and March 2011 by 4%.
- The value of impaired corporate loans went down between December 2010 and March 2011 by 5%, yet it still remains high.

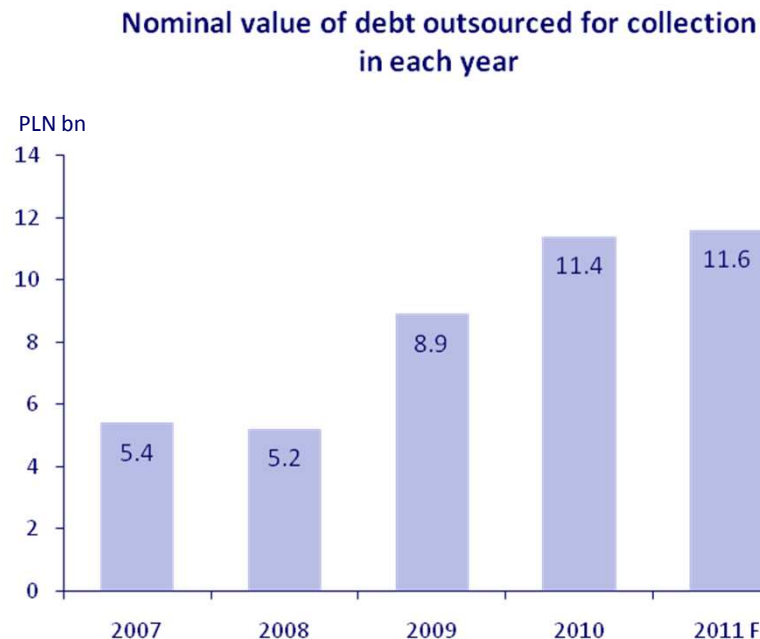
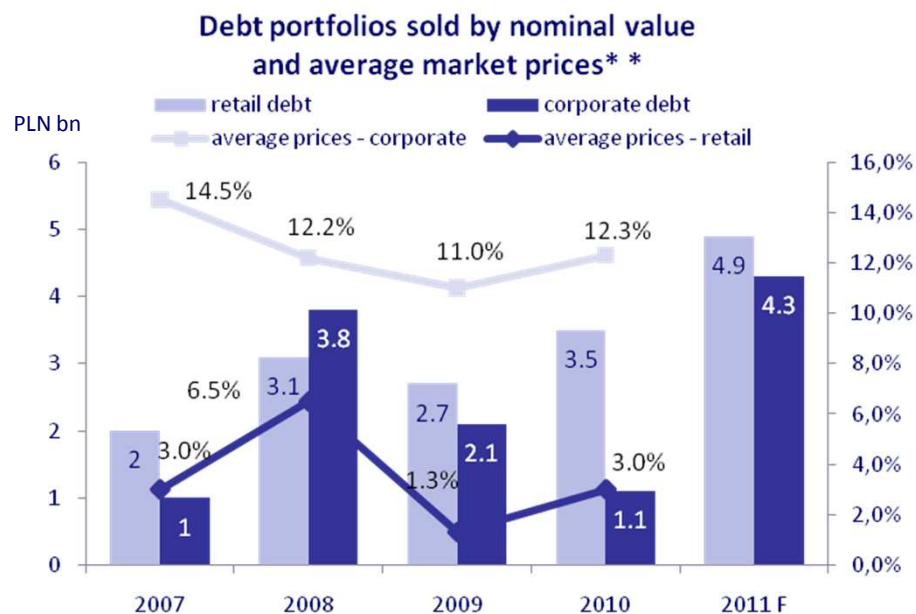


Source: NBP; \* for the years 2005–2008 presented values relate to NPLs, starting from 2009 – impaired loans.

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## We maintain our expectations regarding growth of debt purchase and credit management market in Poland in 2011



- The nominal value of retail debt portfolios offered for sale since the beginning of 2011 has been ca. PLN 3.3bn or more.
- The average selling prices of debt have been on an upward trend.

- As new loan sales slowed down, in Q1 2011 some banks reduced the volume of debts outsourced for collection.
- However, we expect lending to grow later in the year, so the market size should remain at the 2010 level.

Source: KRUK S.A., NBP, IBnGR; \* average price as % of nominal value.



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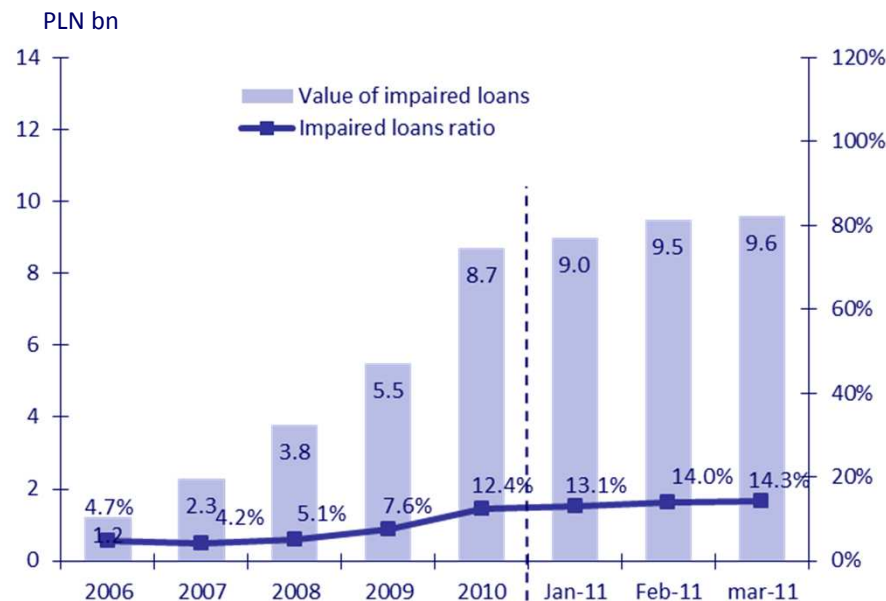


# On the Romanian market, the value of impaired loans continues to grow, while lending remains weak

Value and growth rate of non-mortgage retail loans



Value and share of impaired retail loans



- The value of consumer loans in Romania has been in decline as the volume of lending is lower than repayments.
- The market is dominated by restructuring products.

- The value of retail NPLs has been growing month on month (up by 10% between December 2010 and March 2011).

Source: NBR; \* Growth rate calculated in relation to the corresponding month of 2010 (January 2011 vs. January 2010, etc).

## In Q1 2011, the Romanian debt purchase market remains strong, but the credit management market has shrunk relative to 2010

Debt portfolio market by nominal value and average market prices\*



Credit management market by nominal value



- In 2011, the volume of debts sold by banks is still robust.
- As expected, the average selling prices of debt portfolios are growing.

- Reduced lending during the crisis has resulted in lower value of debt outsourced for collection.
- We expect that in 2011 the Romanian credit management market will remain weak until lending recovers.

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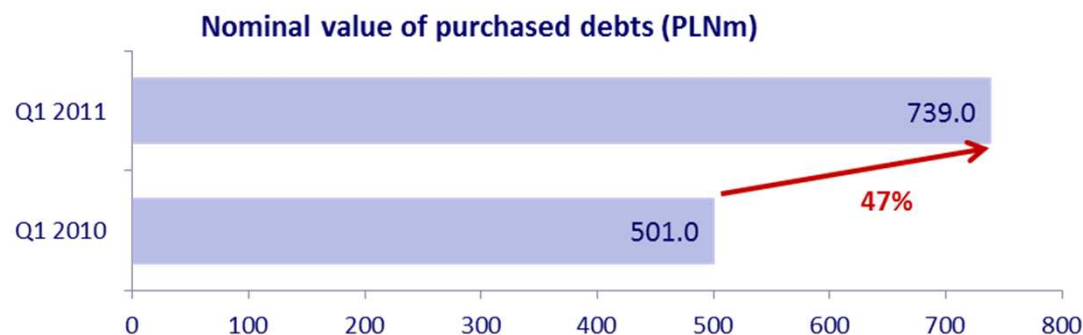
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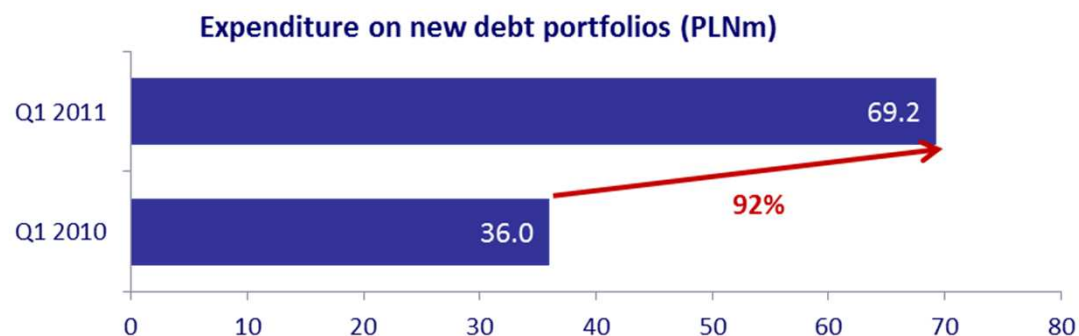
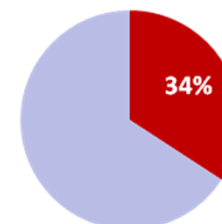
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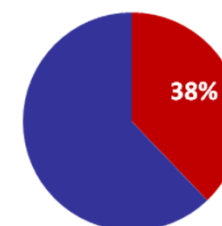
# KRUK – debt purchase investments



% of 2010 result

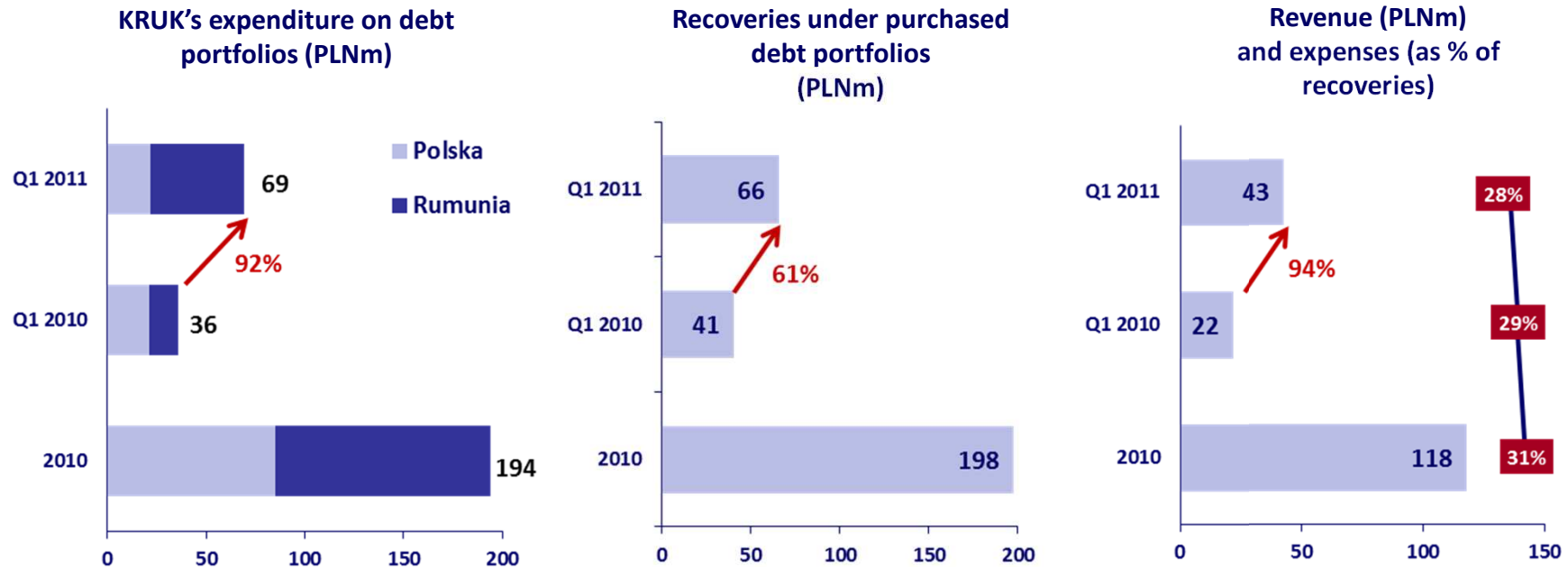


% of 2010 result



- In Q1 2011, KRUK purchased ten new retail debt portfolios.
- The KRUK Group purchased debt mainly from financial institutions (approx. 94% of the nominal value), with the balance representing debt portfolios of telecommunications companies (approx. 6%).

# KRUK's debt purchase business - strong growth and high profitability in Q1 2011



In Q1 2011, most of the KRUK's investments were made in Romania. KRUK's activity in the Polish market resulted in two major purchases made after March 31st 2011.



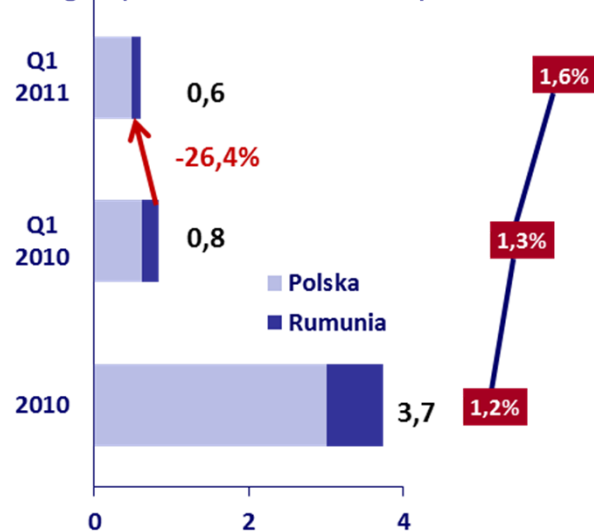
Source: KRUK S.A.,

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# KRUK' credit management services – performance in line with expectations

Nominal value of debts under credit management (PLNbn) and commission charged (as % of nominal value)



Credit management revenue (PLNm) and expenses (as % of revenue)



Indirect margin on credit management (PLNm)



- The slightly lower nominal value of debts accepted for processing results from the postponed commencement date of certain contracts.
- In Q1 2010, KRUK earned a substantial margin on a large recovery as part of the corporate credit management business, which was the main reason for the lower margin in Q1 2011 against Q1 2010.

## Debt purchase investments after Q1 2011

**POLAND**

**Bank debts**

In April 2011, the Group entered into an agreement for the purchase of a PLN 600.9m debt portfolio (nominal value).

**POLAND**

**Bank debts**

After winning an open-outcry auction, KRUK is finalising an agreement for the purchase of a PLN 541.5m debt portfolio (nominal value).

**CZECH  
REPUBLIC  
AND  
SLOVAKIA**

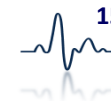
**Bank debts**

KRUK submitted a firm bid to purchase a CZK 1bn debt portfolio in the Czech Republic and a EUR 12.8m debt portfolio in Slovakia (nominal values). As the bid was accepted, the Company expects to execute the relevant claims assignment agreements in the near future.



Source: KRUK S.A.

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## Other operating events in 2011

**POLAND**

**Advertising  
campaign**

An advertising campaign addressed to debtors was broadcast on TV from February to March.

**CZECH  
REPUBLIC**

**Business  
acquisition**

In April 2011, KRUK S.A. purchased a 100% stake in Reberifa s.r.o. of the Czech Republic (currently KRUK International s.r.o.) with the share capital of CZK 200,000. The acquisition is a step on the way to KRUK's expansion into Czech debt collection market.



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# KRUK – P&L by business segments

PLNm	Q1 2011	Q1 2010	change
<b>DEBT PORTFOLIOS PURCHASED</b>			
portfolios purchased - recoveries	66.2	41.0	61%
portfolios purchased - expenses	69.2	36.0	92%
<b>INCOME STATEMENT</b>			
<b>Revenues</b>	<b>53.2</b>	<b>33.4</b>	<b>59%</b>
Debt purchase	42.9	22.0	95%
including: remeasurement	-0.9	0.3	
Credit management services	9.7	11.0	-12%
Other	0.6	0.3	
<b>Expenses</b>	<b>-25.3</b>	<b>-18.3</b>	<b>38%</b>
Debt purchase	-18.4	-12.0	53%
Credit management services	-6.2	-5.8	5%
Other	-0.8	-0.4	
<b>Indirect margin</b>	<b>27.8</b>	<b>15.1</b>	<b>85%</b>
Debt purchase	24.5	10.0	145%
Credit management services	3.5	5.2	-32%
Other	-0.2	-0.1	
<b>General and administrative expenses</b>	<b>-8.2</b>	<b>-5.9</b>	<b>38%</b>
<b>EBIT</b>	<b>18.1</b>	<b>7.7</b>	<b>134%</b>
<i>EBIT margin</i>	34%	23%	
<b>Finance income/expenses</b>	<b>-3.9</b>	<b>-0.4</b>	
<b>Tax</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-32%</b>
<b>NET PROFIT</b>	<b>14.1</b>	<b>7.2</b>	<b>97%</b>
<i>Net profit margin</i>	27%	21%	

Source: Kruk S.A.



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# KRUK – P&L by country

PLNm	Q1 2011	Q1 2010	change	2010
<b>INCOME STATEMENT</b>				
<b>Revenues</b>	<b>53.2</b>	<b>33.4</b>	<b>59%</b>	<b>164.3</b>
Poland	32.3	24.3	33%	122.7
Romania	20.9	9.1	130%	41.6
<b>Expenses</b>	<b>-25.3</b>	<b>-18.3</b>	<b>38%</b>	<b>-89.5</b>
Poland	-20.9	-15.7	33%	-76.5
Romania	-4.4	-2.6	71%	-12.7
<b>Indirect margin</b>	<b>27.8</b>	<b>15.1</b>	<b>85%</b>	<b>74.7</b>
Poland	11.3	8.5	33%	45.9
Romania	16.5	6.5	153%	28.8
<b>General and administrative expenses</b>	<b>-8.2</b>	<b>-5.9</b>	<b>38%</b>	<b>-28.1</b>
<b>EBIT</b>	<b>18.1</b>	<b>7.7</b>	<b>134%</b>	<b>42.6</b>
<i>EBIT margin</i>	34%	23%		26%
<b>Finance income/expenses</b>	<b>-3.9</b>	<b>-0.4</b>		<b>-7.0</b>
<b>Tax</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-32%</b>	<b>0.5</b>
<b>NET PROFIT</b>	<b>14.1</b>	<b>7.2</b>	<b>97%</b>	<b>36.1</b>
<i>Net profit margin</i>	27%	21%		22%



Source: KRUK S.A.

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# KRUK – Financing and key information on cash flows (presentation format)

PLNm	Q1 2011	2010
<b>CASH FLOWS</b>		
<b>Cash flows from operating activities:</b>	<b>42.4</b>	<b>124.1</b>
Cash recoveries under purchased debt portfolios	66.2	197.9
Other cash flows from operating activities	-23.8	-73.9
<b>Cash flows from investing activities:</b>	<b>-71.1</b>	<b>-201.0</b>
Purchase of debt portfolios	-69.2	-194.0
Other cash flows from investing activities	-1.9	-7.0
<b>Cash flows from financing activities:</b>	<b>39.1</b>	<b>73.9</b>
Increase in loans and lease liabilities	19.8	17.2
Issue of bonds	0.0	112.0
Repayment of loans and lease liabilities**	-5.8	-37.9
Repayment of bonds	0.0	-34.0
Other cash flows from financing activities**	25.1	16.6
<b>Net cash flows:</b>	<b>10.4</b>	<b>-3.0</b>
<b>FINANCING</b>		
Loans and lease liabilities	39.8	25.6
Bonds	95.9	95.9
<b>Interest-bearing debt</b>	<b>135.7</b>	<b>121.5</b>
Cash	31.2	20.8
<b>Net interest-bearing debt</b>	<b>104.5</b>	<b>100.7</b>
Net interest-bearing debt to equity	0.72	0.76
Net interest-bearing debt to cash EBITDA*	0.97	0.97

- At the end of March and beginning of April, KRUK issued bonds for PLN 45m.
- In April, Bank Zachodni WBK S.A. advanced a revolving credit facility of up to PLN 80m to KRUK.

Source: KRUK S.A. \* Cash EBITDA – Pre-tax profit/loss plus interest expense paid and amortization, less revenue from debt purchase, plus cash recoveries.

\*\* We inform that item „Repayment of loans and lease liabilities” was cleared by moving repayment of non-loan portfolios liabilities to „Other cash flows from financing activities”



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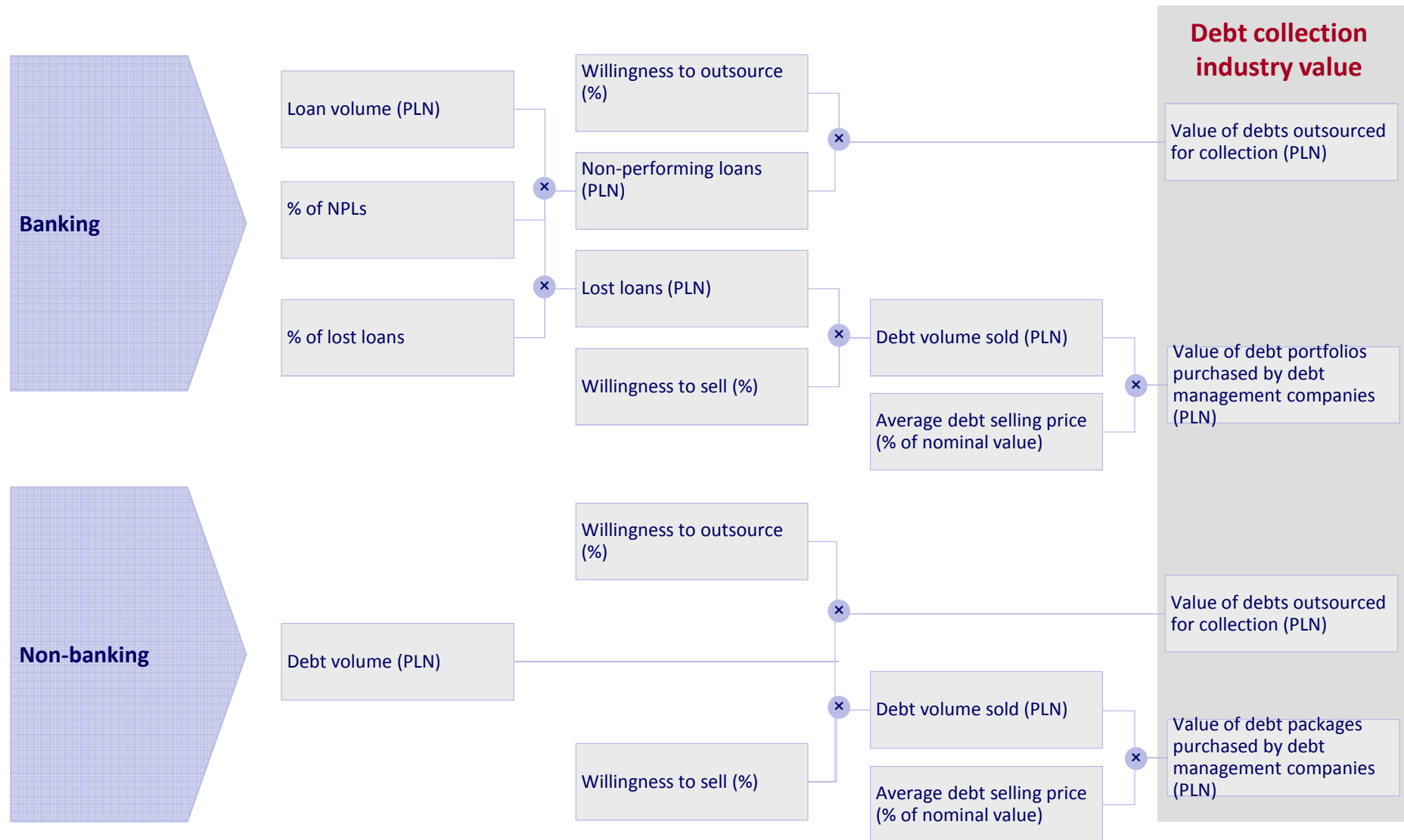
## Annexes



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# Credit management market valuation methodology



Source: Kruk S.A.



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# How does KRUK recognize revenue from purchased debt portfolios?

Purchased debt - division into interest and principal

- for each purchased debt portfolio, the discount rate (IRR for recoveries) is calculated based on planned recoveries
- revenue in a given period is recognized as the product of the discount rate for a given debt portfolio and the portfolio's fair value
- difference between recoveries and revenue reduces the fair value of the portfolio in the balance sheet (debt portfolio amortization)
- each debt portfolio is analysed every quarter, i.e. changes to actual or forecast recoveries or expenses are used to reassess fair value based on the original discount rate and the difference is recognized in P&L as revaluation.

Sample calculation for purchased debt portfolio recovery and revenue

	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
- amortization		21	32	47
valuation at end of period		79	47	0

outcome of planned recoveries and purchase price

product of value and discount rate

difference between proceeds and revenue

starting value reduced by amortization



Source: KRUK S.A.

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