



# PRESENTATION OF Q1 2012 RESULTS

KRUK Group

May 2012

# Agenda

## Introduction

Debt collection market

Operations

Financial performance

# KRUK posted a 60% increase in cash EBITDA\* and maintained the level of Net Profit in Q1 2012 compared to Q1 2011.

(I) In Q1 2012, the KRUK Group's recorded **revenue of over PLN 79m** with **cash EBITDA** at **PLN 69m**, up by 49% and 60%, respectively, year on year.

(II) The Group's **net profit** earned in Q1 2012 remained unchanged from Q1 2011 at approx. **PLN 14m**, despite a negative effect of revaluation due to changes in currency exchange rates.

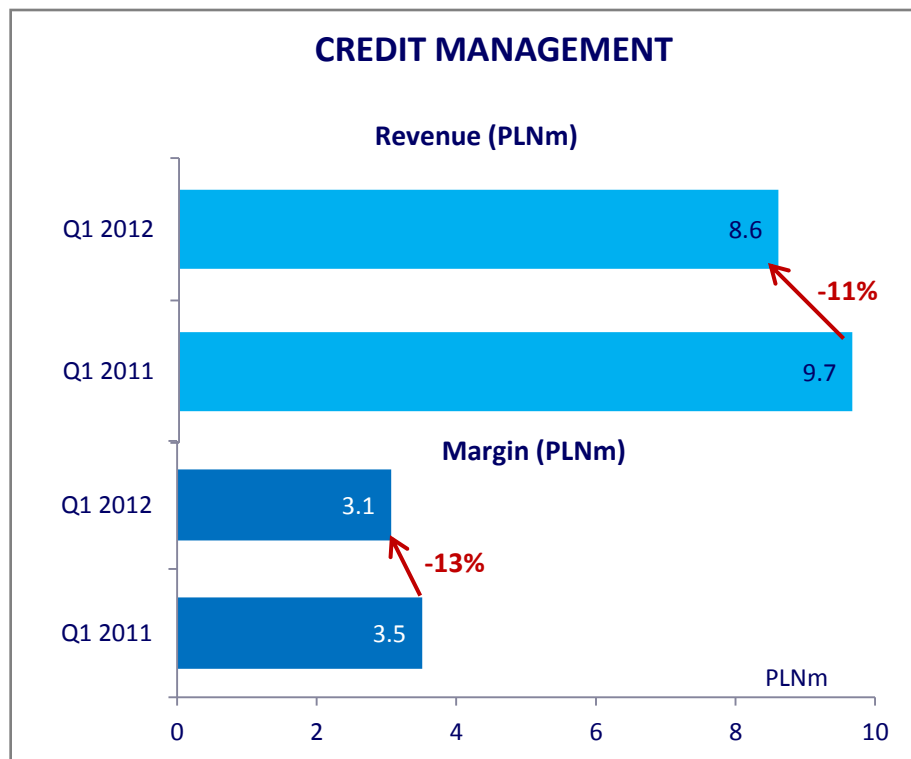
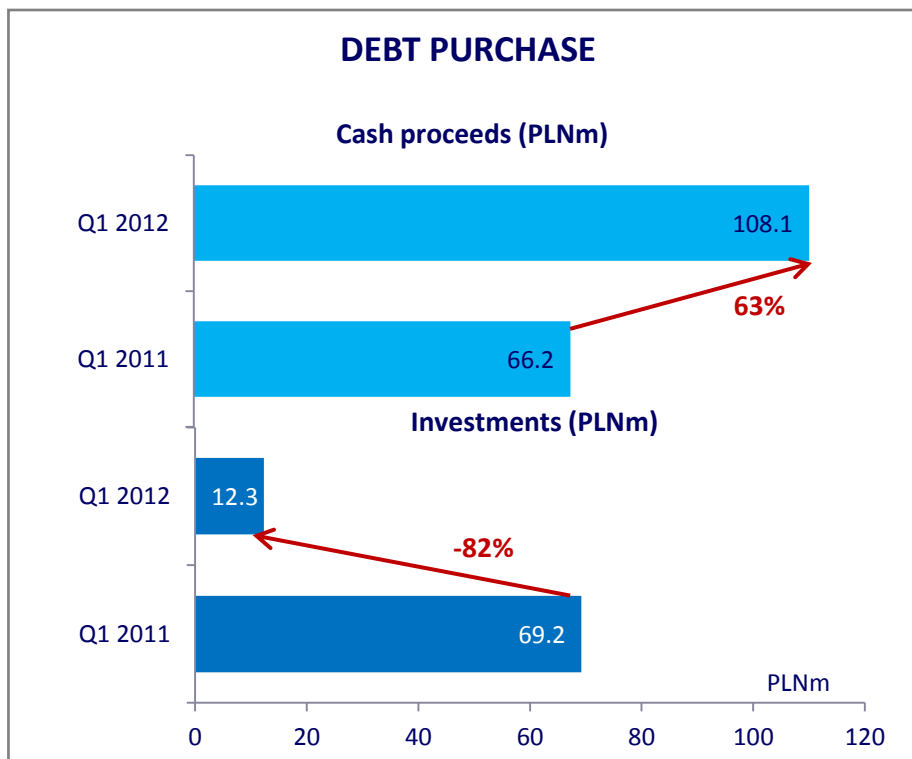
(V) KRUK has **good access to financing**: in Q1 2012 KRUK raised **PLN 70m from a bond issue** and **PLN 70m from a bank credit limit**.



(III) In Q1 2012 KRUK invested **PLN 12m** in debt portfolios (at an average price of 5,6%).

(IV) **Strong cash flow**: cash payments amounted to **PLN 108m** in Q1 2012, up by 63% year on year.

**Record high investments made before the end of 2011 are driving our performance in 2012 – payments from debtors grew in Q1 2012 by 63% year on year.**



	Q1 2012	Q1 2011	Change	2011	% of 2011 result
Revenue (PLNm)	79.9	53.2	50%	274.0	29%
EBIT (PLNm)	28.6	18.1	58%	96.0	30%
Cash EBITDA*	68.5	42.7	60%	212.2	32%
Net profit (PLNm)	14.0	14.1	-1%	66.4	21%
EPS (PLN)	3.92	2.77	42%	4.03	
ROE	26.2%			27.9%	

Source: KRUK S.A., \* Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt portfolios

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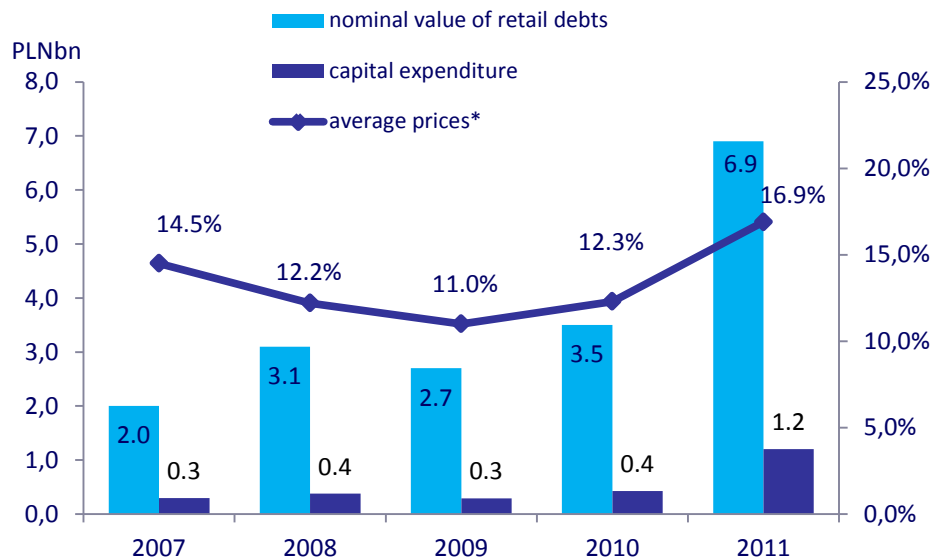
**Debt collection market**

Operations

Financial performance

# We expect the debt portfolio purchase market in Poland and Romania to stabilise around the 2011 level.

## POLAND

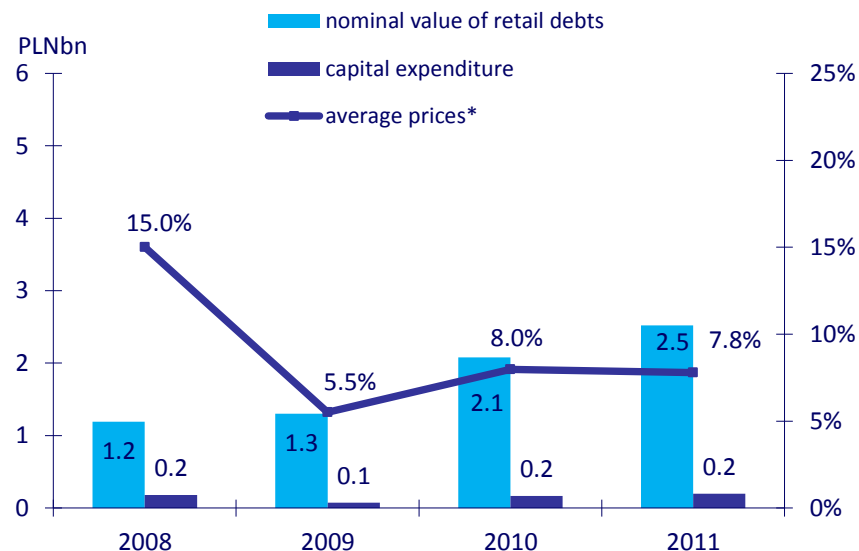


**In Q1 2012 the market was dominated by one transaction of bank debt portfolio purchase.**

**We expect expenditure on debt portfolios to stabilise at approx. PLN 1bn.**

**Strong competition and high prices still prevail on the Polish market.**

## ROMANIA



**We expect the expenditure on debt portfolios to level off or decline slightly.**

**Prices may increase due to the growing competition and changing quality of debts sold.**

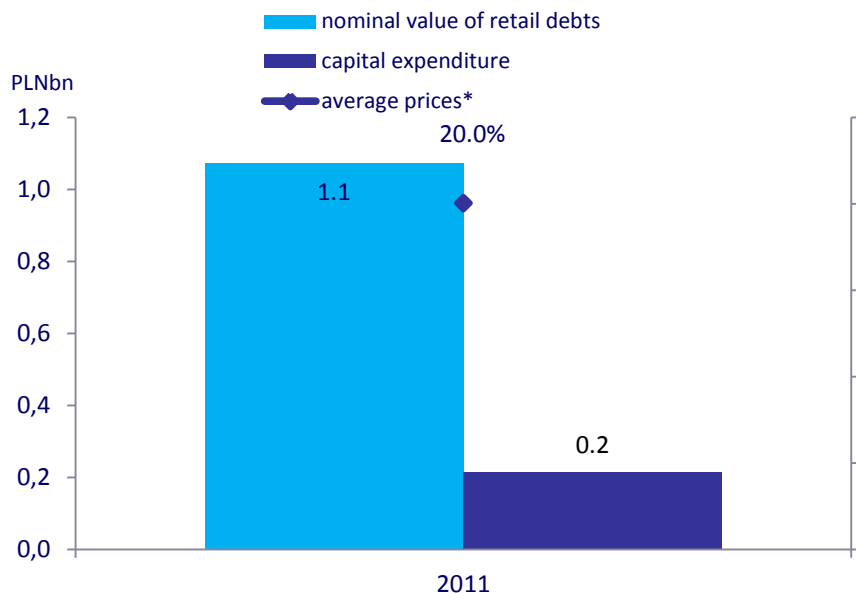
Source: KRUK S.A., IBnGR.

\* average price calculated as a percentage of nominal value

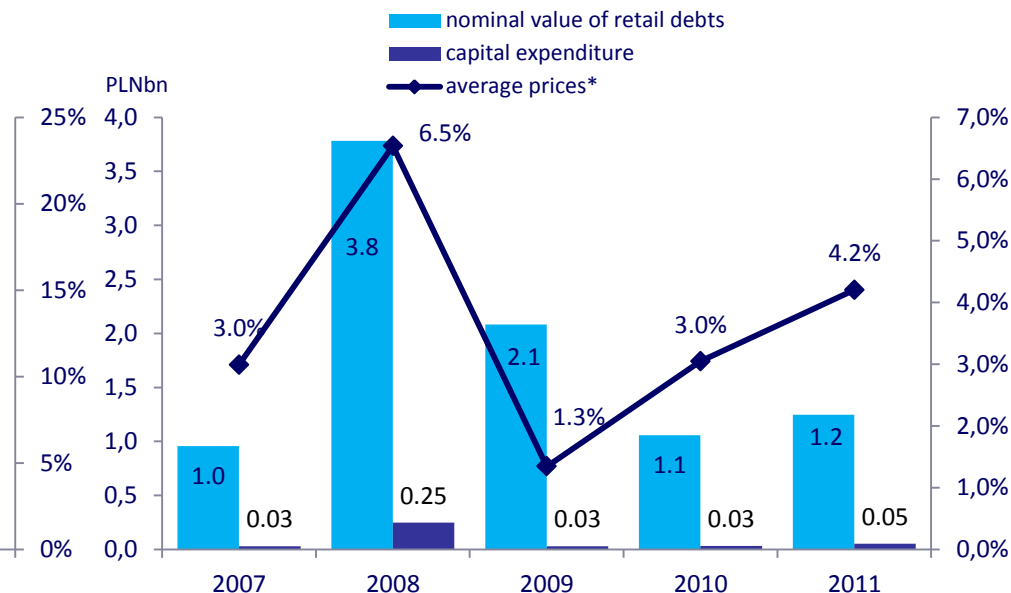
\*\* based on KRUK's estimates

**We expect a stable consumer debt purchase market in the Czech Republic and a growing corporate debt purchase market in Poland.**

### THE CZECH REPUBLIC



### POLAND – CORPORATE DEBT



**Banks and telecoms sell debt portfolios on a regular basis.**

**The number of auctions for corporate debt portfolios has grown relative to 2011, and we actively participate in such auctions.**

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Debt collection market

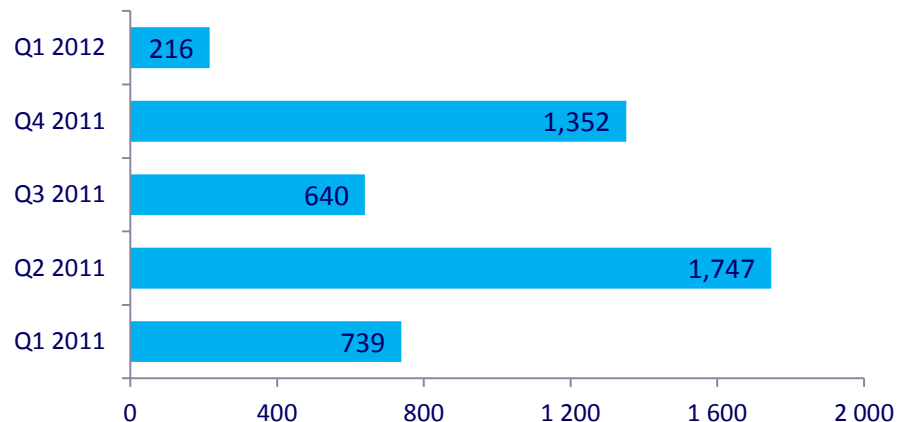
**Operations**

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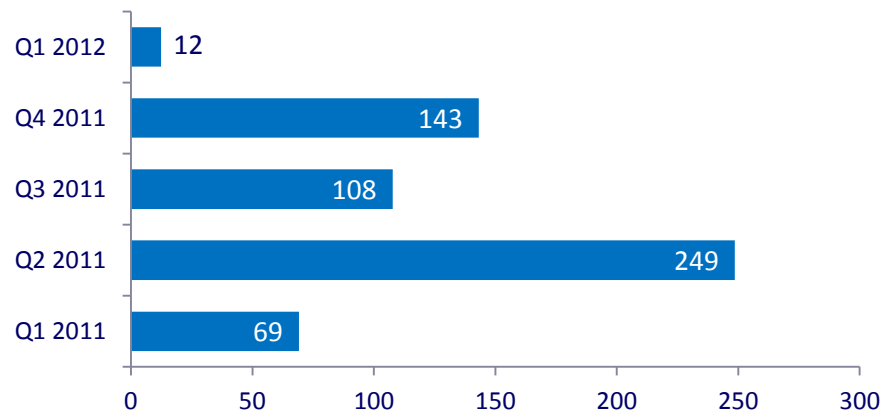


# KRUK – investment in debt purchases

**Nominal value of purchased debt (PLNm)**



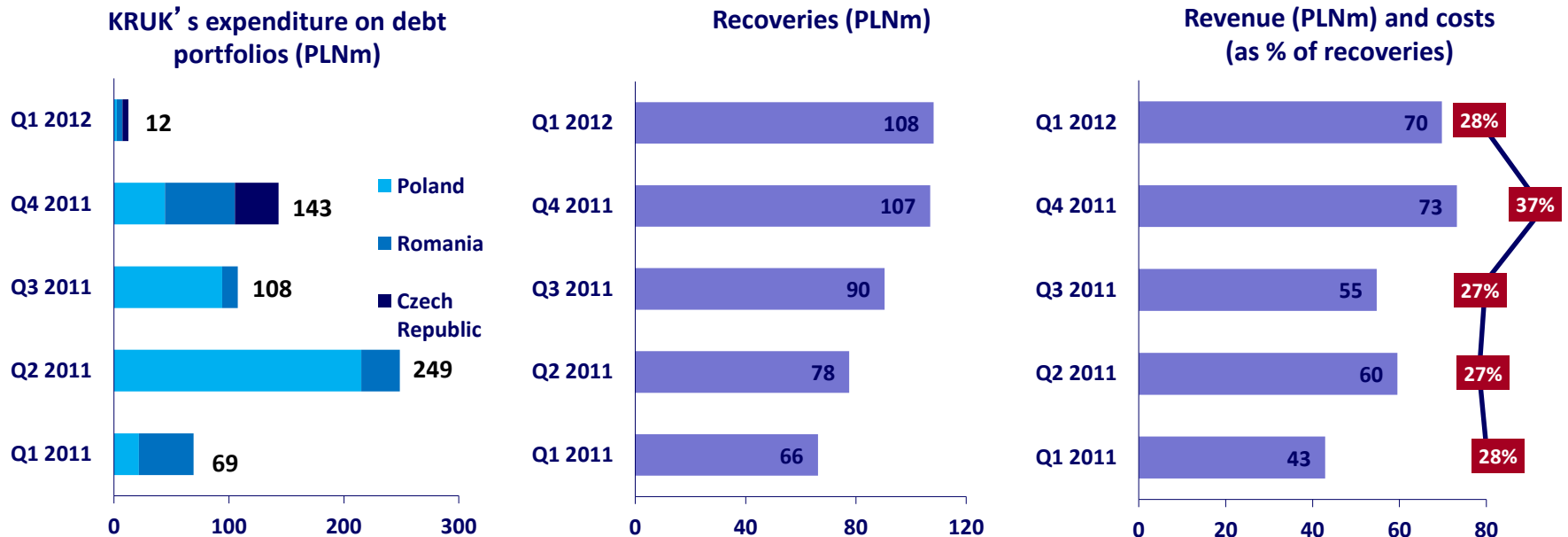
**Capital expenditure on new debt portfolios (PLNm)**



The KRUK Group's investments in Q1 2012 are relatively low, with the average price of 5,6%.

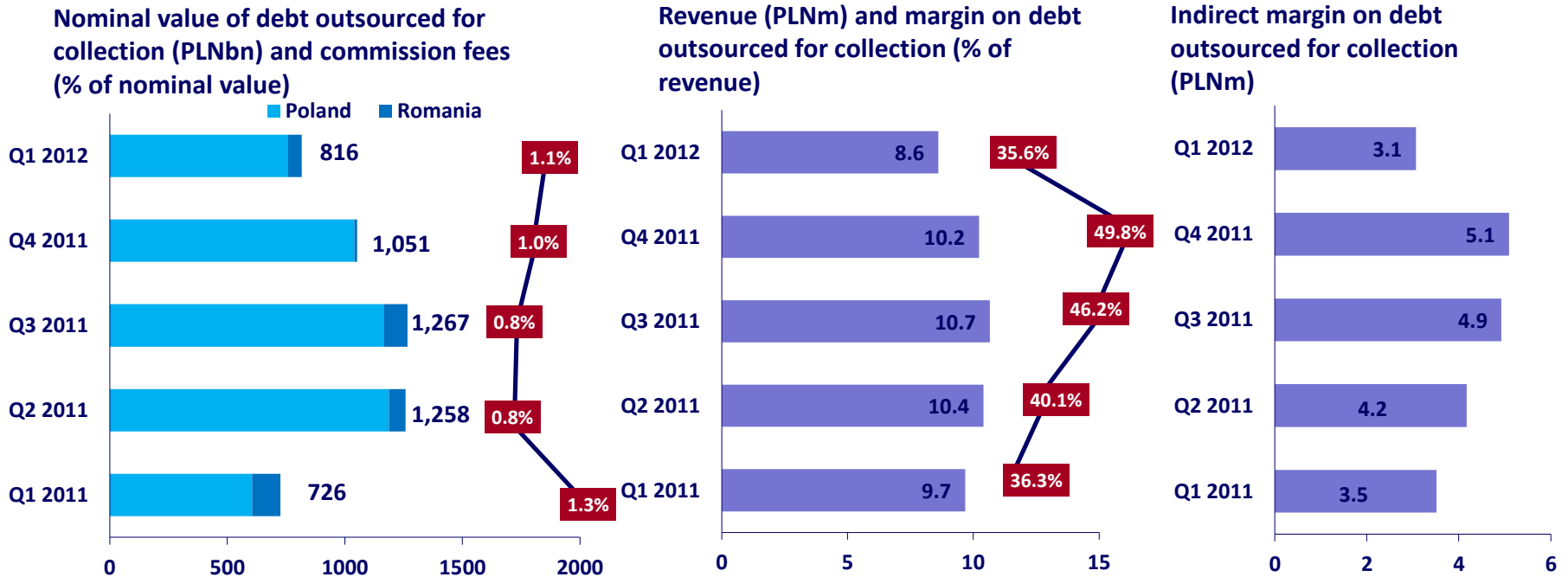
The KRUK Group made record-high investments in 2011, which significantly increased the level of operating assets. The value of investments on the debt purchase market is subject to significant quarter-on-quarter fluctuations.

# Stable repayments and a slight decrease in revenues on the acquired portfolios, mainly due to depreciation of RON in Q1 2012 compared to 4Q 2011



In Q1 2012 KRUK's cost effectiveness returned to the level of the first three quarters of 2011.

# KRUK's credit management services – decrease of revenues in Q1 2012 relative to Q4 2012 due to lower amount of cases outsourced by banks



**Banks outsource lower amount of cases due to continuing weak credit action.**

**In the debt collection market, there have been stronger competition and pricing pressures from the clients.**

**Credit management business remains highly profitable and is of strategic importance to KRUK due to its synergies with the debt purchase business. Despite the segment's lower revenue, the Group managed to maintain indirect margin unchanged year on year.**

# KRUK – important events subsequent to Q1 2012

Successful issue of unsecured Series N<sup>1</sup> notes with a total value of PLN 50m.

Transfer of an organised part of business of KRUK S.A. to NOVUM Finance Sp. z o.o. as part of consumer finance development strategy.

Receipt of the PFSA's authorisation for KRUK TFI S.A. to conduct business operations consisting in creation and management of investment funds.

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# KRUK – P&L by business lines (presentation format)

PLN m	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q1'12 / Q1'11	Q1'12 / Q4'11
<b>DEBT PURCHASE</b>							
Debt purchased – expenditure	-69.2	-248.6	-107.7	-143.3	-12.3	-82%	-91%
Debt purchased – recoveries	66.2	77.6	90.4	106.9	108.1	63%	1%
<b>INCOME STATEMENT</b>							
<b>Revenue</b>	<b>53.2</b>	<b>70.7</b>	<b>66.8</b>	<b>83.4</b>	<b>79.9</b>	<b>50%</b>	<b>-4%</b>
Debt purchase	42.9	59.5	54.8	73.2	69.8	63%	-5%
Including revaluation	-0.9	7.9	4.8	7.9	-5.6		
Credit management	9.7	10.4	10.7	10.2	8.6	-11%	-16%
Other products and services	0.6	0.8	1.3	0.0	1.5		
<b>Gross profit</b>	<b>27.8</b>	<b>43.0</b>	<b>35.1</b>	<b>37.8</b>	<b>42.5</b>	<b>53%</b>	<b>12%</b>
Gross Margin	52%	61%	53%	45%	53%		
Debt purchase	24.5	38.8	29.9	34.0	39.3	60%	16%
Credit management	3.5	4.2	4.9	5.1	3.1	-12%	-40%
Other products and services	-0.2	0.0	0.2	-1.2	0.1		
<b>General and administrative expenses</b>	<b>-8.2</b>	<b>-10.7</b>	<b>-10.0</b>	<b>-12.0</b>	<b>-12.7</b>	<b>55%</b>	<b>5%</b>
<b>EBITDA</b>	<b>19.4</b>	<b>31.9</b>	<b>25.1</b>	<b>25.1</b>	<b>30.1</b>	<b>56%</b>	<b>20%</b>
<i>EBITDA margin</i>	36%	45%	38%	30%	38%		
<b>Financial income/expenses</b>	<b>-3.9</b>	<b>-5.5</b>	<b>-9.6</b>	<b>-8.5</b>	<b>-12.8</b>	<b>229%</b>	<b>51%</b>
<b>NET PROFIT</b>	<b>14.1</b>	<b>25.1</b>	<b>13.1</b>	<b>14.1</b>	<b>14.0</b>	<b>-1%</b>	<b>-1%</b>
<i>Net profit margin</i>	27%	36%	20%	17%	18%		
Amortisation of debt purchased, net	-23.3	-18.1	-35.6	-33.7	-38.4	65%	14%
<b>CASH EBITDA*</b>	<b>42.7</b>	<b>50.0</b>	<b>60.7</b>	<b>58.9</b>	<b>68.5</b>	<b>60%</b>	<b>16%</b>

Source: KRUK S.A., \* Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt portfolios

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

PLN m	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q1'12 / Q1'11	Q1'12 / Q4'11
<b>INCOME STATEMENT</b>							
<b>Revenue</b>	<b>53.2</b>	<b>70.7</b>	<b>66.8</b>	<b>83.4</b>	<b>79.9</b>	<b>50%</b>	<b>-4%</b>
Poland	32.3	47.0	33.0	57.6	56.8	76%	-1%
Romania	20.9	23.6	33.7	25.8	23.1	11%	-10%
<b>Gross profit</b>	<b>27.8</b>	<b>43.0</b>	<b>35.1</b>	<b>37.8</b>	<b>42.5</b>	<b>53%</b>	<b>12%</b>
<i>Gross margin</i>	52%	61%	53%	45%	53%		
Poland	11.3	24.1	7.6	20.3	25.8	128%	27%
Romania	16.5	18.9	27.5	17.5	16.7	1%	-5%
<b>General and administrative expenses</b>	<b>-8.2</b>	<b>-10.7</b>	<b>-10.0</b>	<b>-12.0</b>	<b>-12.7</b>	<b>55%</b>	<b>5%</b>
<b>EBITDA</b>	<b>19.4</b>	<b>31.9</b>	<b>25.1</b>	<b>25.1</b>	<b>30.1</b>	<b>56%</b>	<b>20%</b>
<i>EBITDA margin</i>	36%	45%	38%	30%	38%		
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<b>NET PROFIT</b>	<b>14.1</b>	<b>25.1</b>	<b>13.1</b>	<b>14.1</b>	<b>14.0</b>	<b>-1%</b>	<b>-1%</b>
<i>Net profit margin</i>	27%	36%	20%	17%	18%		

Source: KRUK S.A.

# KRUK – Selected balance-sheet items (presentation format)

PLN m	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>19.4</b>	<b>19.4</b>	<b>19.3</b>	<b>23.8</b>	<b>22.7</b>
<b>Current assets</b>	<b>386.1</b>	<b>581.6</b>	<b>680.8</b>	<b>776.6</b>	<b>752.8</b>
including: investment in debt purchase	307.0	533.9	608.7	718.7	692.8
cash	31.2	27.9	31.1	36.2	39.0
<b>Total assets</b>	<b>405.5</b>	<b>601.0</b>	<b>700.1</b>	<b>800.5</b>	<b>775.5</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>146.0</b>	<b>211.9</b>	<b>223.5</b>	<b>238.4</b>	<b>253.4</b>
including retained earnings	122.1	147.1	158.4	132.5	146.5
<b>Liabilities</b>	<b>259.5</b>	<b>389.1</b>	<b>476.6</b>	<b>562.1</b>	<b>522.2</b>
including: loans and leases	39.8	70.6	63.3	118.0	35.9
commercial papers	95.9	233.9	321.9	359.0	412.2
<b>Total equity and liabilities</b>	<b>405.5</b>	<b>601.0</b>	<b>700.1</b>	<b>800.5</b>	<b>775.5</b>
<b>RATIOS</b>					
<b>Interest bearing debt</b>	<b>135.7</b>	<b>304.5</b>	<b>385.2</b>	<b>477.0</b>	<b>448.1</b>
<b>Net interest bearing debt</b>	<b>104.5</b>	<b>276.6</b>	<b>354.1</b>	<b>440.8</b>	<b>409.2</b>
Net interest bearing debt to equity	0.7	1.3	1.6	1.8	1.6
Net interest bearing debt to 12-month cash EBITDA *	0.7	1.7	1.9	2.1	1.7

Source: KRUK S.A., \* Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt portfolios



# KRUK – Cash-flow highlights (presentation format)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
<b>Cash flows from operating activities :</b>	<b>42.4</b>	<b>46.5</b>	<b>35.3</b>	<b>73.6</b>	<b>58.9</b>
Debt purchased – recoveries	66.2	77.6	90.4	106.9	108.1
Operating expenses related to debt purchased	-18.4	-20.7	-24.8	-39.3	-30.5
Operating margin on credit management	3.5	4.2	4.9	4.9	3.1
General and administrative expenses	-8.2	-10.7	-10.0	-12.3	-12.7
Other cash flows from operating activities	-0.7	-3.9	-25.2	13.3	-9.1
<b>Cash flows from investing activities:</b>	<b>-71.1</b>	<b>-250.5</b>	<b>-109.9</b>	<b>-146.8</b>	<b>-14.3</b>
Debt purchased – expenses	-69.2	-248.7	-107.7	-143.2	-12.3
Other cash flows from investing activities	-1.9	-1.8	-2.1	-3.6	-2.0
<b>Cash flows from financing activities</b>	<b>39.1</b>	<b>200.7</b>	<b>77.8</b>	<b>78.4</b>	<b>-41.8</b>
Increase in loans and lease liabilities	19.8	67.5	33.3	74.3	61.9
Commercial papers issue	0.0	138.0	118.0	35.0	70.0
Repayment of loans and lease liabilities	-5.8	-36.8	-37.3	-24.0	-143.6
Redemption of commercial papers	0.0	0.0	-30.0	0.0	-15.9
Other cash flows from financing activities	25.1	32.1	-6.1	-6.8	-14.3
<b>Net cash flows:</b>	<b>10.4</b>	<b>-3.3</b>	<b>3.2</b>	<b>5.1</b>	<b>2.8</b>

Source: KRUK S.A.

# Agenda

## Appendices

# 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 developed a **unique business model** relying on both debt purchase and credit management. The model operates well in Poland, and has been successfully introduced in Romania, currently deployed in the Czech Republic and Slovakia.

KRUK is developing **new business ventures**: RD ERIF credit information agency and NOVUM consumer loans.

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

The **debt collection market** is showing resilience in the face of the economic slowdown. We expect that the value of investment in debt purchase in Poland will remain at approximately PLN 1bn in 2012.

KRUK explores potential new **foreign markets**.

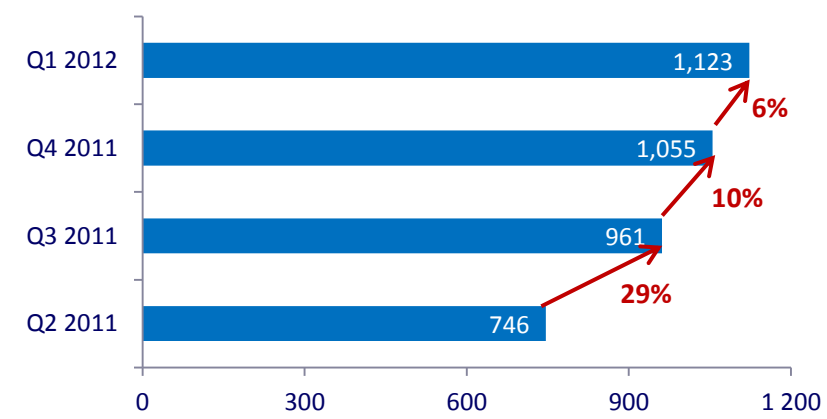


*Source: KRUK S.A. \* Nominal value of cases; data for H1 2011 is KRUK estimate.*

# KRUK's new projects in Poland – nearly 100% year-on-year growth in loans advanced and a significant increase in the number of entries in the RD ERIF database.

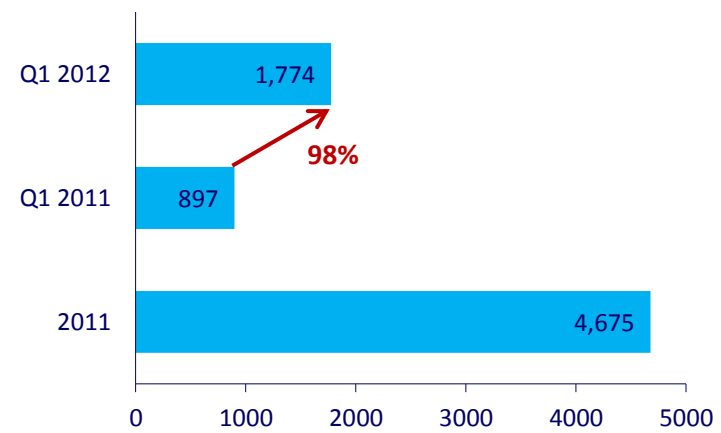
**RD ERIF (credit information agency)**

Database size ('000)



**NOVUM LOANS**

Number of loans sold



**RD ERIF's database has continued to expand dynamically.**

**RD ERIF is the first credit information agency to have its database audited, 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.**

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

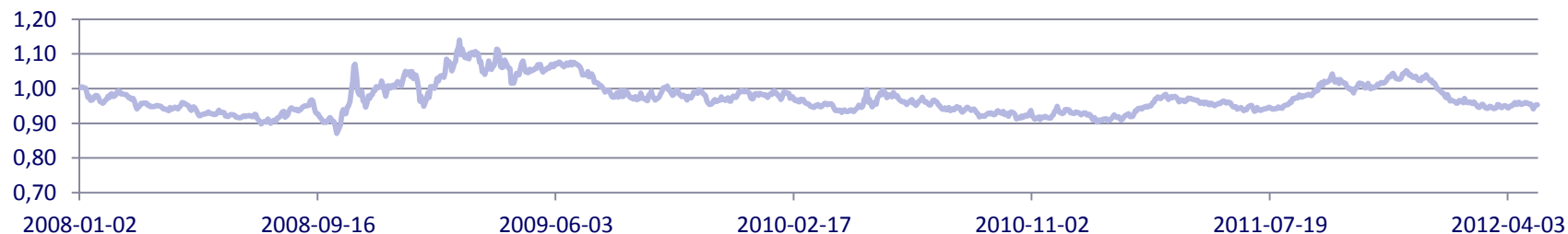
**Prospective clients, due to their status and conditions prevailing on the banking market, have limited access to bank loans.**

**The company's significant competitive edge comes from the ability to mitigate risk thanks to its knowledge of borrowers' profiles and behaviour patterns and effective debt collection.**

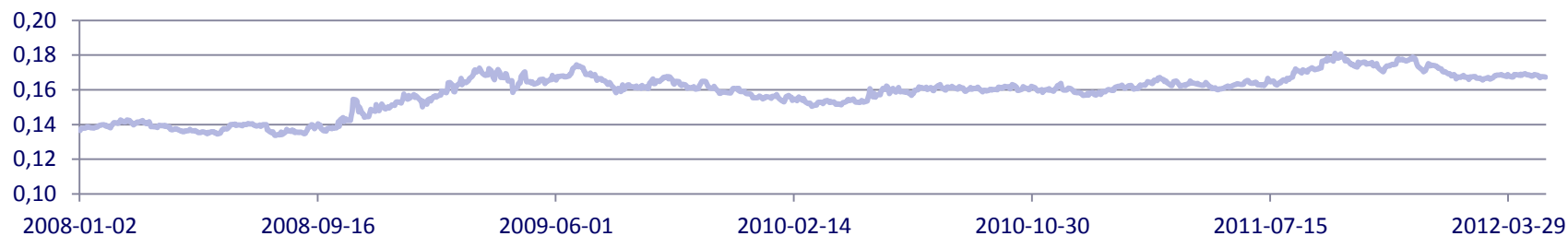
Source: KRUK S.A.

# Exchange rates applicable to KRUK's foreign markets

**RON/PLN mid-exchange rates since 2008**



**CZK/PLN mid-exchange rates since 2008**



# 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**

**Corporate**

**B2B  
(receivables)**

## We help people pay their debts

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

## 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

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

# 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	Σ
purchase value	100				
planned recoveries	-100	70	70	70	110
discount rate	49%				
valuation at beginning of period		100	79	47	-
recoveries:		70	70	70	210
- revenue /interest/		49	38	23	110
- amortisation		21	32	47	100
valuation at end of period		79	47	0	-

outcome of planned recoveries and purchase price

product of value and discount rate

difference between recoveries and revenue

starting value reduced by amortisation

KRUK Group



REJESTR DŁUŻNIKÓW  
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