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# 2010
# Interim results

## A strong performance in challenging times

22 July 2010

John Harnett – Chief Executive Officer
David Broadbent – Finance Director

# Highlights

- A good performance from a resilient business
- First half profit increased from £9.1 million to £30.5 million
- All markets in profit, including maiden first half profits in Mexico and Romania
- Hungary continuing its strong recovery
- Growth in customers of 7.5%, credit issued of 6.7% and receivables of 8.2%
- Credit quality improved and at good levels in all markets
- Interim dividend increased by 10%

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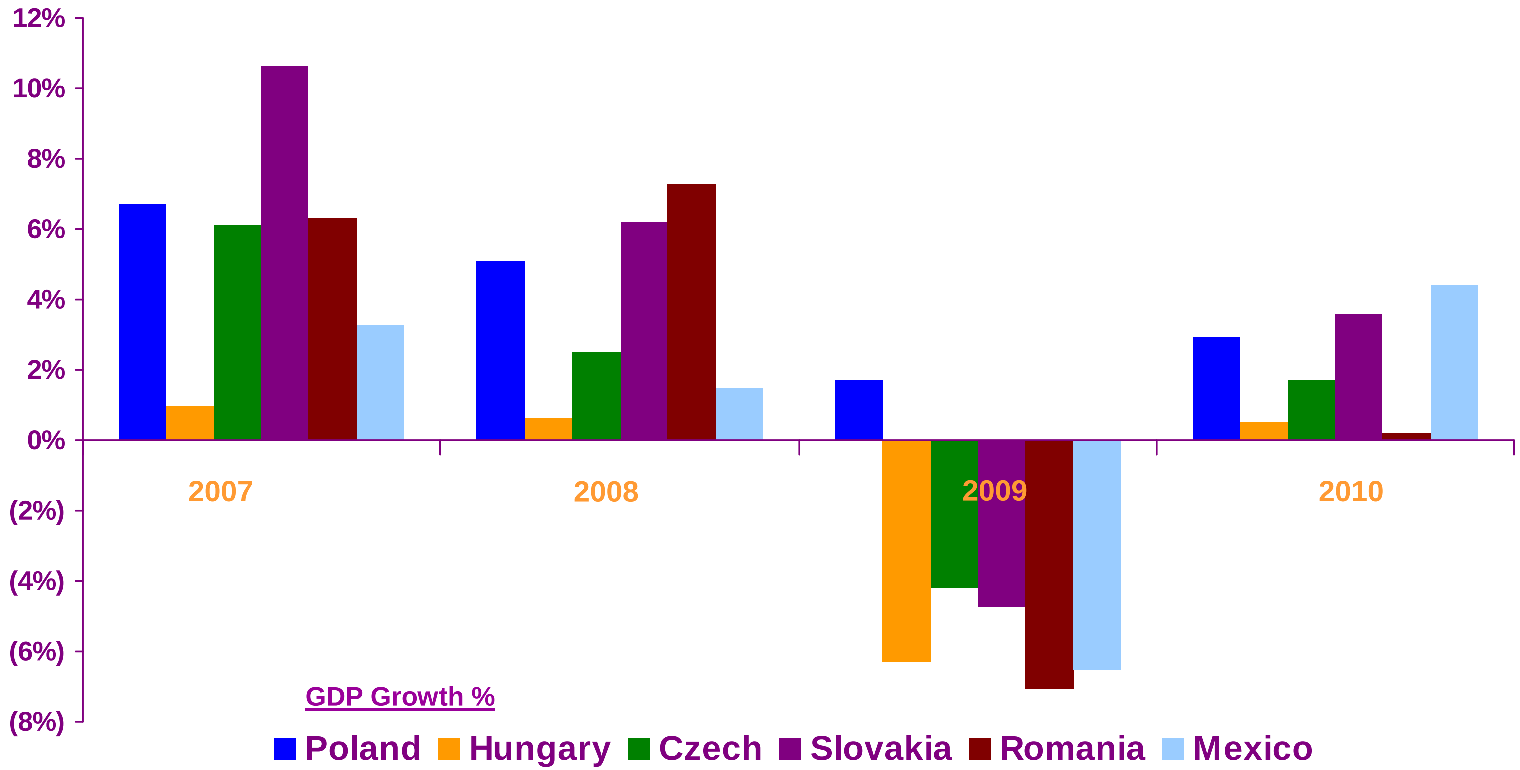
# Managing through a difficult economic cycle

| Focus on growth | Preparations for global downturn | Focus on collections, costs & cash | Steady growth & improved credit quality |
|---|---|---|---|




*Source: Citibank (2009 actual data / 2010 estimate)*

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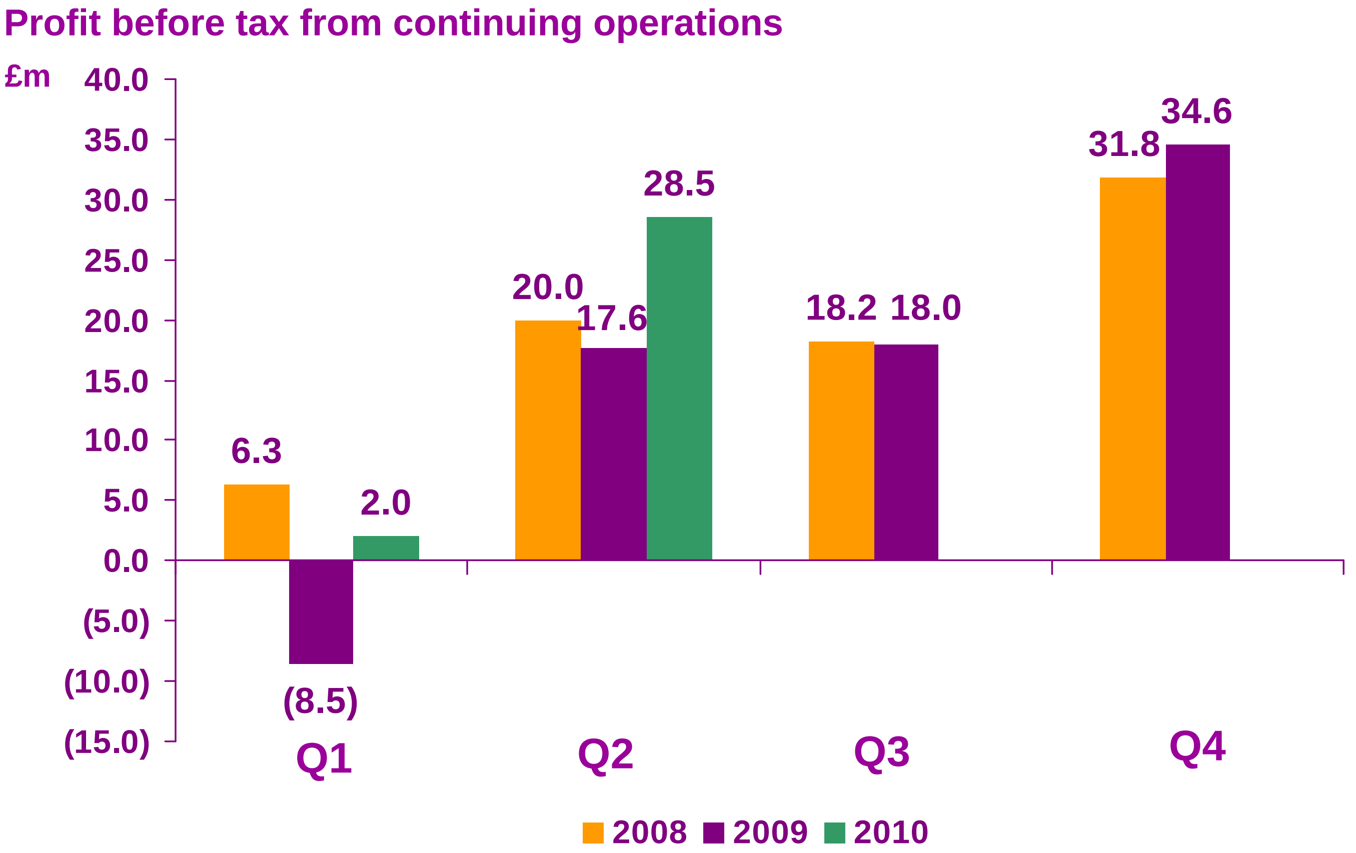
# Strong improvement in results



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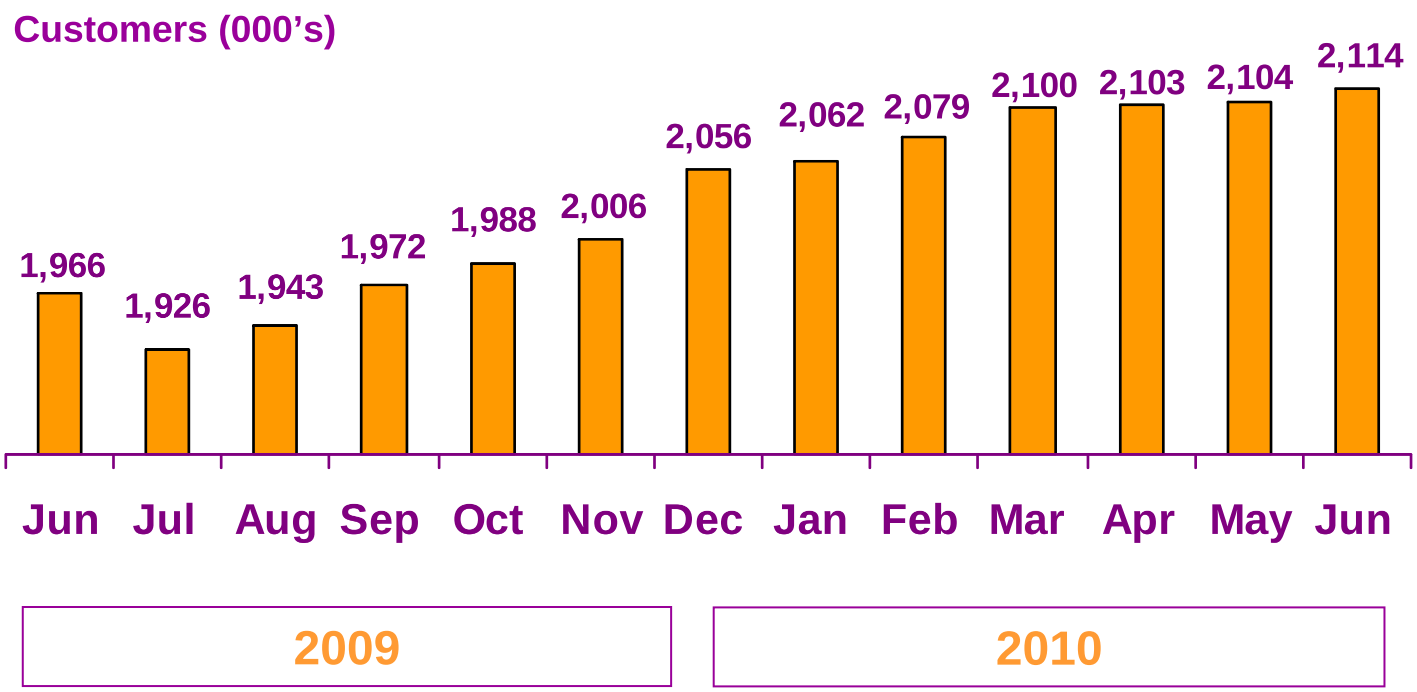
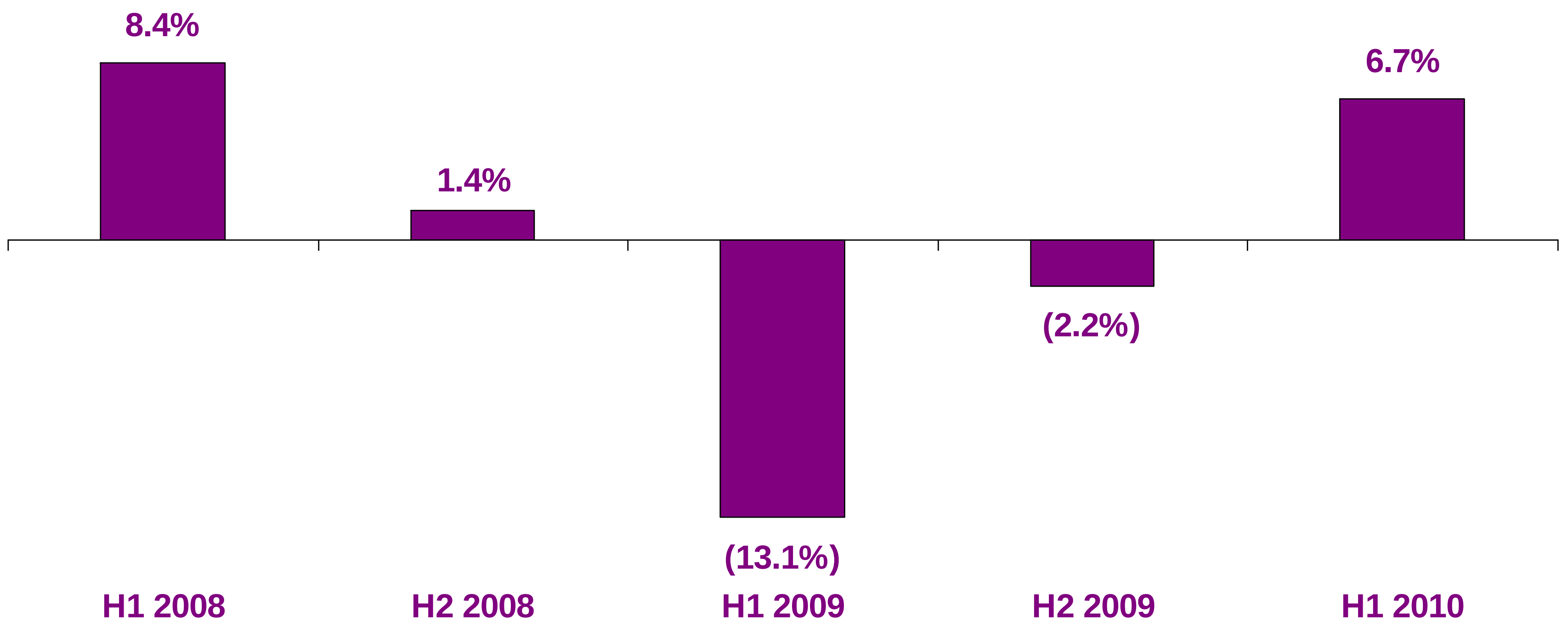
# First half results

# Steady growth in customers



# Return to growth in credit issued

## Group growth at constant exchange rates



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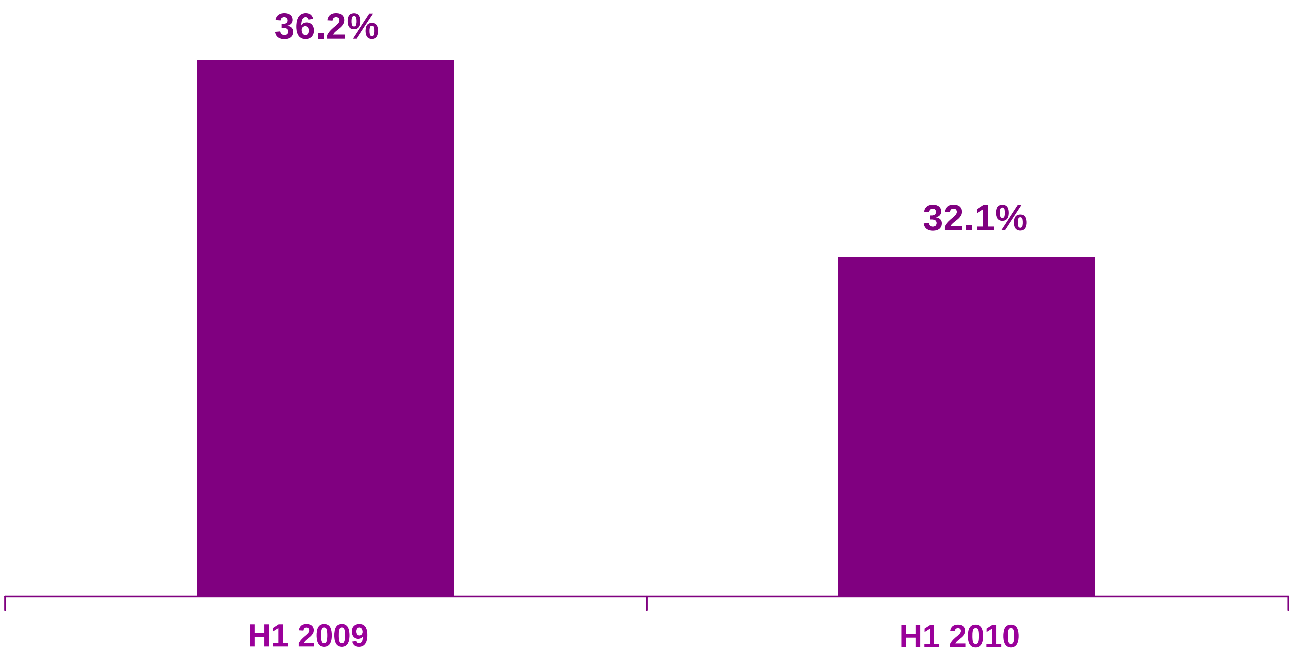
# Reduced level of impairment

**Group impairment as % of revenue**



# Group profit: six months ended 30 June 2010

| | H1 2010 £m | H1 2009 £m | Change at CER % |
|---|---|---|---|
| Customer numbers ('000) | 2,114 | 1,966 | 7.5 |
| Credit issued | 352.4 | 313.6 | 6.7 |
| Average net receivables | 519.5 | 473.5 | 3.9 |
| Revenue | 302.7 | 265.0 | 8.2 |
| Impairment | (97.3) | (95.9) | 3.7 |
| Finance costs | (14.6) | (15.4) | 11.0 |
| Agents' commission | (33.1) | (31.6) | 1.2 |
| Other costs | (127.2) | (113.0) | (7.4) |
| Profit before tax, excluding pension curtailment gain and fair value adjustments | 30.5 | 9.1 | |
| Pension curtailment gain | 2.9 | - | |
| Fair value adjustments | 3.5 | 3.3 | |
| Profit before tax* | 36.9 | 12.4 | |

**Continuing operations excluding Russia*

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# Funding

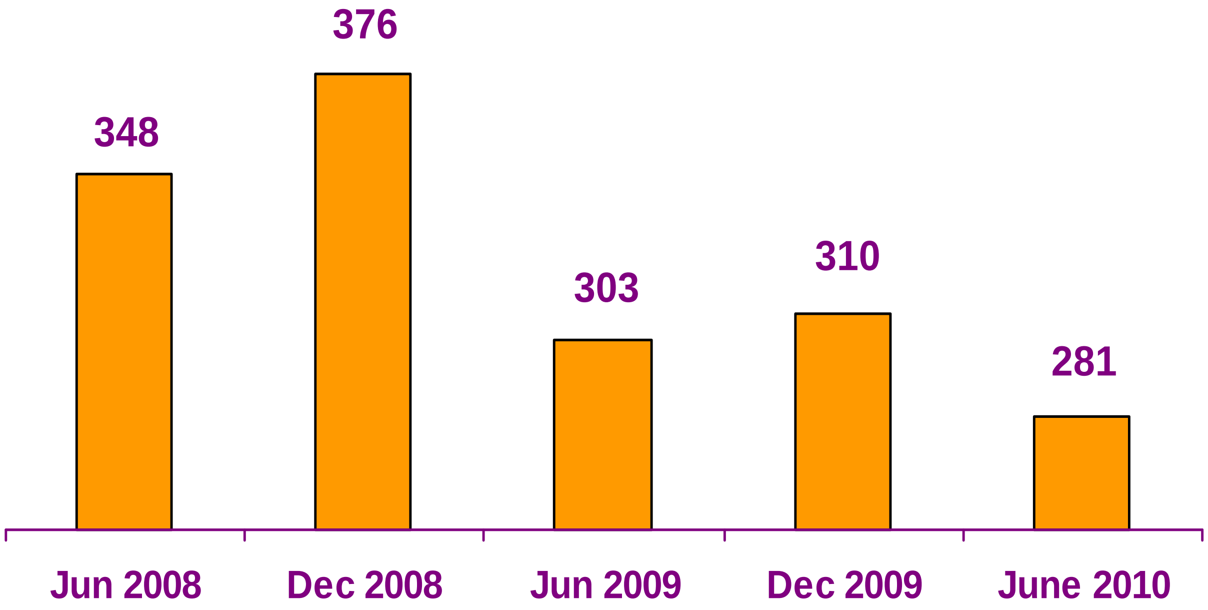
# Strong financial ratios

| | 2007 | 2008 | 2009 | Jun 2010 |
|---|---|---|---|---|
| Equity to receivables | 45.9% | 45.1% | 49.4% | 53.0% |
| Return on equity | 19.8% | 21.9% | 17.6% | 26.6%* |
| Gearing | 1.8x | 1.7x | 1.3x | 1.1x |
| Interest cover | 3.4x | 3.5x | 3.2x | 3.9x* |
| Interest as a % of revenue | 4.7% | 5.2% | 5.6% | 5.1%* |

**Annualised based on the last 12 months*

# A cash generative business

**Borrowings (at constant exchange rates) £m***




- Strong operating cash flow
- Borrowings reduced to £281.2 million
- £133.8 million headroom on current facilities
- Good headroom on bank covenants

## Sufficient funding through to October 2011

# Medium-term funding requirement of c.£450 million

- Significant growth opportunities over the next 3 - 5 years
- Further growth in established markets
- Significant growth from geographic expansion in developing markets
- New market entry remains a key element of our strategy
- Requirements include an appropriate level of headroom

# Funding plan

- Plan to secure the Group's medium-term funding requirement by the end of 2010
- Diversify sources and maturity of debt funding using debt capital markets
  - long-term Fitch credit rating of BB+
  - established EMTN programme
- Adverse conditions in capital markets since sovereign debt crisis
- Also discussing future facilities with banks

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# Review of performance

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# All markets profitable in H1 2010

## Six months ended 30 June

| | H1 2010 £m | H1 2009 £m | Change % |
|---|---|---|---|
| *Central Europe ex-Hungary* | **34.4** | 27.7 | 24.2 |
| *Hungary* | **1.5** | (7.0) | 121.4 |
| **Central European markets** | **35.9** | 20.7 | **73.4** |
| **Central costs** | **(6.3)** | (6.2) | **(1.6)** |
| **Net profit from established markets** | **29.6** | 14.5 | **104.1** |
| **Mexico** | **0.7** | (3.5) | **120.0** |
| **Romania** | **0.2** | (1.9) | **110.5** |
| **Net profit/(investment) in developing markets** | **0.9** | (5.4) | **116.7** |
| **Profit before tax*** | **30.5** | 9.1 | **235.2** |

** Continuing operations excluding Russia, £2.9m credit on curtailment of the IPF plc defined benefit pension scheme and £3.5m fair value credit*

# Central Europe ex-Hungary:
# Profit before tax up 24% to £34.4 million

- Highly profitable, cash generative core of the Group
- Well established with strong management teams
- Some of the best performing economies in Europe
- Weather affected Q1 performance
- Delivered strong performance
- Improved growth and lower impairment expected in H2

# Hungary:
# Strong recovery

- Very challenging environment in 2009
- Local management team successfully restructured the business
- Business returned to profit, re-commenced growth and credit quality excellent
- Economic recovery has begun, but short-term outlook uncertain
- Strong platform to re-build the business
- Continued improvement expected in H2

# Mexico:
# Maiden first half profit

- Market potential for 3 million customers
- Good balance between growth and impairment
- Successfully opened third region of Monterrey: 15 million population
- Puebla and Guadalajara regions both delivered strong increase in results
- Branch openings planned in all three regions for H2
- Faster growth and further improved performance in H2

# Romania:
# Maiden first half profit

- Textbook new market opening – in profit after four years
- Achieved during severe recession
- Local economy remains uncertain and we are proceeding with care
- Holding back geographic expansion and growth plans pending improved conditions
- Heightened risk from recent fiscal tightening
- Further expansion and stronger growth when conditions improve
- Objective: maiden 2010 full year profit

# Regulation

- EU Consumer Credit Directive implemented in Hungary, Slovakia and Romania (Poland, Czech Republic to follow)
- Review of rebating practices in Poland
- Now operating within rate caps in Hungary (2010) Slovakia (2008) and Poland (2006)
- Ongoing rate cap debate in Czech Republic
- Monitoring closely and well prepared

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# Outlook

# Economic outlook

- Global outlook uncertain
- Positive outlook for Poland, Czech Republic, Slovakia and Mexico
- Specific risks from fiscal tightenings in Hungary and Romania

# Outlook

- **A resilient business model**
- **Aim to maintain balance between steady growth and tight control on credit quality and costs**
- **Confident of delivering continued improvement in performance**

# Questions

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# Appendices

*Appendices*

# Average and closing foreign exchange rates

| | Average H1 2009 | Closing June 2009 | 2009 year | Closing Dec 2009 | Average H1 2010 | Closing June 2010 | Contract H2 2010 |
|---|---|---|---|---|---|---|---|
| Poland | 4.58 | 5.22 | 4.58 | 4.62 | 4.67 | 5.14 | 4.69 |
| Czech Republic | 29.70 | 30.38 | 29.46 | 29.75 | 29.47 | 31.85 | 29.55 |
| Slovakia | 1.14 | 1.17 | 1.12 | 1.13 | 1.13 | 1.24 | 1.12 |
| Hungary | 337.68 | 319.12 | 323.09 | 303.63 | 314.78 | 355.21 | 314.42 |
| Mexico | 20.05 | 21.70 | 21.07 | 21.10 | 19.45 | 19.40 | 20.72 |
| Romania | 4.65 | 4.93 | 4.63 | 4.77 | 4.78 | 5.42 | 4.99 |

*Appendices*

# Balance sheet

| | June 2010 £m | Dec 2009 £m | Change at CER % | June 2009 £m | Change at CER % |
|---|---|---|---|---|---|
| **Fixed assets** | **44.1** | 50.9 | **(8.0)** | 54.4 | **(17.6)** |
| **Receivables** | **474.0** | 525.6 | **(2.1)** | 444.4 | **8.2** |
| **Cash** | **29.9** | 31.2 | **6.8** | 33.0 | **(8.0)** |
| **Borrowings** | **(281.2)** | (332.6) | **9.3** | (304.1) | **7.0** |
| **Other net liabilities** | **(15.6)** | (15.3) | **(22.3)** | (14.8) | **(4.0)** |
| **Equity** | **251.2** | 259.8 | **5.8** | 212.9 | **21.5** |

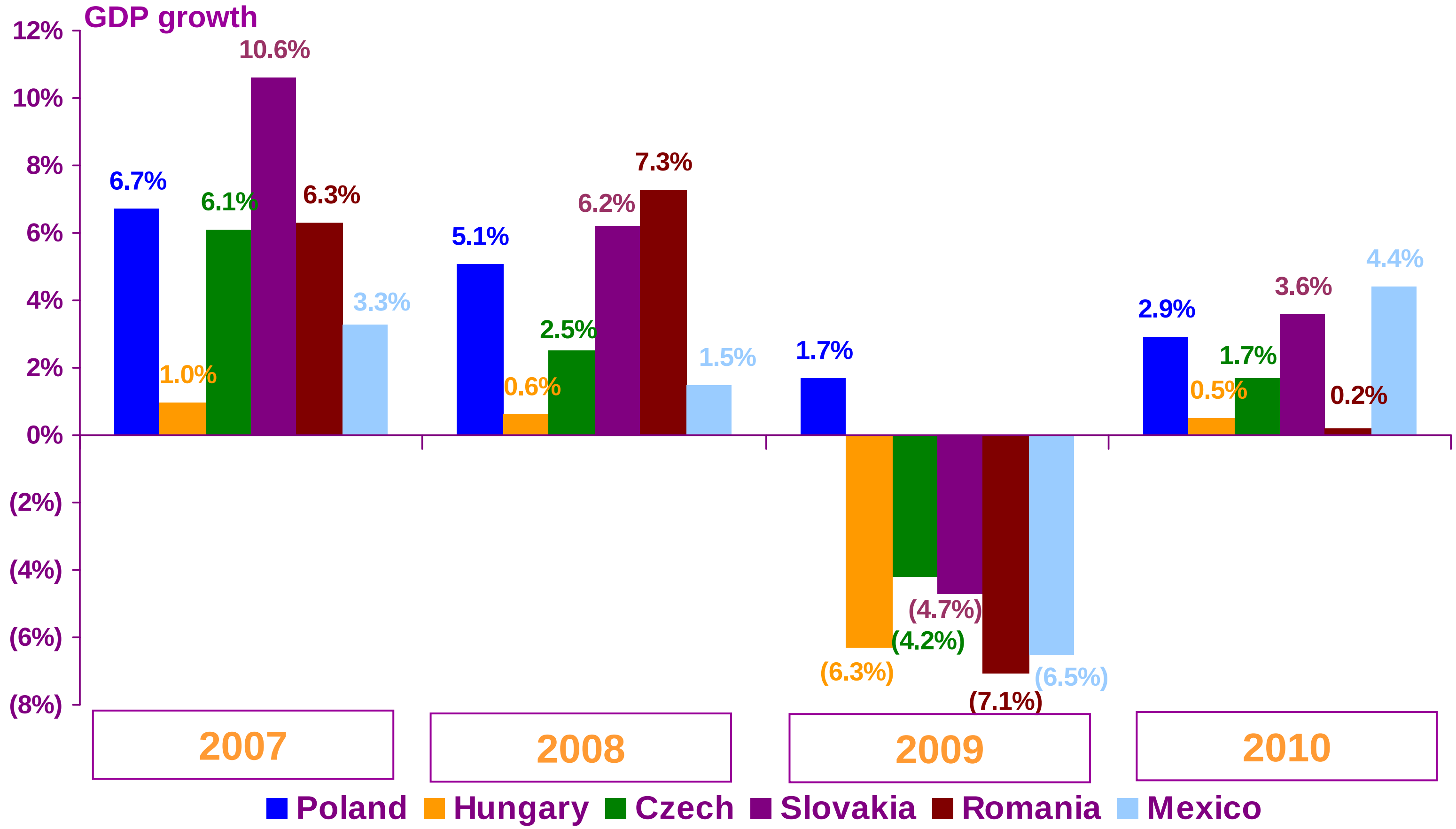
# Headroom on bank covenants

| | June 2010 | Covenant | Headroom |
|---|---|---|---|
| Interest cover | 3.9x | 2x min | £57.6m (pre-tax profit) |
| Net worth* | £260.8m | £125m min | £135.8m (net worth) |
| Receivables: borrowings | 1.7x | 1.1x min | £149.7m (borrowings) |
| Gearing* | 1.1x | 3.75x max | £185.8m (net worth) |

** Adjusted for derivatives and pension liabilities*

*Appendices*

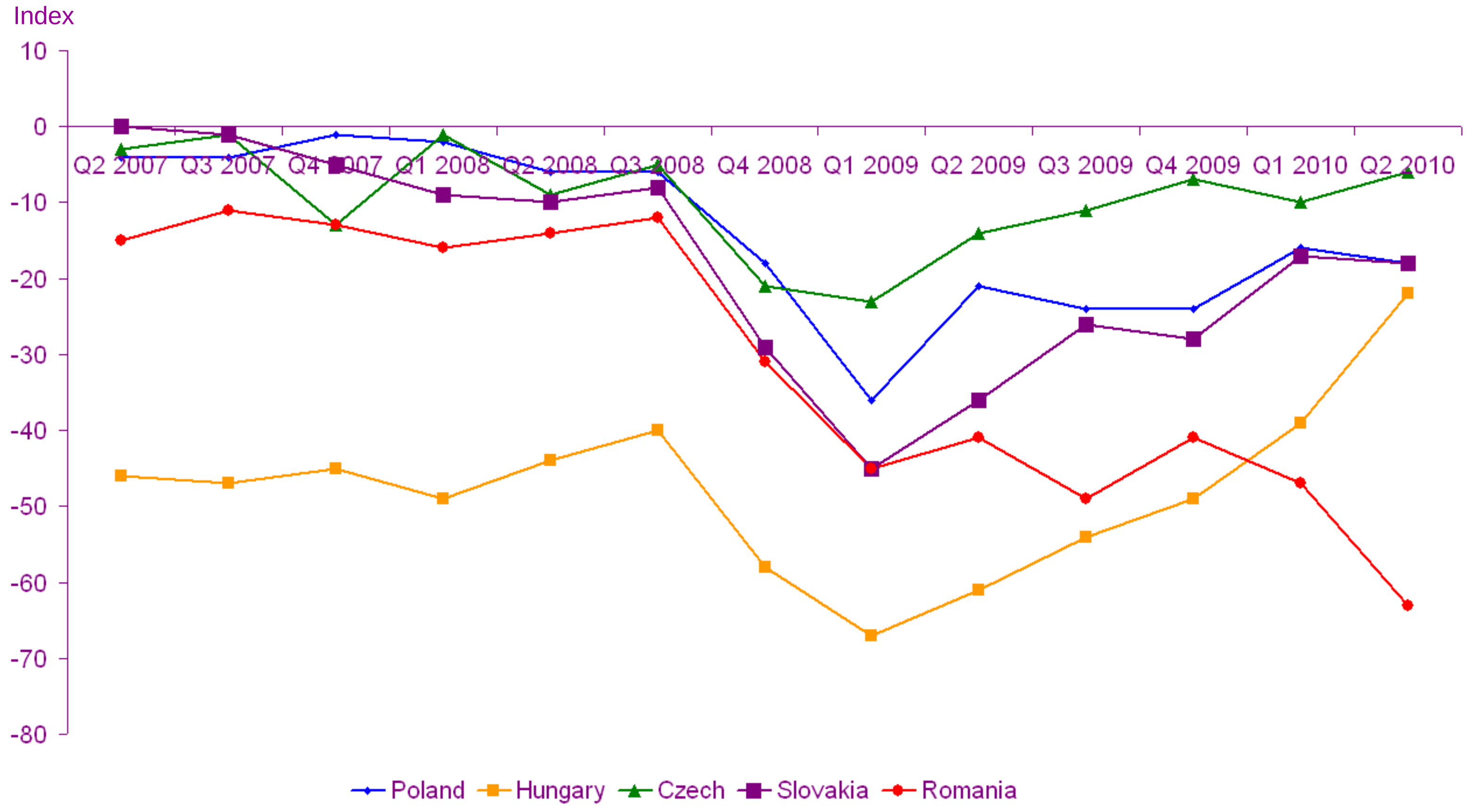
# Managing through a difficult economic cycle




*Source: Citibank (2009 actual data / 2010 estimate)*

*Appendices*

# Consumer confidence




*Source: EU Consumer Confidence Indicator*

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International Personal Finance
Number Three
Leeds City Office Park
Meadow Lane
Leeds LS11 5BD
T:  +44 (0)113 285 6700
W:  www.ipfin.co.uk