

KRUK Group



REJESTR DŁUŻNIKÓW
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Kancelaria Prawna
RAVEN
Krupa & Stańko



PRESENTATION OF H1 2012 RESULTS

KRUK Group

August 2012

Agenda

Introduction

Debt collection market

Operations

Financial performance

In H1 2012, KRUK posted a 29% y-o-y increase in revenue and a 50% rise in cash EBITDA*

(I) For H1 2012, the KRUK Group reported **revenue of over PLN 159m**, with **cash EBITDA*** at **PLN 139m**, up by 29% and 50%, respectively, year on year.

(II) Group earned **net profit of PLN 32m** in H1 2012. **Q2 2012 net profit is 30% higher than in Q1 2012.**

H1 2012 net profit is lower than H1 2011 due to high positive revaluation in Q2 2011 which did not occur in 2012.

(V) KRUK has **good access to financing**: in H1 2012 KRUK raised **PLN 120m from commercial papers issues** and further **PLN 70m from a bank credit facility**.

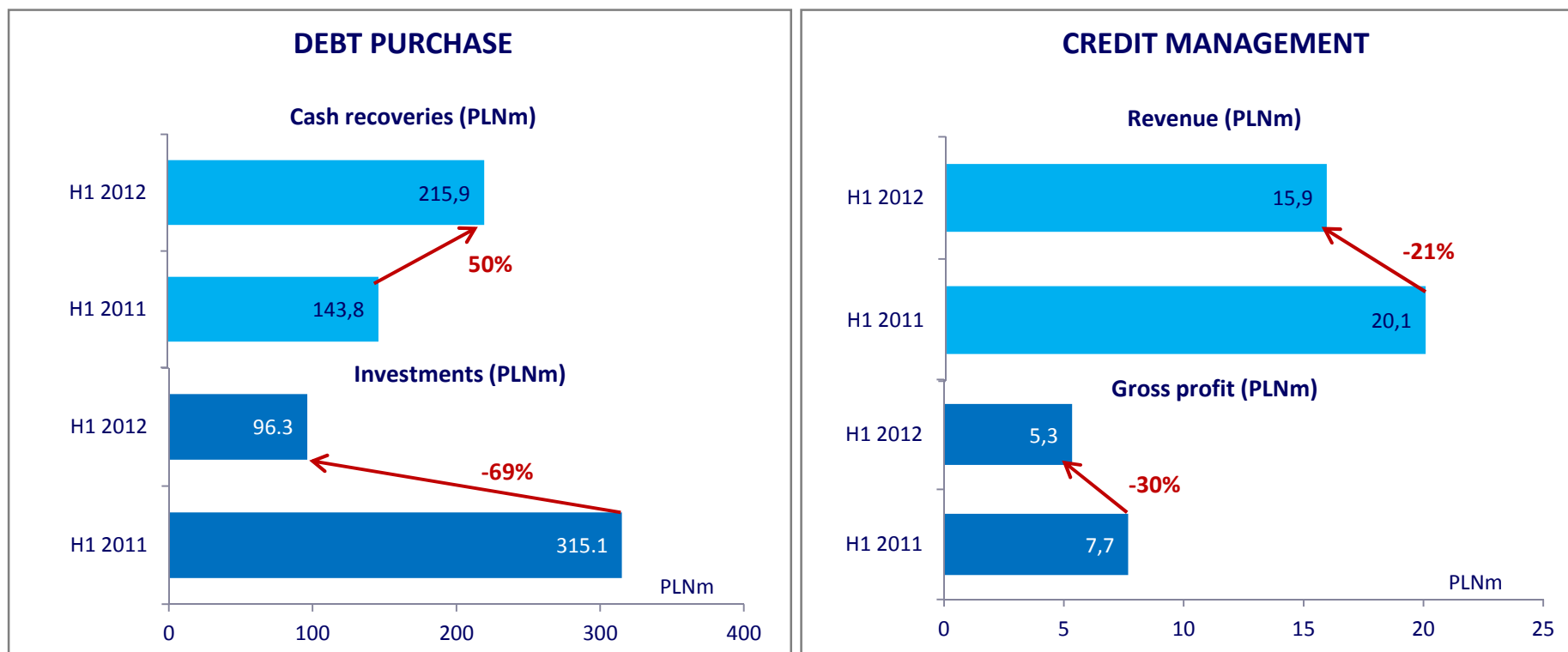


(III) **Strong cash flow**: cash recoveries from purchased debts amounted to **PLN 216m** in H1 2012, up by 50% year on year.

(IV) In H1 2012, KRUK invested **PLN 96m** in debt portfolios.

As expected, the **debt purchase market** continued to show strong activity, similar to that in 2011, but is more competitive than in 2011. Showing discipline in debt purchases KRUK reduced investments compared to 2011.

50% rise in cash recoveries and net profit of PLN 32m in H1 2012



	H1 2012	H1 2011	Change	2011	% of 2011 result
Revenue (PLNm)	159.3	123.9	29%	274.0	58%
Cash EBITDA (PLNm)	139.1	92.6	50%	212.2	66%
Net profit (PLNm)	32.3	39.2	-18%	66.4	49%
EPS* (PLN)	3.52	3.59		4.04	
ROE*	21.9%	27.5%		27.9%	

* EPS and ROE calculated on the basis of profit for the last 12 months
Source: KRUK S.A.

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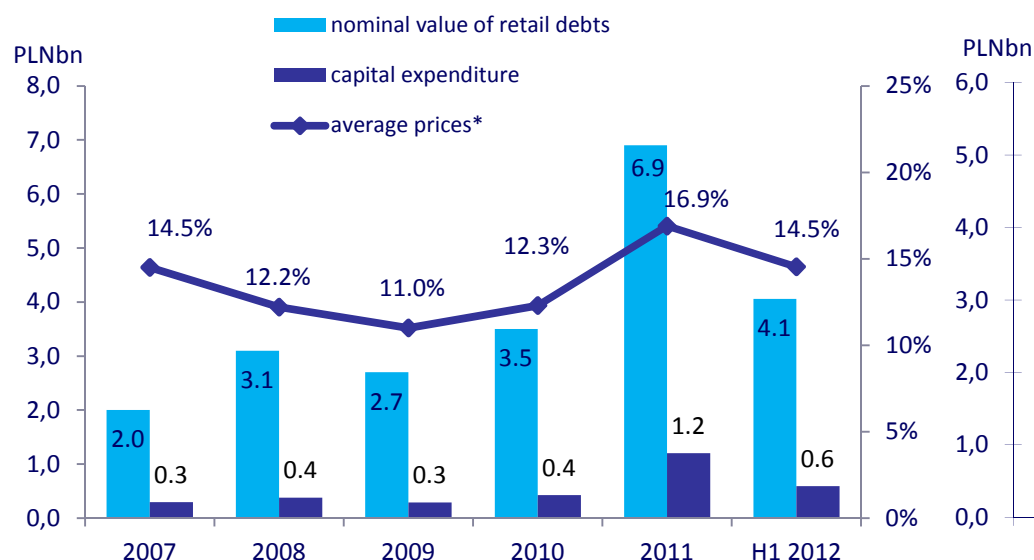
Debt collection market

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As expected, the debt purchase market showed strong activity, similar to that in 2011, but with increased competition

POLAND

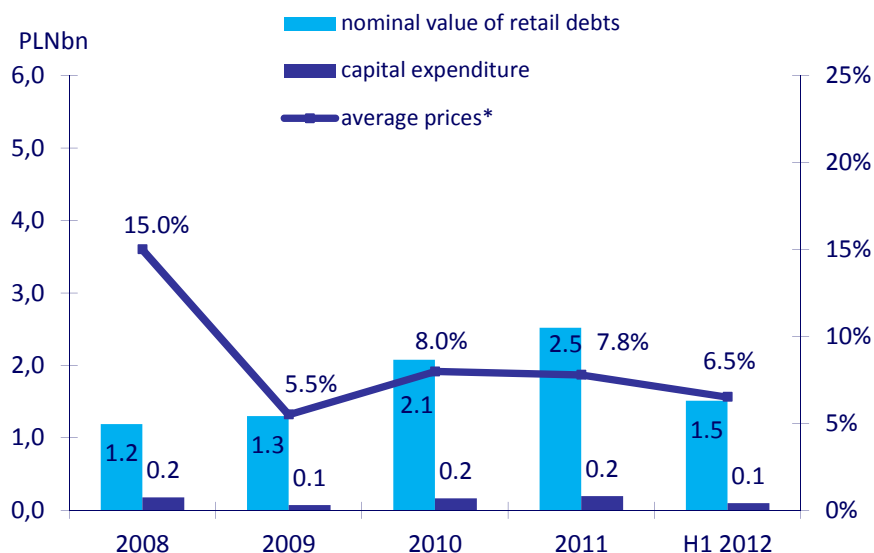


The market's expenditure on retail debt portfolios in H1 2012 represented approximately 50% of last year's spending.

The decline in average prices of debt portfolios in H1 2012 was driven by a few large transactions, which involved mainly low quality debt. In our opinion, debt portfolio prices are highly competitive.

Strong supply of debt portfolios is expected in H2 2012.

ROMANIA

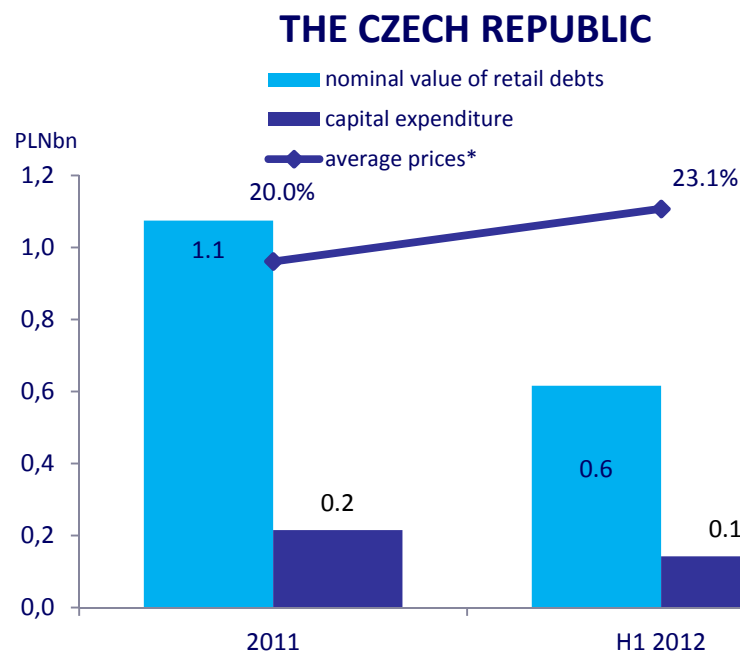


As expected, in H1 2012 the retail debt market in Romania remained stable, with investments in debt portfolios representing 50% of the respective figure for the whole of 2011.

As is the case with the Polish market, the drop in average prices of debt portfolios was attributable to a few transactions involving large, highly delinquent portfolios.

Competition is building up on the Romanian market.

Higher capital expenditure and average prices on the retail debt market in the Czech Republic and corporate debt market in Poland



The value of debt portfolios sold in H1 2012 was in excess of PLN 140m.

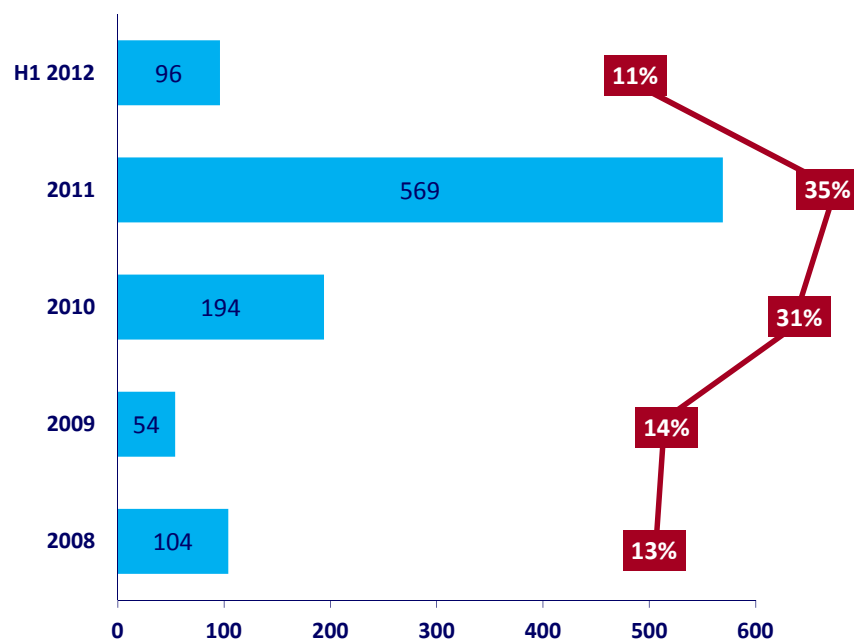
The growth of average prices in the Czech Republic was mainly driven by the competitive pressure.



As a result of changes in the structure and quality of corporate debt portfolios, in H1 2012 average prices were higher relative to prior periods.

In H1 2012, KRUK maintained its high share in the debt collection market and cut debt purchasing, but is prepared to increase investments in H2 2012

Purchased retail debt portfolios in Poland, Romania and the Czech Republic, and corporate debt purchased in Poland* (PLNm) and market share (%)**

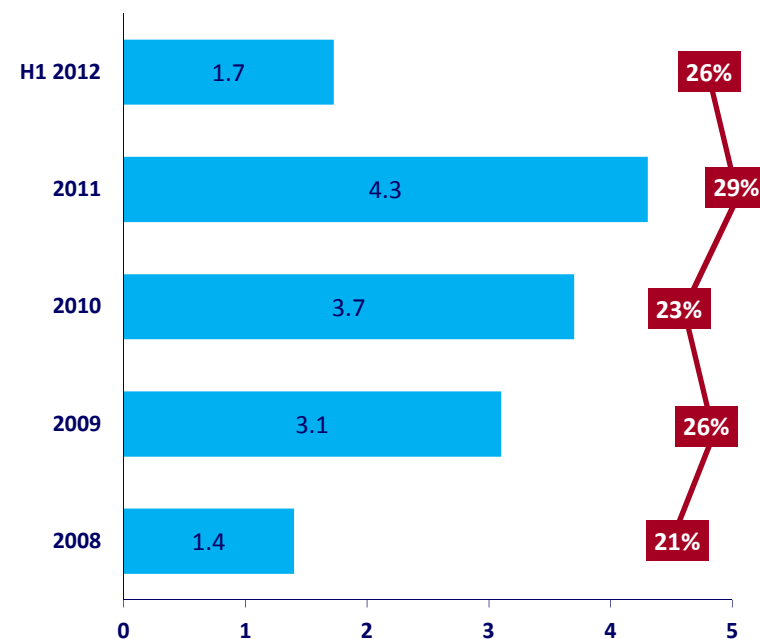


KRUK participated in all major auctions for debt portfolios in the countries where it operates, however, it limited investments on account of high prices.

In Q2 2012 KRUK invested PLN 84m, significantly more than in Q1 2012.

KRUK is well prepared to increase investments in H2 2012, expecting a strong supply of debt portfolios.

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



In terms of nominal value of debt cases, the debt collection market in Poland and Romania shrank in H1 2012 by 15% year on year.

In terms of nominal value of debt outsourced for collection, KRUK maintained an approximately 25% share in the debt collection market in Poland and Romania.

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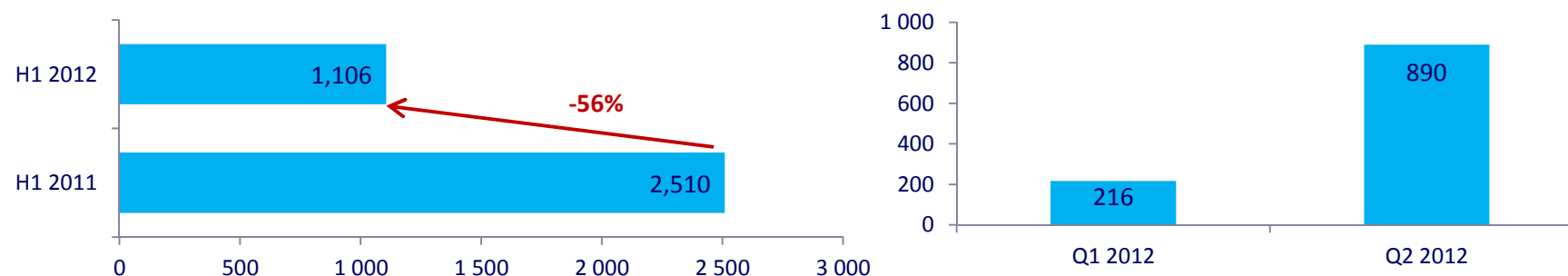
Debt collection market

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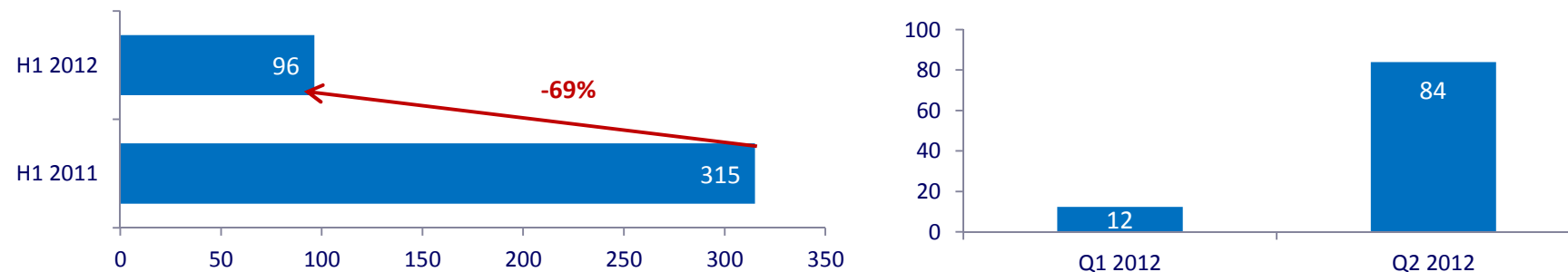
Financial performance

KRUK – investments in debt purchases

Nominal value of purchased debt (PLNm)



Capital expenditure on new debt portfolios (PLNm)

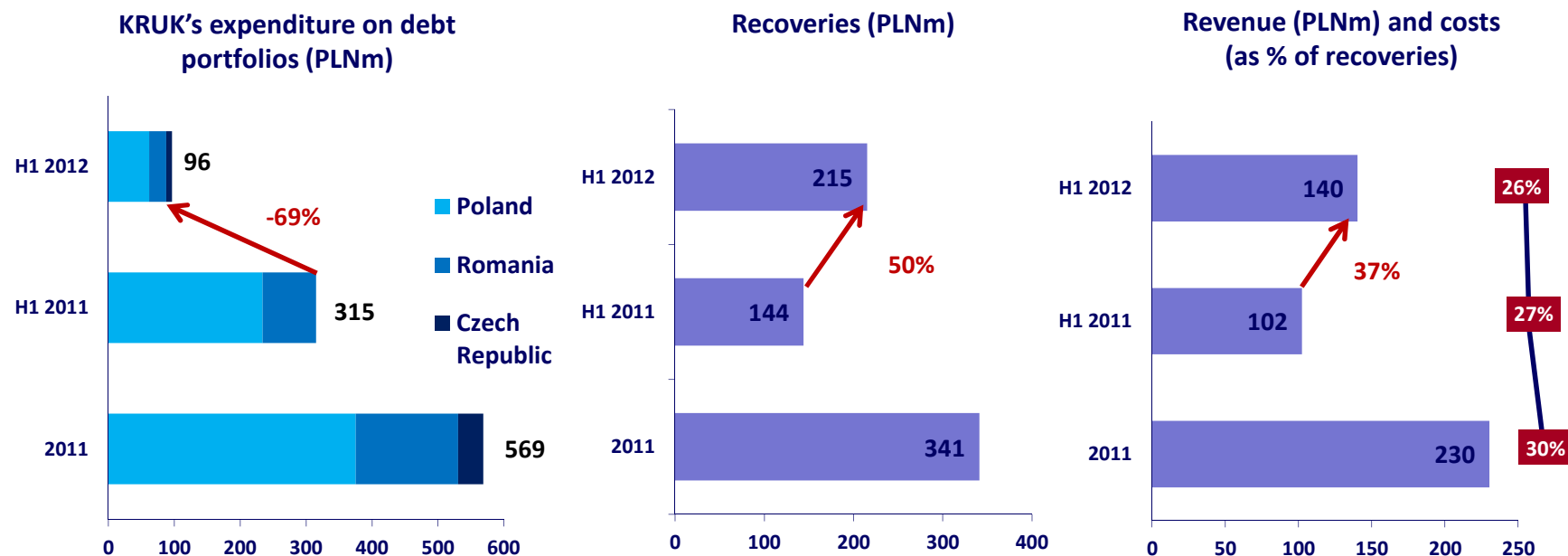


Following a period of record high investments in 2011, KRUK's balance-sheet shows debt portfolios worth PLN 740m. We seek to maximise return on debt portfolios, therefore we have accepted a temporary reduction of investments given the prevailing high prices.

The average price of debt purchased by KRUK in H1 2012 was 8.7%, having decreased from nearly 12.6% in the corresponding period of 2011.

In Poland, Romania and the Czech Republic, in H1 2012 the KRUK Group purchased 16 debt portfolios from financial institutions and 5 debt portfolios from telecoms.

KRUK's debt purchase business – a sharp rise in cash recoveries and improvement in costs to recoveries ratio vs. 2011

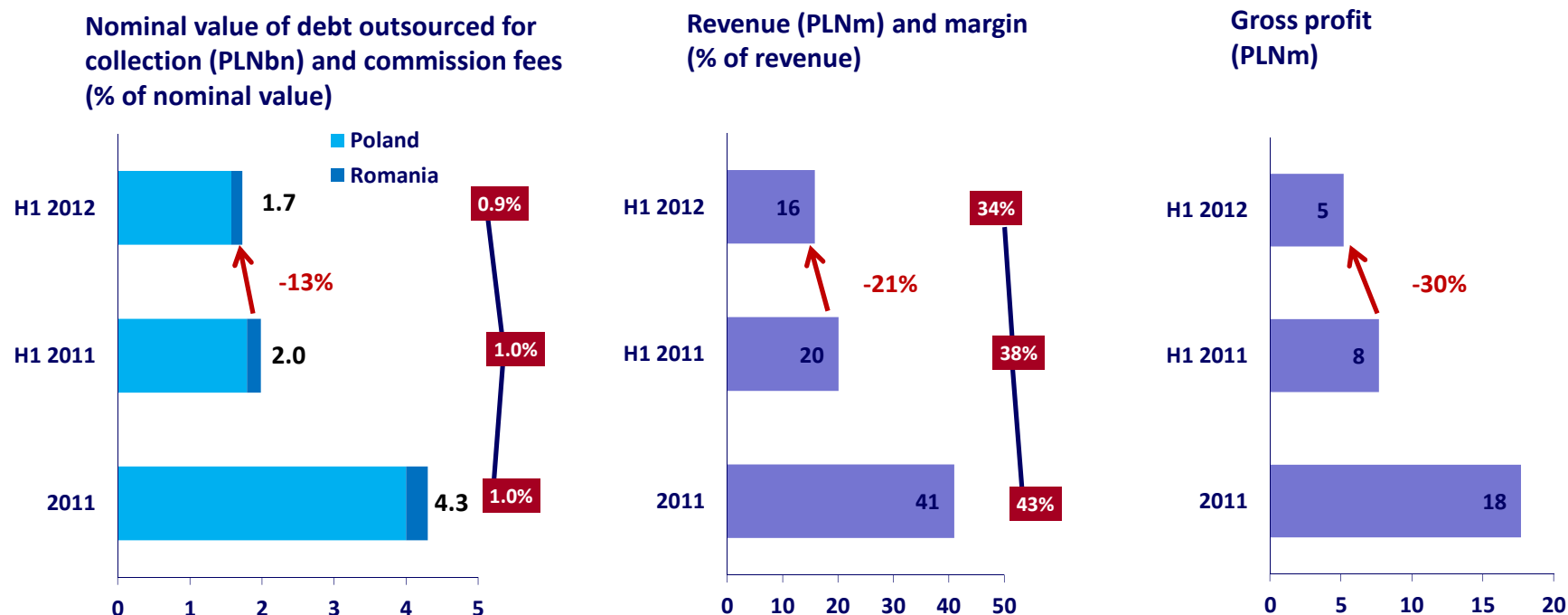


In H1 2012, KRUK purchased debt portfolios on all three markets where it operates.

Recoveries have already reached 63% of the respective figure for the whole of 2011. The strong and stable cash flows from purchased debt were primarily generated by recoveries under settlements with debtors.

Source: KRUK S.A.

KRUK's credit management business – the market downturn is affecting the results but the profitability is still high



The credit management business remains highly profitable and is of strategic importance to KRUK due to synergies with the debt purchase business.

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

PLN m	Q1 2012	Q2 2012	H1 2012	Q1 2011	Q2 2011	H1 2011	Q1/Q1	Q2/Q2	H1/H1
DEBT PURCHASE									
Debt purchased – expenditure	-12.3	-83.9	-96.3	-69.2	-245.9	-315.1	-82%	-66%	-69%
Debt purchased – recoveries	108.1	107.8	215.9	66.2	77.6	143.8	63%	39%	50%
INCOME STATEMENT									
Revenue	79.9	79.4	159.3	53.2	70.7	123.9	50%	12%	29%
Debt purchase	69.8	70.6	140.4	42.9	59.5	102.4	63%	19%	37%
Including revaluation	-5.6	-0.7	-6.2	-0.9	7.9	7.0	517%	-108%	-188%
Credit management	8.6	7.3	15.9	9.7	10.4	20.1	-11%	-29%	-21%
Other products and services	1.5	1.5	3.0	0.6	0.8	1.4	157%	85%	116%
Gross profit	42.5	46.1	88.6	27.8	43.0	70.8	53%	7%	25%
<i>Gross margin</i>	<i>53%</i>	<i>58%</i>	<i>56%</i>	<i>52%</i>	<i>61%</i>	<i>57%</i>			
Debt purchase	39.3	44.0	83.3	24.5	38.8	63.3	60%	13%	32%
Credit management	3.1	2.3	5.3	3.5	4.2	7.7	-12%	-46%	-30%
Other products and services	0.1	-0.2	-0.1	-0.2	0.0	-0.2	-144%	2467%	-68%
General and administrative expenses	-12.7	-12.3	-25.0	-8.7	-10.2	-18.9	46%	20%	32%
EBITDA	30.1	33.5	63.6	19.3	31.9	51.2	56%	5%	24%
<i>EBITDA margin</i>	<i>38%</i>	<i>42%</i>	<i>40%</i>	<i>36%</i>	<i>45%</i>	<i>41%</i>			
Finance income/expenses	-12.8	-12.4	-25.2	-3.9	-5.5	-9.4	229%	127%	169%
NET PROFIT	14.0	18.2	32.3	14.1	25.1	39.2	-1%	-27%	-18%
<i>Net profit margin</i>	<i>18%</i>	<i>23%</i>	<i>20%</i>	<i>27%</i>	<i>36%</i>	<i>32%</i>			
CASH EBITDA *	68.5	70.7	139.1	42.6	50.0	92.6	61%	41%	50%

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 2012	Q2 2012	H1 2012	Q1 2011	Q2 2011	H1 2011	Q1/Q1	Q2/Q2	H1/H1
INCOME STATEMENT									
Revenue	79.9	79.4	159.3	53.2	70.7	123.9	50%	12%	29%
Poland	56.8	55.8	112.6	32.3	47.0	79.3	76%	19%	42%
Foreign markets	23.1	23.7	46.8	20.9	23.6	44.5	11%	0%	5%
Gross profit	42.5	46.1	88.6	27.8	43.0	70.8	53%	7%	25%
<i>Gross margin</i>	53%	58%	56%	52%	61%	57%			
Poland	25.8	29.5	55.3	11.3	24.1	35.4	128%	23%	56%
Foreign markets	16.7	16.6	33.3	16.5	18.9	35.4	1%	-12%	-6%
General and administrative expenses	-12.7	-12.3	-25.0	-8.7	-10.2	-18.9	46%	20%	32%
EBITDA	30.1	33.5	63.6	19.3	31.9	51.2	56%	5%	24%
<i>EBITDA margin</i>	38%	42%	40%	36%	45%	41%			
Finance income/expenses	-12.8	-12.4	-25.2	-3.9	-5.5	-9.4	229%	127%	169%
NET PROFIT	14.0	18.2	32.3	14.1	25.1	39.2	-1%	-27%	-18%
<i>Net profit margin</i>	18%	23%	20%	27%	36%	32%			

Source: KRUK S.A.

KRUK – Selected balance-sheet items (presentation format)

PLNm	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
ASSETS					
Non-current assets	19.4	19.3	23.8	22.7	23.8
Current assets	581.6	680.8	776.6	752.8	796.7
including: investment in debt purchase	533.9	608.7	718.7	692.8	739.9
cash	27.9	31.1	36.2	39.0	32.6
Total assets	601.0	700.1	800.5	775.5	820.5
EQUITY AND LIABILITIES					
Equity	210.1	223.5	238.4	253.4	271.2
including retained earnings	145.4	158.4	132.5	146.5	164.7
Liabilities	390.8	476.6	562.1	522.2	549.3
including: loans and leases	70.2	63.3	118.0	35.9	54.1
commercial papers	235.5	321.9	359.0	412.2	423.1
Total equity and liabilities	601.0	700.1	800.5	775.5	820.5
RATIOS					
Interest bearing debt	305.7	385.2	477.0	448.1	477.2
Net interest bearing debt	277.8	354.1	440.8	409.2	444.7
Net interest bearing debt to equity	1.3	1.6	1.8	1.6	1.6
Net interest bearing debt to 12-month cash EBITDA *	1.7	1.9	2.1	1.7	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)

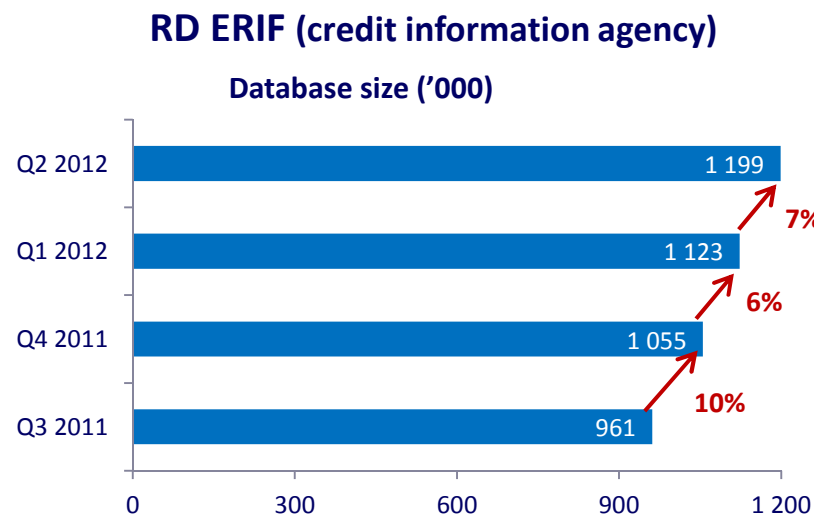
PLNm	Q1 2012	Q2 2012	H1 2012	Q1 2011	Q2 2011	H1 2011	Q1/Q1	Q2/Q2	H1/H1
Cash flows from operating activities :	58.9	52.9	111.8	42.4	43.7	86.1	39%	21%	30%
Debt purchased – recoveries	108.1	107.8	215.9	66.2	77.6	143.8	63%	39%	50%
Operating expenses related to debt purchased	-30.5	-26.6	-57.1	-18.4	-20.7	-39.1	66%	29%	46%
Operating margin on credit management	3.1	2.3	5.3	3.5	4.2	7.7	-12%	-46%	-30%
General and administrative expenses	-12.7	-12.3	-25.0	-8.7	-10.2	-18.9	46%	20%	32%
Other cash flows from operating activities	-9.1	-18.3	-27.4	-0.2	-7.2	-7.4	3759%	155%	270%
Cash flows from investing activities:	-14.3	-85.7	-100.0	-71.1	-247.7	-318.8	-80%	-65%	-69%
Debt purchased – expenses	-12.3	-83.9	-96.3	-69.2	-245.9	-315.1	-82%	-66%	-69%
Other cash flows from investing activities	-2.0	-1.7	-3.7	-1.9	-1.8	-3.7	6%	-5%	0%
Cash flows from financing activities	-41.8	26.4	-15.5	39.1	200.7	239.8	-207%	-87%	-106%
Increase in loans and lease liabilities	61.9	66.9	128.8	19.8	67.5	87.3	213%	-1%	48%
Commercial papers issue	70.0	50.0	120.0	0.0	138.0	138.0		-64%	-13%
Repayment of loans and lease liabilities	-143.6	-48.9	-192.5	-5.8	-36.8	-42.6	2365%	33%	351%
Redemption of commercial papers	-15.9	-39.6	-55.5	0.0	0.0	0.0			
Other cash flows from financing activities	-14.3	-2.1	-16.3	25.1	32.1	57.2	-157%	-106%	-129%
Net cash flows:	2.8	-6.4	-3.6	10.4	-3.3	7.1	-73%	96%	-151%

Source: KRUK S.A.

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Appendices

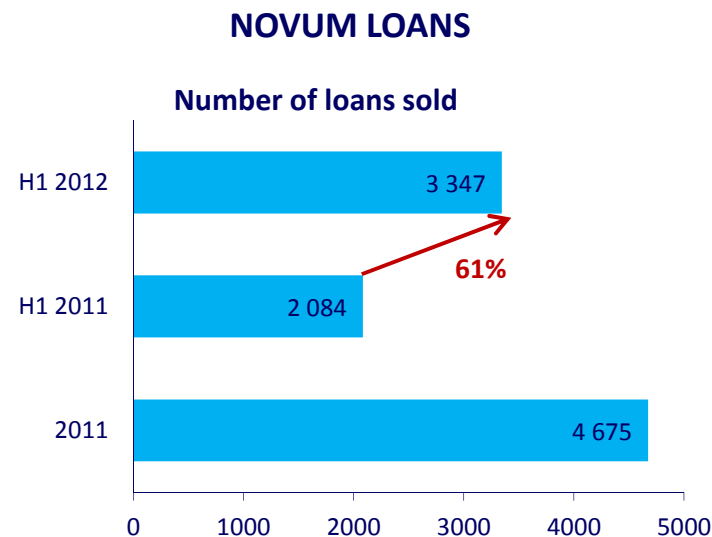
KRUK's new projects in Poland – robust year-on-year growth in loans advanced and a significant increase in the number of entries in the RD ERIF database



RD ERIF database continues to grow in size.

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

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



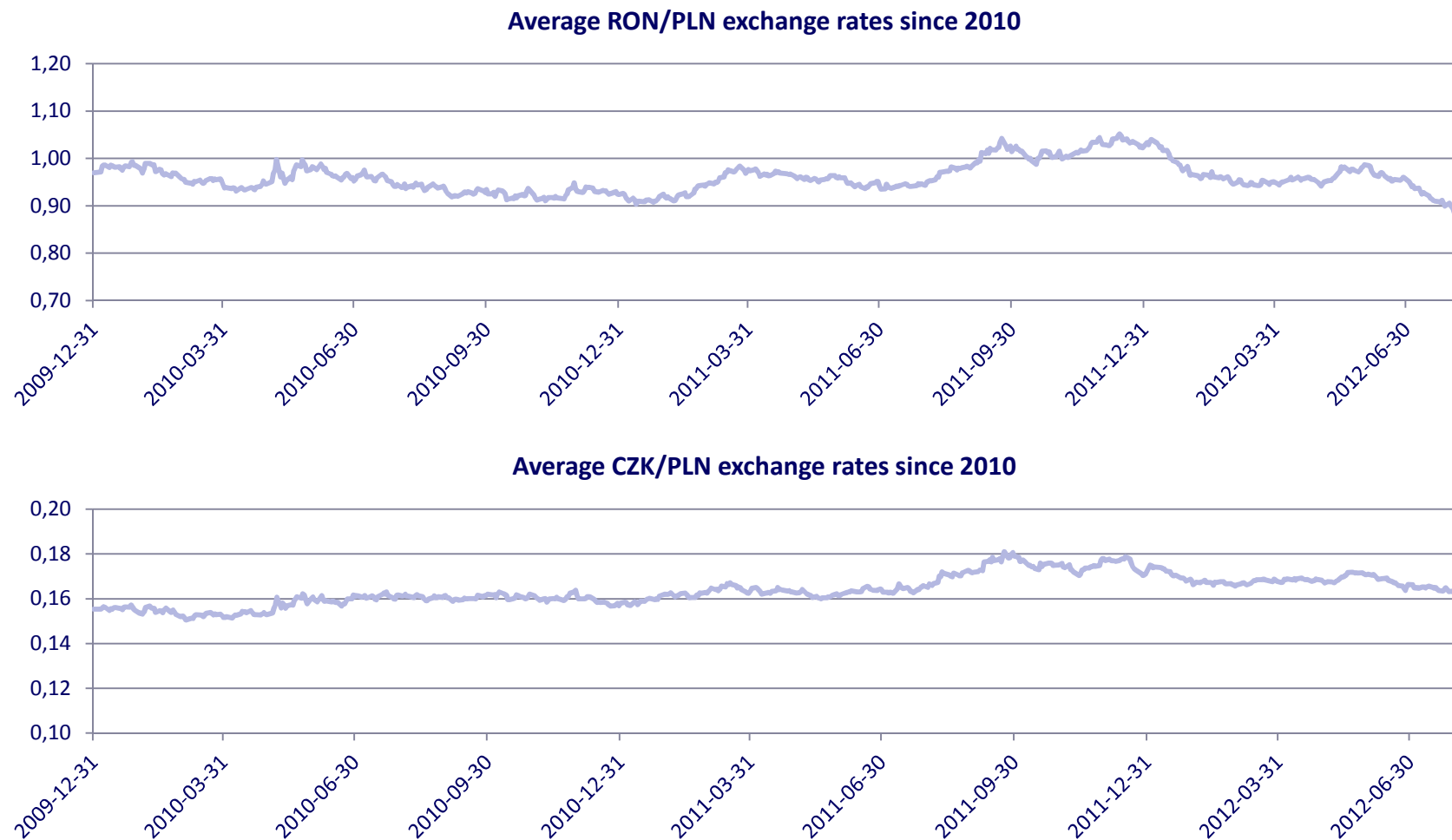
The product is currently targeted at persons who have already repaid their debt to KRUK and are regularly repaying other liabilities.

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



Financial statement items affected by the change of exchange rates

INCOME STATEMENT

Revaluation of debt portfolios as a portion of revenue from collection of purchased debt

Revenue forecast update is primarily based on the analysis of:

- debtors' behaviour patterns and effectiveness of the collection tools used;
- assessment of debtors' financial standing in the context of macroeconomic developments on particular markets;
- changes in currency exchange rates against PLN (for debt portfolios purchased abroad).

Net foreign exchange gains/losses recognised in finance income

Finance income includes interest income on the funds invested by the Group (net of income on purchased debt), dividend receivable and reversal of impairment losses on financial assets. Foreign exchange gains and losses are posted in net amounts.

Net foreign gains/losses recognised in finance expenses

Finance expenses include interest on debt financing, unwinding of the discount on provisions, and impairment losses on financial assets. Foreign exchange gains and losses are posted in net amounts.

EQUITY

Exchange differences on translation of foreign operations

Exchange differences on translating subsidiaries include exchange differences on translating foreign operations.

Source: KRUK S.A

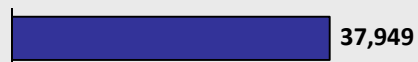
DESCRIPTION

DESCRIPTION

Macroeconomic highlights

POLAND

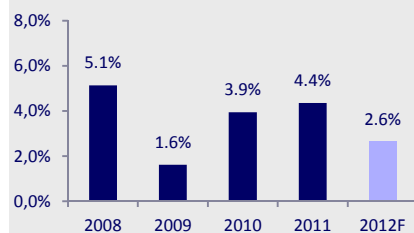
Population [2011, in thousands]



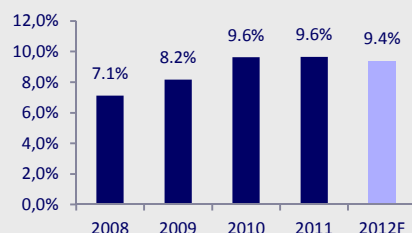
Per capita GDP [2011, in USD]



GDP growth[%]



Unemployment rate [%]

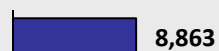


ROMANIA

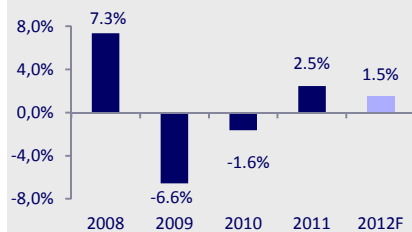
Population [2011, in thousands]



Per capita GDP [2011, in USD]



GDP growth [%]

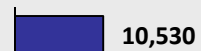


Unemployment rate [%]



CZECH REPUBLIC

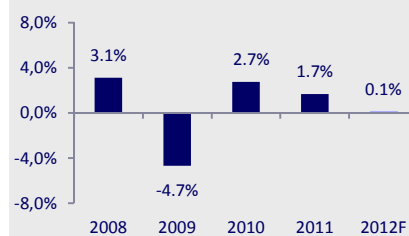
Population [2011, in thousands]



Per capita GDP [2011, in USD]



GDP growth[%]



Unemployment rate [%]



Source: International Monetary Fund. „Global Economic Outlook Database – April 2012”

KRUK - debt structure and commercial paper redemption schedule

COMMERCIAL PAPER (PLNm)*	2011	H1 2012	2012	2013	2014	2015	2016
Issue	291	120	120	-	-	-	-
Redemption	30	56	120	102	130	41	84
Commercial paper outstanding at end of period	357	421	357	255	125	84	-

* Based on nominal value

BANK LOANS (PLNm)	Amount made available by banks	Amount drawn as at Jun 30 2012
Total bank loans	230	50
Investment loans	25	15
Revolving loans	205	35

KRUK - business model and milestones

KRUK Group's business model



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 – ERIF's operations
 - 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

How KRUK recognises 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

Source : KRUK S.A.

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

Grupa Kapitałowa KRUK



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