Garfunkelux Holdco 2 S.A.

Garfunkelux Holdco 3 S.A.

Report
September 12, 2016

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this report. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

The risks described in the "*Risk Factors*" section of this report are not exhaustive. Other sections of this report describe additional factors that could adversely affect our business, financial condition and results of operations. New risks emerge from time to time and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

CURRENCY PRESENTATION AND DEFINITIONS

In this Report, all references to “**GBP**,” “**pound**,” “**pound sterling**,” “**UK pound**” or “**£**” are to the lawful currency of the United Kingdom, all references to “**CAD**” or “**C$**” are to the lawful currency of Canada, all references to “**euro**,” “**EUR**” or “**€**” are to the single currency of the participating member states of the European Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to “**U.S. dollars**,” “**US$**” and “**$**” are to the lawful currency of the United States of America.

Definitions

Unless otherwise specified or the context requires otherwise in this Report:

- “Amended and Restated RCF Agreement” means the Revolving Credit Facility Agreement, as amended and restated on August 18, 2015 pursuant to, and in accordance with the amendment and restatement agreement among, *inter alios*, the Issuer, the Parent, Simon Bidco, Simon Midco, Simon Holdco, Citibank N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch;

- “CAGR” means compound annual growth rate;

- “Combined Business” means the Lowell Group and the GFKL Group on a combined basis;

- “Company” means Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg;

- “DMA” means Deutsche Multiauskunftei GmbH, an operating subsidiary of GFKL Holdco;

- “E&Y Germany” means Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft;

- “E&Y Luxembourg” means Ernst & Young, Société Anonyme;

- “ERC” means estimated remaining collections, which are the future collections projected to be received on all of our purchased debt portfolios based on our forecasting models. As of today, our internal models forecast collections over a 120-month period for Lowell and over a 180-month period for GFKL (in each case, except as otherwise specified). ERC is presented here for illustrative purposes only and can be different from the forecasts used to calculate the carrying value of our purchased debt portfolios as recognized in our consolidated financial statements. Any references to ERC in this Report are references to gross ERC (which includes estimated gross collections in respect of the principal balance, costs, service costs and fees). While the underlying methodologies Lowell and GFKL use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for Lowell and GFKL may not be directly comparable, and the interpretability of the Group ERC, which is derived from the combination of these two metrics, may be affected as a result See “*Presentation of Financial and Other Information—Non-Financial Operating Data*;”

- “Executive Board” means the Executive Board of the Parent;

- “Existing 2022 Euro Notes” means the €365 million aggregate principal amount of 7.500% Senior Secured Notes due 2022 issued by the Issuer on July 23, 2015 pursuant to the July 2015 Senior Secured Notes Indenture;

- “Existing 2022 Sterling Notes” means the £565 million aggregate principal amount of 8.500% Senior Secured Notes due 2022 issued by the Issuer on October 19, 2015 pursuant to the October 2015 Senior Secured Notes Indenture;

- “Existing Indentures” means, collectively, the July 2015 Senior Secured Notes Indenture, the October 2015 Senior Secured Notes Indenture and the October 2015 Senior Notes Indenture;

- “Existing Notes” means, collectively, the Existing 2022 Euro Notes, the Existing 2022 Sterling Notes and the Existing Senior Notes;

- “Existing Senior Notes” means the £230 million aggregate principal amount of 11.000% Senior Notes due 2023 issued by the Parent on October 19, 2015 pursuant to the October 2015 Senior Notes Indenture;

- “Existing Senior Secured Notes” means, collectively, the Existing 2022 Euro Notes and the Existing 2022 Sterling Notes;

- “Existing Sterling Notes” means, collectively, the Existing 2022 Sterling Notes and the Existing Senior Notes;

- “Garfunkel Holding” means Garfunkel Holding GmbH;

- “Garfunkel Proceeds Loan” means the loan made under the Garfunkel Proceeds Loan Agreement;

- “Garfunkel Proceeds Loan Agreement” means the proceeds loan agreement under which the Issuer was deemed to have on-lent the aggregate principal amount of the Existing 2022 Euro Notes to Garfunkel Holding on the GFKL Acquisition Completion Date;

- “GCG” means GFKL Collections GmbH, formerly known as SNT Inkasso & Forderungsmanagement GmbH, an operating subsidiary of GFKL Holdco;

- “GFKL” or “GFKL Group” means GFKL Holdco and its subsidiaries from time to time;

- “GFKL 2.0” means the GFKL efficiency program related to centralization and optimization of headquarters functions;

- “GFKL Acquisition” means the acquisition by Garfunkel Holding of Carl Holding GmbH (prior to its merger into Garfunkel Holding);

- “GFKL Acquisition Completion Date” means June 30, 2015, the date on which the GFKL Acquisition (other than the acquisition of certain additional shares in GFKL Holdco following the squeeze-out of minority shareholders pursuant to Sections 327a *et seq*. of the German Stock Companies Act) (*Aktiengesetz*)) was consummated;

- “GFKL Holdco” means GFKL Financial Services GmbH (formerly GFKL Financial Services Aktiengesellschaft);

- “GPP” means GFKL PayProtect GmbH (formerly known as Domnowski Inkasso GmbH), an operating subsidiary of GFKL Holdco;

- “Group,” “we,” “us” or “our” refer to the Parent and its consolidated subsidiaries from time to time;

- “Group ERC” means the ERC projections for the Combined Business. Group ERC is calculated by adding Lowell’s ERC (based on a 120-month period) to GFKL’s ERC (based on a 180-month period) translated into pounds sterling at the applicable rate. Group ERC is presented here for illustrative purposes only and can be different from the forecasts used to calculate the carrying value of our purchased debt portfolios as recognized in our consolidated financial statements. Any references to Group ERC in this Report are references to a gross Group ERC calculation (which includes estimated gross collections in respect of the principal balance, costs, service costs and fees). While the underlying methodologies Lowell and GFKL use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for Lowell and GFKL may not be directly comparable. Future results for our Combined Business may vary significantly from the Group ERC presented herein. See “*Presentation of Financial and Other Information—Non-Financial Operating Data*;”

- “IBW” means INKASSO BECKER WUPPERTAL GmbH & Co. KG, an operating subsidiary of GFKL Holdco;

- “IBW Verwaltungs” means IBW Verwaltungs- und Beteiligungs GmbH, a subsidiary of GFKL Holdco.

- "IFRS" means the International Financial Reporting Standards, as adopted by the European Union;
- "Intercreditor Agreement" means the intercreditor agreement dated June 29, 2015, originally among, *inter alios*, the Issuer, the lenders under the Revolving Credit Facility Agreement, each obligor in respect of the Revolving Credit Facility and the Security Agent and acceded to by, *inter alios*, the Trustee in its role as trustee for the Existing 2022 Sterling Notes and the Existing Senior Notes on October 19, 2015, as amended from time to time;
- "Investment Company Act" means the United States Investment Company Act of 1940, as amended;
- "IS Inkasso Service" means IS Group Management GmbH (together with its subsidiaries);
- "ITT" means intratech GmbH, an operating subsidiary of GFKL Holdco;
- "July 2015 Senior Secured Notes Indenture" means the indenture dated July 23, 2015 governing the Existing 2022 Euro Notes by and among, *inter alios*, the Issuer, Garfunkel Holding and the Trustee;
- "KPMG" means KPMG LLP;
- "LGL" means Lowell Group Limited;
- "Lowell" or "Lowell Group" means Metis Bidco Limited and its direct and indirect subsidiaries;
- "Lowell Acquisition" means the acquisition of the shares (except T-Shares) of Metis Bidco Limited by Simon Bidco pursuant to a sale and purchase agreement dated August 7, 2015 between, *inter alios*, the previous majority shareholder of Lowell and Simon Bidco and a share purchase agreement dated August 7, 2015 between, *inter alios*, certain employee shareholders of Lowell and Simon Bidco;
- "Lowell Financial Year 2013" means the 13-month period from September 1, 2012, to September 30, 2013, corresponding to the consolidated financial statements of the Lowell Group as of September 30, 2013, and for such 13-month period;
- "Lowell Financial Year 2014" means the 12-month period from October 1, 2013, to September 30, 2014, corresponding to the consolidated financial statements of the Lowell Group as of September 30, 2014, and for such 12-month period;
- "Lowell Financial Year 2015" means the 15-month period from October 1, 2014 to December 31, 2015 corresponding to the consolidated financial statements of the Lowell Group as of December 31, 2015 and for such 15-month period;
- "Milla Securitization" means the securitization program by which GFKL Holdco, PCS and IBW sold certain NPLs to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey;
- "New Luxco" means Garfunkelux PBA S.à r.l., a private limited company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 200.498;
- "October 2015 Indentures" means, collectively, the October 2015 Senior Notes Indenture and the October 2015 Senior Secured Notes Indenture;
- "October 2015 Senior Notes Indenture" means the indenture dated October 19, 2015 governing the Existing Senior Notes by and among, *inter alios*, the Parent as issuer, the Issuer as an initial guarantor and the Trustee as trustee and security agent;
- "October 2015 Senior Secured Notes Indenture" means the indenture dated October 19, 2015 governing the Existing 2022 Sterling Notes by and among, *inter alios*, the Parent as initial guarantor, the Issuer as issuer and the Trustee as trustee and security agent;

- "OTPP" means the Ontario Teachers' Pension Plan Board;
- "Parent" means Garfunkelux Holdco 2 S.A., a public limited liability company (société anonyme) incorporated and existing under the laws of Luxembourg;
- "PCS" means Proceed Collection Services GmbH, an operating subsidiary of GFKL Holdco;
- "Person" means an individual, corporation (including a business trust), company, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof;
- "Revolving Credit Facility" means the revolving credit facility of €200 million made available under the Amended and Restated RCF Agreement;
- "Revolving Credit Facility Agreement" means the revolving credit facility agreement originally dated June 29, 2015, among, *inter alios*, Garfunkel Holding, as borrower, and Goldman Sachs Bank USA, Citigroup N.A. London Branch, Credit Suisse AG, London Branch, ING Bank, a Branch of ING-DiBa AG and JP Morgan Chase Bank N.A., London Branch, as arrangers, which was amended and restated on August 18, 2015 pursuant to, and in accordance with the terms of, the amendment and restatement agreement among, *inter alios*, the Issuer, the Parent, Simon Bidco, Simon Midco, Simon Holdco, Citibank N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch;
- "Simon Bidco" means Simon Bidco Limited, a company incorporated under the laws of England and Wales (Registration Number: 09709443) that is a direct subsidiary of Simon Midco, together with its successors and assigns;
- "Simon Holdco" means Simon Holdco Limited, a company incorporated under the laws of Jersey (Registration Number 119216) that is a direct subsidiary of the Issuer, together with its successors and assigns;
- "Simon Midco" means Simon Midco Limited, a company incorporated under the laws of England and Wales (Registration Number: 09722126) that is a direct subsidiary of Simon Holdco, together with its successors and assigns;
- "SIR" means Sirius Inkasso GmbH, an operating subsidiary of GFKL Holdco;
- "Sponsor" means the Permira Funds;
- "T-Shares" means shares or beneficiary units in certain Group entities, namely units in the Parent and the Issuer and shares ("**PBA Shares**") in Garfunkel Holding, GFKL Holdco, Simon Holdco, Simon Midco and Simon Bidco, that entitle the holder to nominal or no dividends and will carry certain voting rights, which the holder thereof has agreed to vote in accordance with the shareholders' agreement governing Garfunkelux Holdco 1 S.à r.l. (the "**Shareholders Agreement**");
- "Trustee" means Citibank, N.A., London Branch in its capacity as trustee under the terms of the Existing Indentures, as applicable, and any successor trustee under any or all of the Existing Indentures;
- "UK GAAP" means accounting principles generally accepted in the United Kingdom; and
- "ZYK" means ZYKLOP INKASSO DEUTSCHLAND GmbH, an operating subsidiary of GFKL Holdco.

GLOSSARY OF SELECTED TERMS

Term	Definition
"3PC"	third-party collection services business or third-party collection
"Backbook"	all of the debt portfolios owned by GFKL or Lowell, as indicated by context, at a given time
"BPO"	business process outsourcing, which refers to the practice by which a business contracts out certain operations to a third-party service provider
"captive receivables management company"	a receivables management company or group of companies that forms part of a larger industrial and/or services conglomerate, which derives parts of its revenue from the servicing of debt originated by an entity within its group structure
"CMS"	credit management services
"complaint ratio"	the ratio of the number of complaints filed divided by the number of accounts
"crossover rate"	the proportion of accounts in a debt portfolio being reviewed for purchase that can be matched to customer data already held
"CSA"	UK Credit Services Association
"customer"	a person who has defaulted on a credit account that subsequently became the subject of third-party debt collection efforts or was sold to a debt purchaser
"DCA"	a debt collection agency
"DP"	debt purchase
"DPA"	Data Protection Authority
"EIR"	effective interest rate
"FCA"	UK Financial Conduct Authority
"financial services"	means the banking and non-retail home credit sectors in relation to Lowell and, in relation to GFKL, the banking sector (comprising "credit" banks, "savings" banks and "cooperative" banks)
"FOS"	UK Financial Ombudsman Service
"FTE"	full-time equivalent employee
"GRC"	Governance, Risk and Compliance Cockpit, a risk management and reporting tool employed by GFKL Holdco for compliance management
"Gross Collections"	actual amounts collected from purchased debt portfolios including put-backs and consideration received for the sale of our own portfolios and after tax payments for VAT and insurance, in the case of GFKL. Gross Collections are only from unsecured portfolios unless otherwise specified
"Gross Money Multiple"	The sum of Gross Collections and the respective ERC from Lowell' or GFKL's purchased debt portfolios divided by the purchase price of the relevant purchased debt portfolios. In the case of GFKL, the Gross Collections used to calculate Gross Money Multiple include only collections from unsecured portfolios
"ICO"	UK Information Commissioner's Office
"IRR"	internal rate of return is the discount rate used to calculate the value of purchased debt portfolios for GFKL
"IVR"	interactive voice response, a technology associated with communications systems that allows for automated processing of a caller's spoken input
"large, well-known companies"	large, well-known companies are companies that have in excess of €50 million (in relation to the German consumer credit market) or £50 million (in relation to the UK consumer credit market) in annual revenue and are well-known beyond their region of operation
"LIMA"	the customer intelligence and automated tracing system used by the Lowell Group
"Net Promoter Score"	the metric produced by a standardized survey, the Net Promoter Score Survey, which measures the strength of a company's customer relationships
"non-captive receivables management company"	a non-captive receivables management company is, generally, a standalone receivables management business
"NPLs"	non-performing loans and receivables
"OFCOM"	UK Office of Communications Services
"OFT"	UK Office of Fair Trading

"originators," "debt originators," "vendors" or "clients"	financial institutions or other initial suppliers of credit to consumers, certain of which entities choose to sell or outsource collections on non-performing accounts receivables related thereto to receivables management companies
"paying customer"	a paying customer is one who has made a payment (any payment) within the last 90 days. That payment could have been made to the original creditor, a debt collection agency or a debt management company. In this context, "any payment" includes one-off payments and set-up payments; the important qualifier is that the customer has demonstrated a proclivity to pay
"PPI"	payment protection insurance, an insurance product (often sold at the time of debt origination) that enables the person assuming the debt to ensure its payment despite impairment of his or her ability to pay due to various circumstances enumerated in the policy
"put-backs" or "recourse"	customer accounts that differ from the characteristics specified in a purchase contract and that we typically sell back to the debt originator at the purchase price or, depending on the contractual arrangement, at a subsequently negotiated price
"restricted cash"	restricted cash means payment transfer obligations that existed as of the respective balance sheet dates
"retail"	the home retail credit sector in relation to Lowell and e-commerce and retail sectors in relation to GFKL
"SAS"	the business intelligence, data mining and automation product
"SCOR"	UK Steering Committee on Reciprocity
"SMEs"	small and medium-sized enterprises
"timing difference"	the difference between the amount of portfolio purchases reported for a period and the amount of cash payments made in relation to portfolio purchases in such period, unless otherwise indicated or where the context otherwise requires
"trace" or "tracing"	the action of attempting to find the correct contact details of a customer who owes a debt. Tracing is based on significant information analysis. It can be done manually or using multiple raw data sources and automated logic sequences

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Non-IFRS Financial Measures

The Group

This Report contains non-IFRS measures and ratios for the Group, including Adjusted EBITDA and cash flow conversion, that are not required by, or presented in accordance with, IFRS. The Group's non-IFRS measures are defined by the Group as set out below.

The Group defines "**Adjusted EBITDA**" as collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization.

The Group defines "**Cash flow conversion**" as its cash flow before debt and tax servicing as a percentage of its Adjusted EBITDA for the period.

The Group defines "**Cash flow before interest, portfolio purchases, tax expenses and capital expenditure (or cash used in operations before portfolio purchases)**" as Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period.

For reconciliations of the Group's collections on owned portfolios plus other turnover to Adjusted EBITDA and the Group's operating profit to Adjusted EBITDA, see "*Summary—Summary Consolidated Financial and Other Information of the Group*."

General

We present non-IFRS measures because we believe that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to consolidated profit/loss for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. The non-IFRS measures have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and certain of these non-IFRS measures do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we eliminate in calculating the Group's Adjusted EBITDA and Combined *Pro Forma* Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

Combined *Pro Forma* Adjusted EBITDA, the Group's Adjusted EBITDA and Adjusted EBITDA as used in this Report are not calculated in the same manner as "Consolidated EBITDA" is calculated pursuant to the Existing Indentures governing Existing Notes or for purposes of any of our other indebtedness.

Pro Forma Non-IFRS Measures

We have also presented the following *pro forma* measures in this Report:

"**Combined *Pro Forma* Adjusted EBITDA**" is *pro forma* operating profit plus exceptional items, *pro forma* depreciation and amortization, *pro forma* acquired debt portfolio write ups and amortization amounts as reflected in the Unaudited *Pro Forma* Consolidated Statement of Financial Position, and as further adjusted for certain anticipated cost savings. For a reconciliation of *pro forma* operating profit to Combined *Pro Forma* Adjusted EBITDA, see "*Summary—Summary Consolidated Financial and Other Information of the Group*." Combined *Pro Forma* Adjusted EBITDA is based on a number of assumptions and presented for illustrative purposes only and does not purport to indicate what the performance of our combined business would have been had the Lowell Acquisition and the GFKL Acquisition taken place on January 1, 2015 nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in "*Risk Factors*."

The *pro forma* non-IFRS measures, as identified above, have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, or other SEC requirements or IFRS standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* non-IFRS measures have been audited in accordance with any generally accepted auditing standards.

These *pro forma* non-IFRS measures are not measures based on any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or results or other indicators of our position or performance based on IFRS measures. The *pro forma* non-IFRS measures, as provided for in this Report, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our *pro forma* non-IFRS measures are calculated. Even though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our position or results as reported under IFRS.

Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in this Report are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

For certain of these key performance indicators and other non-financial operating data, the data from Lowell and GFKL were combined, without adjustment, assuming the Lowell Acquisition and the GFKL Acquisition had occurred on January 1, 2015. This combined data is presented for illustrative purposes only. It does not purport to indicate what the performance of our Combined Business would have been had the Lowell Acquisition and the GFKL Acquisition taken place on January 1, 2015, nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the following tables because of various factors, including those discussed in "*Risk Factors*."

Lowell's accounting records and non-financial operating data are denominated in pounds sterling whereas GFKL's accounting records and non-financial operating data are denominated in euro. Unless the relevant GFKL data had already been reported by the Group in pounds sterling as part of its regular reporting, these data were translated from euros to pounds sterling to facilitate calculation of the pound sterling-denominated combined non-financial operating data that appear in this Report. For GFKL data that had already been reported by the Group in pounds sterling, the conversion rates used at the time of translation were the applicable monthly reference rate based on the European Central Bank euro foreign exchange reference rates. For the remaining GFKL data, the rate used was the applicable rate specified in the section entitled "*Exchange Rate Information*" unless otherwise indicated.

The key performance indicators and other non-financial operating data included in this Report are defined as follows:

We define Estimated Remaining Collections ("**ERC**") as the expected future collections projected to be received on all of our purchased debt portfolios based on our forecasting models. As of today, our internal models forecast collections over a 120-month period for Lowell and over a 180-month period for GFKL (in each case,

except as otherwise specified). ERC projections for the Combined Business (the "**Group ERC**") were calculated by adding Lowell's ERC (based on a 120-month period) to GFKL's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate). While the underlying methodologies Lowell and GFKL use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for Lowell and GFKL may not be directly comparable. These projections were prepared for illustrative purposes only and may differ from the forecast we use to calculate the carrying value of our acquired debt portfolios as recognized in the Lowell Consolidated Financial Statements and the GFKL Consolidated Financial Statements. We believe that ERC and Group ERC represent important supplemental measures to compare our cash generating capacity with other companies in the receivables management industry, even though we can provide no assurance that we will achieve such collections within the specified time period, or at all.

We define "**purchased debt**" as all of our portfolios of non-performing unsecured loans and receivables acquired for settlement, including (i) those portfolios in respect of which we have the right to receive all future collections as a success fee and (ii) all portfolios included in the Milla Securitization, which we also recognize on the balance sheet.

Unaudited *Pro Forma* Condensed Consolidated Financial Information

As part of this Report, we present unaudited *pro forma* consolidated income statements of the Parent for the year ended December 31, 2015, the six months ended June 30, 2015 and the 12 months ended June 30, 2016 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Notes in connection therewith as if they had been consummated on January 1, 2015 (together, including the pro forma notes, the "**Unaudited *Pro Forma* Condensed Consolidated Financial Information**"). Please see "*Unaudited Pro Forma Condensed Consolidated Financial Information*" for additional information on such *pro forma* financial information and a description of the assumptions used in creating such *pro forma* financial information. The adjustments made in order to present the Unaudited *Pro Forma* Condensed Consolidated Financial Information have been made based on available information and assumptions that our management believes are reasonable. The Unaudited *Pro Forma* Condensed Consolidated Financial Information is for informational purposes only and does not necessarily present what our results would actually have been had the Lowell Acquisition and the GFKL Acquisition occurred on January 1, 2015, nor should it be used as the basis of projections of our results of operations or financial condition for any future period. The Unaudited *Pro Forma* Condensed Consolidated Financial Information has not been prepared in accordance with the rules or regulations of the SEC, and is not in compliance therewith or with any other comprehensive basis of preparation. Any reliance you place on this information should fully take this into consideration.

General

Certain numerical figures set out in this Report, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Report may vary slightly from the actual arithmetic totals of such information. With respect to financial information set out in this Report, a dash ("—") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but is or has been rounded to zero.

PRESENTATION OF INDUSTRY AND MARKET DATA

In this Report, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this Report were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include publicly available information about the consumer credit market as well as a market study commissioned in 2015 concerning Lowell and the UK debt purchase market (the "**UK Company Market Study**") and a market study commissioned in 2015 concerning GFKL and the German debt management services market (the "**German Company Market Study**" and, together with the UK Company Market Study, the "**Company Market Studies**"), both completed by a leading third-party consultancy firm. The Company Market Studies are based on primary interviews and field visits conducted with industry experts and participants, secondary market research and internal financial and operational information supplied by, or on behalf of, us.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness.

While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

Certain information in this Report, including without limitation, statements regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants, are based on our internal estimates and analyses and based in part on third-party sources.

We cannot assure you that our estimates or any of the assumptions underlying our estimates are accurate or correctly reflect our position in the industry. None of our internal surveys or information has been verified by any independent sources. Neither we nor the Initial Purchaser make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Report relating to the operations, financial results or market share of our competitors has been obtained from publicly available information or independent research. Neither we nor the Initial Purchaser have independently verified this information and cannot guarantee its accuracy.

Certain market share information and other statements presented herein regarding our position relative to our competitors are not based on published statistical data or information obtained from independent third parties, but reflects our best estimates. We have based these estimates upon information obtained from our clients, trade and business organizations and associations and other contacts in our industry.

In this Report, we refer to market positions based on our and our competitors' revenue. These claims are based on information we received from the aforementioned external sources or estimated internally based on the information available from the aforementioned external and other sources. Revenue recognition policies may differ among CMS companies and therefore the revenue figures may not be comparable. In addition, our competitors' businesses are subject to various legal requirements that may not be applicable to us and the rules and regulations we follow on revenue recognition may not apply to our competitors. We have not independently verified the accuracy or comparability of our competitors' revenue figures or our estimates thereof and potential investors should exercise caution with respect to comparative revenue figures presented in this Report.

EXCHANGE RATE INFORMATION

Lowell's historical consolidated financial information and the Parent's historical consolidated financial information and certain *pro forma* financial information are presented in pounds sterling. The following table sets forth, for the periods indicated below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per £1.00.

	Period end	Average	High	Low
	U.S. dollars per £1.00			
Year				
2011	1.5509	1.6039	1.6694	1.5390
2012	1.6242	1.5852	1.6276	1.5295
2013	1.6566	1.5646	1.6566	1.4858
2014	1.5581	1.6474	1.7165	1.5515
2015	1.4734	1.5282	1.5872	1.4654
2016 (through September 9th)	1.3263	1.3997	1.4810	1.2875
Month				
March 2016	1.4394	1.4251	1.4490	1.3955
April 2016	1.4626	1.4318	1.4626	1.4068
May 2016	1.4515	1.4531	1.4687	1.4366
June 2016	1.3268	1.4212	1.4810	1.3214
July 2016	1.3228	1.3145	1.3321	1.2903
August 2016	1.3141	1.3102	1.3337	1.2875
September 2016 (through September 9th)	1.3263	1.3314	1.3422	1.3263

GFKL's historical consolidated financial information is presented in euros. The following table sets forth, for the periods indicated below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per €1.00.

	Period end	Average	High	Low
	U.S. dollars per €1.00			
Year				
2011	1.2960	1.3924	1.4874	1.2925
2012	1.3197	1.2858	1.3463	1.2053
2013	1.3789	1.3283	1.3804	1.2772
2014	1.2100	1.3283	1.3925	1.2100
2015	1.0866	1.1100	1.2099	1.0492
2016 (through September 9th)	1.1215	1.1161	1.1527	1.0746
Month				
March 2016	1.1381	1.1135	1.1381	1.0853
April 2016	1.1440	1.1344	1.1440	1.1223
May 2016	1.1139	1.1306	1.1527	1.1134
June 2016	1.1073	1.1238	1.1399	1.1038
July 2016	1.1157	1.1061	1.1157	1.0967
August 2016	1.1158	1.1206	1.1330	1.1077
September 2016 (through September 9th)	1.1215	1.1207	1.1245	1.1153

The following table sets forth, for the periods indicated below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as euros per £1.00.

	Period end	Average	High	Low
	euro per £1.00			
Year				
2011	1.1967	1.1525	1.2042	1.1071
2012	1.2307	1.2333	1.2863	1.1789
2013	1.2014	1.1777	1.2328	1.1431
2014	1.2874	1.2411	1.2874	1.1912
2015	1.3559	1.3775	1.4399	1.2726
2016 (through September 9th)	1.1862	1.1880	1.1941	1.1515
Month				

March 2016	1.2647	1.2799	1.2960	1.2618
April 2016	1.2785	1.2622	1.2912	1.2367
May 2016	1.3031	1.2854	1.3161	1.2604
June 2016	1.1982	1.2643	1.3045	1.1971
July 2016	1.1857	1.1884	1.2001	1.1661
August 2016	1.1777	1.1692	1.1928	1.1515
September 2016 (through September 9th)	1.1826	1.1880	1.1941	1.1822

The average rate for a year means the average of the daily Bloomberg Composite Rates (London) during that year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates (London) during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

For the purposes of converting certain GFKL operating data from euro to pounds sterling, we have used the exchange rates indicated below unless otherwise indicated. Rates used for 2003 to 2009 have been sourced from Capital iQ, rates used for 2010 through 2014 are Bloomberg Composite (London) rates and the rates used for 2015, the six months ended June 30, 2016, the 12 months ended June 30, 2016 and for the six months ended June 30, 2016 are the rates used to create the Unaudited Pro Forma Condensed Consolidated Financial Information which have been sourced from the European Central Bank euro foreign exchange reference rates.

Year	Period End	Average
	euro per £1.00	
2003	1.4156	1.4450
2004	1.4152	1.4733
2005	1.4510	1.4620
2006	1.4847	1.4669
2007	1.3610	1.4613
2008	1.0427	1.2575
2009	1.1271	1.1229
2010	1.1665	1.1664
2011	1.1967	1.1525
2012	1.2307	1.2333
2013	1.2014	1.1777
2014	1.2874	1.2411
2015	1.3568	1.3776
Six months ended June 30, 2015	1.4092	1.3655
12 months ended June 30, 2016	1.2099	1.3356
Six months ended June 30, 2016	1.2099	1.2853

In order to maintain consistency with previously published data, we used exchange rates rounded to three decimal places rather than four decimal places for some of our currency translations. These exchange rates were also derived from European Central Bank euro foreign exchange reference rates.

The rates may differ from the actual rates used in the preparation of the GFKL Consolidated Financial Statements, the Lowell Consolidated Financial Statements, the Parent’s Consolidated Financial Statements and other financial information appearing in this Report. Neither we nor the Initial Purchaser represent that the U.S. dollar or pound sterling amounts referred to in the tables above could be or could have been converted into euro or, in the case of U.S. dollar amounts, pounds sterling at any particular rate indicated or any other rate.

SUMMARY

This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this report. You should read the entire report carefully to understand our business including, without limitation, the risks discussed under the captions "Risk Factors" and "Forward-Looking Statements."

Overview

We are one of the largest receivables management businesses in Europe by revenue as well as by ERC on purchased debt portfolios and current outstanding face value of debt portfolios managed on behalf of third parties. Operating through Lowell, a leading purchaser of non-performing consumer debt portfolios in the United Kingdom, and GFKL, a leading receivables management company in Germany, we believe our Group has strong growth prospects in the two largest European consumer credit markets and clear core competencies: longstanding and multifaceted client relationships built on differentiated strategies for originating new business; a broad business model that is diversified across product offerings, markets and sectors; a strong track record of return on capital and reliable portfolio pricing; a cash-generation capability featuring high predictability and visibility into future cash flows; and a robust governance framework with a focus on compliance that we believe is embedded in our operational activity.

With respect to our debt purchase business, as of June 30, 2016, we had invested a total of £1.4 billion in the acquisition of 1,537 debt portfolios with an aggregate face value of £20.1 billion. As of June 30, 2016, the Gross Money Multiple for our purchased debt portfolios was 2.4x in the UK and 3.2x in Germany. After giving *pro forma* effect to the Lowell Acquisition and the GFKL Acquisition and the offerings of the applicable Existing Notes in connection therewith as if they had occurred on January 1, 2015, we would have generated *pro forma* revenue of £397.5 million and Combined *Pro Forma* Adjusted EBITDA of £231.2 million for the 12 months ended June 30, 2016. Our Group ERC was £1.6 billion as of June 30, 2016. After giving *pro forma* effect to the Lowell Acquisition and the GFKL Acquisition as if they had occurred on January 1, 2015, we would have generated *pro forma* revenue from third-party collections of £67.9 million for the 12 months ended June 30, 2016. As of June 30, 2016, we had £8.3 billion in face value of third-party debt under management. For a discussion of the methods we used to calculate the preceding *pro forma* figures and certain other *pro forma* financial and other information included herein, see "*Presentation of Financial and Other Information—Non-Financial Operating Data*" and "*Presentation of Financial and Other Information—Unaudited Pro Forma Condensed Consolidated Financial Information*."

We enjoy a leading position in the United Kingdom and Germany, our two core markets, built on the key capabilities of Lowell and GFKL, respectively. Following our acquisition of IS Group Management GmbH ("**IS Inkasso Service**") in May 2016, we also enjoy a leading position in Austria. Lowell has built its reputation in the United Kingdom as a preeminent debt purchaser as a result of advanced data analytics, the unique insights it derives from its comprehensive customer information databases and its highly efficient operational platform. Lowell contributes sophisticated pricing, data analytics and cost-optimization experience to our business. In Germany, GFKL is the number one non-captive receivables management company and one of the top-three receivables management companies (excluding business to business) by 2015 revenue, according to management estimates. Non-captive receivables management companies are generally standalone businesses that typically do not service or purchase any debt that was originated by their own group companies. GFKL provides the Group with proven experience in servicing and business process outsourcing ("**BPO**").

As our business develops, we believe that the shared core competencies of Lowell and GFKL along with each of their unique capabilities will facilitate the roll-out of a broad receivables management offering, providing end-to-end receivables management services with strong growth prospects, leveraging our competitive strengths in both the UK and German markets. By sharing best practices between the two businesses and utilizing their complementary competencies in debt purchasing and outsourced credit services, we believe the strength of each of Lowell and GFKL has been, and will continue to be, enhanced. For example, we now have a joint process across both GFKL and Lowell with respect to the deployment of capital into new projects or assets and have developed a sharing of knowledge on data management through our new group-wide Decision Science.

In addition, we expect continued cross-fertilization of Lowell's and GFKL's existing debt originator relationships and debt portfolio origination capabilities to further benefit our business in each of our markets. The ability to cross-sell services currently sold in only one of our markets to debt originators in the other

markets, and to offer new services in our existing markets, presents further growth prospects, especially since there is limited overlap in Lowell's and GFKL's respective client bases. We believe that our combined operations also benefit from the diversification of our income streams, which we believe substantially enhances our risk profile and operational advantages.

We believe the competitive advantages of each of our businesses inform the practices of the others, providing significant revenue and cost synergies now and in the future and allowing us to maintain our position as a preeminent player in the European receivables management services sector. As our combined business continues to develop, we expect to further capitalize on our strengths by: maintaining pricing discipline to drive industry-leading returns on capital; continuing to invest in our people and corporate culture; seeking to remain a leader in compliance and customer experience; continuing to innovate and invest in our IT, data and collection platforms; developing stronger client relationships (including by investing in our one-stop service offering); and participating opportunistically in industry consolidation when accretive opportunities arise.

Our Key Strengths

Leading Positions in Europe's Two Largest Consumer Credit Markets

Lowell and GFKL, our two market-leading and complementary operational groups, operate in the two largest consumer credit markets in Europe, the United Kingdom and Germany, as measured by the Company Market Studies. According to third party estimates, the United Kingdom had approximately €329.0 billion and Germany had approximately €225.0 billion of consumer credit outstanding in 2015. In the United Kingdom, we are a leading purchaser of defaulted consumer debt portfolios as measured by purchased receivables under management. In the twelve months ended December 31, 2015, Lowell invested £205 million to purchase debt portfolios with an aggregate face value of £2.3 billion. According to management calculations based, in part, upon the UK Company Market Study, we believe this investment represented 27.5% of debt portfolio purchases (including recessionary delayed sales) in the United Kingdom. In Germany, as of December 31, 2015, GFKL is the number one non-captive receivables management company and one of the top-three receivables management companies (excluding business to business) by 2015 revenue, according to management estimates. For the 12 months ended June 30, 2016, we generated revenue of £397.5 million after giving *pro forma* effect to the Lowell Acquisition and the GFKL Acquisition as if they had each occurred on January 1, 2015.

In addition, we believe that by focusing on a broad range of sectors, we are able to address a greater portion of all consumer credit volumes generated annually in the United Kingdom and Germany than we would be able to address with a less comprehensive approach. We are a market leader and a pioneer in servicing debt originators across multiple sectors. In the United Kingdom, for the 12 months ended June 30, 2016, we believe we had a market-leading share of debt portfolio purchases in each of the telecommunications sector, the retail sector and the low-balance segment of the financial services sector of the UK debt purchase market, as well as a top-tier position in the public sector of the UK third-party collection services market. In Germany, as of December 31, 2013, GFKL held market-leading positions in the insurance and fitness sectors and top-five positions in the financial services, retail, telecommunications and public sectors according to the German Company Market Study. We have a strong track record of successfully entering new market sectors and gaining high market shares in those sectors, such as the telecommunications, retail and public sectors in the United Kingdom and the insurance and fitness sectors in Germany. Furthermore, through our recent acquisition of IS Inkasso Service, we now hold a market leading position of third party collections in Austria as well as a developing presence in Switzerland, Croatia and Slovenia.

We believe our scale provides key benefits critical to our success. For example, we believe we are able to develop and maintain a superior operating platform, with highly skilled talent, customized IT systems and sophisticated analytical and data capabilities that drive pricing and debt-collection efficiencies. We believe our scale also enables us to absorb costs associated with legal obligations and regulatory oversight. Further, we believe our scale allows us to provide our clients with a comprehensive service offering capable of addressing our clients' needs throughout the debt recovery cycle. Due to our ability to provide a full-service offering, we believe we are able to better maintain and develop relationships with large debt originators than our smaller peers in the UK and German markets, and as a result, are better positioned, including with respect to the number of our owned customer accounts, than our smaller peers for rapid growth in the consolidating UK and German markets.

Attractive Market Dynamics Supporting Growth and Profitability

We believe that the characteristics of the two core markets in which we operate are conducive to sustainable growth and profitability for our combined Group. Both the United Kingdom and Germany have historically benefit from stable macroeconomic conditions, including real GDP growth, low inflation, low interest rates and low unemployment. Although Brexit has caused uncertainty and we expect this uncertainty to persist over the short to medium term, we believe that the United Kingdom will continue to benefit from stable macroeconomic conditions. In addition, we believe that the legal and regulatory environment in each jurisdiction is strong and stable, which, in our view, fosters market stability. We believe that, despite any short-term uncertainty following Brexit, the United Kingdom will continue to have a stable legal and regulatory environment as it applies to our business. We also believe that the demanding nature of regulatory compliance in both the United Kingdom and Germany can be burdensome to small businesses and may therefore increase consolidation opportunities for large players in the receivables management market. In addition, we believe that Austria benefits from similar business and macroeconomic conditions as Germany.

Moreover, both the UK and German markets comprise a diverse range of sectors in which consumer debt is originated (*e.g.*, the financial services, insurance, retail, telecommunications, public and utilities sectors, among others). We believe we are able to develop business in this broad range of sectors in part because receivables management companies such as ours can provide certain benefits to debt originators across sectors, including cost reductions due to reduced administrative and labor costs, improved collection rates and a more professional approach to debt collection. Further, debt originators' outsourcing of the debt collection process yields the additional benefit for the debt originator of reducing management time devoted to what is typically a non-core activity, while also providing additional consistency in debt handling with a more robustly documented audit trail.

In addition, we believe that the consumer credit market in the United Kingdom has several distinctive features that make it attractive to receivables management companies like us. We believe that the United Kingdom is one of the largest consumer NPL markets in Europe by face value of defaulted debt sold annually, with approximately £6.2 billion of unsecured defaulted consumer debt sold in the year ended December 31, 2014, according to the UK Company Market Study. Moreover, the UK consumer NPL market has grown at a CAGR of approximately 9.7% from 2013 to 2015. Oliver Wyman and Intrum Justitia further estimate that the total price paid for debt portfolio purchases will increase at a CAGR of 9.1% from 2015 to 2020 (Source: Oliver Wyman and Intrum Justitia, "European Retail and SME Credit Recovery Time?"). We believe that the UK consumer NPL market is consolidating around a small number of sophisticated and large-scale players, such as our UK business, which we believe are competitively advantaged to grow more quickly, and at higher levels of profitability, than their smaller peers. We believe such players have a number of structural advantages, including, for example, an ability to exploit more extensive customer databases, a heightened capacity to absorb the burdens of an increasingly demanding compliance environment and an ability to more readily develop a comprehensive service offering for their clients. Moreover, management has observed a growing propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process, and we believe that their demand for other receivables management services throughout the credit cycle is likely to increase.

The consumer credit market in Germany is also distinguished by several features that, in our view, make it attractive to receivables management companies. We believe that Germany is one of the largest consumer NPL markets in Europe by flow of newly created unsecured consumer defaulted debt, with approximately €9.5 billion (£8.1 billion) of unsecured defaulted consumer debt created in 2013, according to the German Company Market Study. Moreover, the aggregate outsourced principal value of newly defaulted consumer debt coming to the German market each year has grown at a CAGR, of approximately 5.3% from 2009 to 2013 for debt purchasing and at a CAGR, of approximately 4.6% for third-party collections and services, according to the German Company Market Study. The German Company Market Study further estimates that the outsourced consumer NPL market in Germany is set to grow at a rate of approximately 4% per year through 2018. A diverse range of German businesses, from sectors such as financial services, fitness, retail and telecommunications, originates consumer credit from a diverse customer base. These businesses use a varied set of collection methods to support the debt recovery process and typically outsource receivables collections. For example, according to the German Company Market Study, in 2013 less than 26% of German consumer creditors relied solely on in-house staff for debt collection, while the majority of businesses outsourced debt collections to law firms or debt collection agencies. Moreover, management has observed demand among German debt originators for BPO services and a willingness on the part of German debt originators to outsource collection in the early stages of the recovery process (for example, by as early as 45 days after the original payment due date). Since the German receivables management market is highly fragmented, with

approximately 600 to 900 players, we believe that large players, such as our German business, have a competitive advantage due to their scale and the breadth of their client relationships. In addition, we believe that Germany has both a strong repayment culture and creditor-friendly laws and regulations, and that together these features create a favorable environment for debt collection. Creditors in Germany benefit from a long enforcement period against customers, since the statutory limitation period in Germany for applying for and obtaining enforcement title against customers is generally three years and, once obtained, the enforcement title is valid for 30 years. Further, under German law, creditors are generally entitled to charge additional amounts to the customer as damage caused by delayed payment, including default interest, the costs of third-party collection services and legal costs. Each of these factors has, in our view, helped to drive up the profitability of debt collection in Germany.

A Broad Business Model with Significant Diversification Benefits

We operate a broad and diversified business model in the two largest European consumer credit markets, with 84% and 16% of *pro forma* cash income (excluding lawyer service revenue and other services) in the 12 months ended June 30, 2016 generated from our debt purchase businesses, and third-party collection, respectively. We earn revenue from a large client base, within which there is minimal overlap between the clients of our UK business and those of our German business, and which encompasses clients in the financial services, insurance, retail, telecommunications, fitness, public and utilities sectors, among others. For the 12 months ended June 30, 2016, our combined debt purchase gross collections split by industry was financial services (46%), retail (24%), telecommunications (25%), fitness (2%) and other (3%). As of June 30, 2016, our combined ERC split by industry, calculated on a 120 month basis, was financial services (£783 million), retail (£359 million), telecommunications (£299 million), fitness (£23 million) and other (£48 million). We are able to provide these clients with a one-stop service offering that includes third-party collection, risk management and BPO services. We believe this full-service offering helps us both to build strategic partnerships and to embed ourselves further in our clients' credit-management processes. For example, management has observed that our provision of third party debt collection services can lead to debt purchases and help improve our debt portfolio modeling, while risk management and BPO services can act as "door openers" by creating opportunities to cross-sell to our clients additional services with higher margins.

In addition to diversification, we believe the combination of Lowell and GFKL allows us to realize a number of key benefits that we expect will provide us with key competitive advantages. Since we make our investment decisions at the Group level, we believe we may have increased flexibility with respect to both originating new business and allocating capital across markets, sectors and clients to wherever the returns are most attractive. We believe that this increased flexibility enhances our adaptability and resilience in changing market trends and economic cycles. Moreover, since we have a higher volume of accounts, spread across a more diverse array of sectors and debt originators, we believe we are advantaged in our pricing accuracy and our ability to enhance the efficiency of our collection processes. For example, with our recent acquisition of IS Inkasso Service, we also enjoy a market leading position in Austria, as well as a presence in Switzerland, Croatia and Slovenia.

Longstanding Client Relationships Built on a Differentiated Origination Strategy

We benefit from strong, longstanding client relationships, many of which are with large companies that are well-known to the public, across a broad range of industries. In both the United Kingdom and Germany, we strive to develop more embedded relationships with our clients by offering them an expanding range of services, such as risk management and BPO services, capable of addressing our clients' needs throughout the credit cycle, from debt extension to defaulted debt recovery.

We believe the strength of our client relationships provides us with significant financial benefits derived from a steady stream of business and good visibility into new business origination and future cash flows. In addition, approximately 37.4% of our portfolio purchases (by expenditure and on a *pro forma* basis) in the 12 months ended June 30, 2016 were acquired through forward flow agreements with debt originators. We believe that our one-stop services offering helps us to maintain the longevity of our client relationships.

In addition to maintaining longstanding relationships with our clients in both of our markets, we have enjoyed a particularly strong track record of gaining new business. For example in Germany, from January 1, 2013 to December 31, 2015, the GFKL Group achieved an increase of 44% in new business receivables under contract based on number of accounts and its average fixed new business contract length for large, well-known

clients increased from 1.7 to 2.3 years. The GFKL Group added 20 contracts with well-known companies in 2012, 23 in 2013, 26 in 2014, 53 in 2015 and 20 in the first half of 2016.

We believe that our UK and German businesses' strong franchises and leading market positions have made each of them a preferred partner among clients across all industry sectors in its respective market. As a result, we believe that there are compelling opportunities for us to cross-sell to each of our UK and German businesses' existing client bases, including, in particular, the Group's large, international clients. In addition, we believe we will be able to further leverage our one-stop services offering to cross-sell into Austria.

Competitive Advantage Embedded in Advanced, Scalable Operating Platform

Each of our UK and German businesses is supported by what we believe to be industry-leading IT and data platforms. Through our consumer database, which we believe to be industry-leading (we currently hold data on one in five UK consumers over the age of 16, and one in nine German consumers), we have developed proprietary behavioral and asset valuation models, custom software applications and a variety of other business tools. Our systems are technologically sophisticated, highly automated and driven by data derived from our databases of owned and serviced customer portfolios in the United Kingdom and Germany, each of which we believe to be the largest in its country. As of June 30, 2016, our combined systems held data derived from the transactional records of some 23.9 million customer accounts. Since our UK business has historically favored low-balance customer accounts, we believe it has been able to accumulate a higher volume of customer accounts per portfolio purchased than competitors that favor customer accounts with higher balances. Moreover, we believe that our data systems benefit from a virtuous circle that further strengthens our informational advantage relative to that of our competitors: in our experience, the more debt portfolios we service or purchase, the more data and collection experience we derive and the more accurate our tracing and pricing systems become. We also believe that our systems' increasing sophistication has the additional benefit of making them increasingly difficult to replicate.

Our IT and data platforms are subject to an ongoing process of improvement and innovation, which we support with ongoing investment. In the United Kingdom, we have invested £9.3 million in our IT and data systems since September 1, 2012. We believe that these investments, which have focused on improvements and innovations in Lowell's pricing, tracing, collections and IT systems, have yielded clear results. For example, Gross Collections per customer representative FTE in the United Kingdom grew from approximately £367,000 to approximately £756,000 between July 2009 and June 2016, and we believe that the increasing sophistication of our IT and data systems was one of the factors contributing to this growth. In Germany, GFKL invested €19.7 million between January 1, 2011 and December 31, 2015 in the acquisition of property, plant and equipment and intangible assets, and this was mainly invested in its IT and data systems, in addition to acquiring DMA in October 2014. GFKL's investments in its IT and data systems have been focused on increasing standardization and automation while streamlining operations in order to reduce operating costs. Bolstered by these investments, Gross Collections per FTE at GFKL (as of the respective year-end) increased at a CAGR of 17.3% per annum from 2013 to 2015. For example, Gross Collections per customer representative FTE in Germany grew from approximately €701,000 in 2013 to approximately €806,000 in 2014 to approximately €964,000 in 2015. The acquisition of DMA, a critical strategic decision aimed at enhancing our data analytics sophistication in Germany, has provided us with a valuable tool to support our data analytics activities.

We believe that our sophisticated and scalable IT and data platforms, in which we have made robust investments, provide significant competitive advantages. In our experience, our automated pricing models and tracing systems have helped to increase the accuracy with which we price both debt portfolios and third-party collection service contracts, thereby increasing our chance to win a bid at the right price while reducing our downside risk on the purchased debt portfolio or signed contract. We believe that our data platforms enable us to pursue more sophisticated collection strategies, which in turn lead to increased collection efficiency and reduced collection costs. Further, we believe our sophisticated IT and data platforms allow us to compete effectively in sectors in which our peers struggle to generate sufficient returns, in particular in low-balance sectors such as retail, telecommunications and utilities.

Robust Compliance and Risk-Management Framework Supporting our Reputation

We believe the data sophistication that underlies our collection techniques contributes to our ability to manage compliance and reputational risk. We further believe that our focus on and extensive experience in compliance and risk management resonate well with debt originators and provide us with a competitive

advantage in the UK and German regulatory environments, which, though different in their particular legal frameworks and regulations, are similarly well-developed, robust and stable. It is our view that such environments are a barrier to entry for prospective competitors in the UK and German receivables management markets and favor strong market participants, such as our UK and German businesses, which have the scale and experience necessary to meet demanding compliance requirements.

Across both our UK and German businesses, compliance is at the heart of our operations. In our UK business, we work with customers in a proactive and supportive way based on data intelligence and analytics, which we use to create sustainable payment solutions tailored to our customers' financial circumstances. Similarly, in our German business, we work to reach mutual agreements with customers before we resort to legal procedures. We believe that we have a strong track record with respect to customer complaints in both the United Kingdom and Germany. For the 12 months ended June 30, 2016, the FOS-filed complaint ratio in our UK business was low, with 60 cases per one million active financial services accounts. In our German business, GFKL's largest German operating entity received, on average, only 0.0023% new customer complaints per year as a percentage of active accounts for the six months ended June 30, 2016. Further, our UK business has received numerous accolades for its strong track record with respect to the quality of its customer service. In 2014 for example, our UK business was awarded an "Exceptional" rating by Investor in Customers, a UK customer-experience consultancy. In addition, in 2016 and 2014 our UK business received an "Exceptional" Net Promoter Score that exceeded the Net Promoter Scores received by most well-known retail banks in the United Kingdom which we believe is particularly remarkable given our customers do not choose to be customers of Lowell. Our German business has also been recognized for its customer service. GFKL received the highest S&P Servicer Rating among German receivables management service providers in 2014.

Our focus on risk management is grounded in both the management structure and the processes of our UK and German businesses. Our UK and German businesses employ "three lines of defense" risk-management models that we believe mirror the highest risk-management standards in the financial services industries of their respective markets.

Strong Track Record of Return on Capital and Portfolio Pricing

We believe that we have a track record of strong and stable return on capital supported by continuous improvement in data analytics and the use of feedback from our collection operations. Our aggregate Gross Money Multiple on portfolios purchased as of June 30, 2016 was 2.4x in our UK business and 3.2x in our German business, and our Gross Money Multiples other than in the financial services sector, often exceed these aggregate figures. Moreover, since we make investment decisions at the Group level, we believe that we are able to deploy our capital across our UK and German businesses to wherever returns are most promising, which we believe contributes to our ability to maintain high returns on capital. We believe that continuous improvement in data analytics and leveraging feedback from collection operations has helped our UK and German businesses strengthen their underwriting, resulting in a narrower disparity between forecasted and actual returns. Overall, collections on portfolios for our UK business have exceeded the original forecast generated at the time of purchase by 12% since our inception in May 2004 to June 30, 2016. In the period between September 30, 2003 and June 30, 2016, our German business's Gross Collections on its purchased debt portfolios cumulatively exceeded the original forecast generated at the time of purchase by 21%. Furthermore, the disparity between our pricing forecasts and pricing results for our UK operations has narrowed over time. In May 2007 our actual collections were 107% of its forecasted collections, while our UK business' actual collections, excluding litigation, were 101% for the twelve months ended June 30, 2016. Our Group actual collections were 105% and 103% of its forecasted collections in the twelve months ended December 31, 2014 and 2015 respectively.

We believe that our disciplined approach to portfolio pricing has helped us to avoid overbidding on debt portfolios. Our portfolio pricing process begins with a rigorous and extensive due diligence and valuation exercise, which may involve, among other things, building a synthetic debt portfolio with actual performance data and similar customer characteristics and/or performing on-site file testing to assess the underlying quality of the debt portfolio before submitting our final bid. Our due diligence and valuation methods benefit from the market-leading scale of our data in both the United Kingdom and Germany, our sophisticated and automated data systems and our experienced and skilled portfolio pricing specialists. Upon the successful completion of due diligence, a debt portfolio is subject to a clear and systematic internal review and approval process culminating in a decision to either approve or reject the proposed portfolio investment. Historically, in our UK business, the unanimous approval of the members of a pricing committee has been required for debt portfolios with a purchase price in excess of £1 million. Debt portfolios with a purchase price of £1 million or less were

required to be reviewed by a subcommittee and approved by the senior pricing committee prior to the submission of a bid. Historically, in our German business, the governance process that has applied to a proposed portfolio investment has likewise depended on the total amount to be invested but has generally comprised three separate committee approvals before submission of a final bid, all of which have required review by our German business's investment committee.

Cash-Generative Business Model with Strong Cash-Flow Visibility

Our debt portfolio purchase business provides excellent visibility into future earnings, as well as substantial cash-flow generation backed by a significant asset base. We believe that the multi-year nature of our forward flow agreements, for example, helps to provide us with visibility into new business origination and expected returns. In the 12 months ended June 30, 2016, 32% of the total price paid for our UK business's debt portfolio purchases came from forward flow agreements, which were entered into with 15 debt originators and carried fixed terms for up to five years. We have entered into forward flow agreements in the amount of £320 million for the next five years. In the four years ended June 30, 2016, 88% of our UK business's re-tendered forward flow agreements have been renewed at least once. Forward flow agreements accounted for 40% of our German business's debt portfolio purchases between September 2003 and June 30, 2016 and on Group level, our forward flow purchases for the twelve months ended June 30, 2016 have increased as compared to the twelve months ended June 30, 2015.

In addition, we believe that the volume of debt portfolios we purchase from repeat clients (*i.e.*, clients with which we previously concluded a spot purchase or forward flow agreement) helps to strengthen our visibility into new business and future cash flow generation. Repeat clients accounted for approximately 86% of the total price paid for our UK business's purchased debt portfolios in the Lowell Financial Year 2015 and 87% of the total price paid for our German business's purchased debt portfolios in the year ended December 31, 2015. In addition, our portfolio purchases for the twelve months ended June 30, 2016 have increased as compared to the twelve months ended June 30, 2015. We believe that our significant asset base of debt portfolios is capable of continuing to yield predictable cash flows. Most of the payments on our portfolios are made through payment plans. Also, although our ERC metrics extend for 120 months and 180 months for Lowell and GFKL respectively, a majority of our collections occur within the first 48 months. As of June 30, 2016, we collectively owned 1,537 debt portfolios and our Group ERC was £1,569 million. To date we have collectively invested £1.4 billion in defaulted debt portfolios, resulting in an aggregate Gross Money Multiple on portfolios purchased as of June 30, 2016 of 2.4x for our UK business and 3.2x for our German business. For a discussion of how we determine the number of portfolios purchased during a given period.

GFKL's third-party collection services business is also cash generative and typically enables GFKL to scale its business without requiring significant incremental investments. We believe that the contractual arrangements in GFKL's third-party collection services business, which are both stable and of increasing durations (notably for contracts with large, well-known clients), provide visibility into future collections, the fees we derive from them as well as associated cash-flow generation. As a Group, our third party collections for the twelve months ended June 30, 2016 have increased as compared to the twelve months ended June 30, 2015. In addition, we believe that our Group ERC forecast is reliable and resilient, since, for example, a significant proportion of our future collections is tied to long-term repayment plans across a diverse range of portfolios. We believe we take a cautious approach to repayment by attempting to establish recurring payment methods with lower rates of default, such as direct debits and continuous payment authorizations on debit and credit cards. We expect approximately 38% of our Group ERC to be generated within the next 24 months and approximately 62% to be generated within the 48-month period.

Our Combined *Pro Forma* Adjusted EBITDA was £231.2 million for the twelve months ended June 30, 2016. For more information regarding Combined *Pro Forma* Adjusted EBITDA and cash conversion, see "*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures.*"

Proven Management Team Supported by Skilled and High-Quality Business Professionals

We are managed by a strong executive team, which comprises individuals with many years of relevant experience and provides leadership across all functional areas of our business. In particular, we believe that our combined business will have one of the most experienced senior management teams among European receivables management companies. For example, our CEO served as CEO of our UK business since it was established in 2004, and our CFO has over 20 years of relevant senior management experience in financial services.

In addition, strong teams of qualified professionals, who are drawn from the wider financial services industry and other large corporate entities involved in consumer outreach, support our senior management team by performing central business functions and assisting in the execution of our strategy. These skilled managers are supported by a workforce of approximately 1,394 FTEs as of June 30, 2016. We continuously invest in our employees with sustained efforts to create an inclusive and staff-friendly work environment and to provide meaningful career-development opportunities.

Our combined corporate governance structure is intended to provide strong oversight and to support decision-making while retaining the entrepreneurial spirit and market-specific knowledge required to extend our strong track record of growth and profitability. Our executive teams have established compliance frameworks, operational procedures and governance structures, supported by a number of proprietary systems, to enable us to conduct business in accordance with applicable rules, regulations and guidance.

Our Strategy

We believe the competitive advantages of each of our businesses inform the practices of the others, providing significant revenue and cost-synergies now and in the future and allowing us to maintain our position as a preeminent player in the European receivables management services sector. As our combined business continues to develop, we expect to further capitalize on our strengths by: maintaining pricing discipline to drive industry-leading returns on capital; continuing to invest in our people and corporate culture; seeking to remain a leader in compliance and customer experience; continuing to innovate and invest in our IT, data and collection platforms; developing stronger client relationships (including by investing in our one-stop service offering); and participating opportunistically in industry consolidation when accretive opportunities arise.

Realize Benefits of Combining and Sharing Best Practices between Lowell and GFKL, Including Revenue and Cost Synergies

Our strategy is ultimately to become the leading provider of receivables management services in Europe. We believe that the separate but complementary sets of competitive advantages possessed by our two core businesses will be essential to helping us achieve this goal and that having both businesses within the same Group provides us with significant revenue and cost-synergies. Lowell is a leader in the UK receivables management market and possesses one of the most sophisticated debt purchase platforms in Europe. GFKL is a leading player in the German debt purchase and third-party collection services markets and provides its clients with a diversified service offering that harnesses its expertise in a range of receivables management services, including BPO and risk-management services.

By sharing best practices between the two businesses and utilizing their complementary competencies in debt purchasing (*e.g.,* GFKL's portfolio acquisitions increased for the twelve months ended June 30, 2016 as compared to the twelve months ended June 30, 2015) and outsourced credit services (*e.g.,* we on boarded three new large third-party collections clients in the UK since the Lowell Acquisition), we believe the strength of each of Lowell and GFKL has been, and will continue to be, enhanced. On the one hand, we are in process of enhancing GFKL's already sophisticated data platforms by integrating Lowell's advanced modeling, pricing, data-analytics and cost-optimization techniques. On the other hand, we intend to continue to leverage GFKL's operational expertise to provide Lowell with a gateway to the continental European market and certain large, multinational clients, along with the benefits of its longstanding expertise in third-party collection services and BPO services, as well as industry expertise in sectors that are currently not covered by Lowell and that Lowell could address in the future. In addition, we believe that Lowell and GFKL benefit from additional growth opportunities by virtue of the fact that the sectors in which each business has particular strengths only partially overlap. For example, Lowell had market-leading shares of the debt portfolio purchases in the retail and telecommunications sectors in the 12 months ended September 30, 2015, as well as a top-tier position in the public sector of the UK third-party collection services market, while GFKL held market-leading positions in the insurance and fitness sectors as of December 31, 2015. We believe that this complementary sector expertise provides us with significant opportunities to cross-sell services to clients of each of our UK and German businesses, for instance by offering GFKL's risk management solutions, e-commerce solutions and data information services to UK clients, such as GFKL's PayProtect solution. As our combined business continues to develop, we intend to exploit these potential cross-selling opportunities to produce substantial synergies for the Group. The Group previously benefitted from a co-CEO management structure, but has departed from it in order to better integrate the management teams of Lowell and GFKL and streamline the management structure.

We also believe the combination of Lowell and GFKL and the sharing of best practices between them provides us with a number of operational benefits. For example, we believe the scale provided by the combination of the two businesses affords us opportunities to continue to streamline our operations and administrative functions, which we believe will help us further optimize efficiency and control costs.

In addition, we believe that our recent experience in sharing best practices between Lowell and GFKL will enable us to further develop additional operational benefits through our integration of IS Inkasso Service, which we acquired in May 2016 and which has allowed us to expand our market leading position in third party collections to Austria.

Maintain Clear Pricing Discipline to Drive Industry-Leading Returns on Capital

Pricing discipline and systematic, objective pricing processes are an integral part of our strategy. We believe that as a result of our pricing discipline, among other factors, we have been able to grow our asset base and profits, notwithstanding the changing economic environment, and have maintained stable, strong and predictable overall return on capital across our sectors. We plan to continue to invest in our pricing methodologies and capitalize on the virtuous circle by which the customer profiles and collections data we gather each month continuously add to the accuracy and sophistication of our systems and models. Moreover, since we make investment decisions at the Group level, we believe we are able to deploy our capital across our UK and German businesses to wherever returns are most promising, which we believe contributes to our ability to maintain high returns on capital.

Continue Investing in Our People and Corporate Culture

Our people are extremely important to us. They create the culture that defines our business, protects our reputation and drives our performance, and they constitute the primary component of our customers' experience. We search for people with enthusiasm, passion and commitment and when we find them, we invest in them heavily in order to deliver on our promises of connection, communication, development, involvement, recognition and reward. We strive to build a unique corporate culture in which our people are imbued with a sense of engagement and belonging. We believe that our focus on our people and our efforts to build a unique corporate culture help to drive our collection performance and contribute to our ability to provide an enhanced customer experience.

Deliver a Compliant Customer Experience through Best Practices

We aim to extend our track record of operating ethically, transparently and in compliance with all applicable rules, regulations and guidance. We intend to continue to work with each customer to develop a realistic and sustainable payment plan that is tailor-made to the customer's circumstances and allows the customer to restore his or her financial standing and continue to access mainstream credit products. To maintain and enhance this individualized approach to our customers, we intend to continue to leverage our data-analytics capabilities in order to help ensure that the customer profiles we build are as accurate and up-to-date as possible. As the legal and regulatory environments in which we operate continue to evolve, we intend to adapt our culture, practices and policies appropriately, while seeking always to be the model that others look to for compliance standards and best practices.

A strong approach to compliance constitutes an increasingly important differentiating factor in the markets in which we operate. We believe that our focus on compliance reassures our clients that their customers and reputations are in safe hands, and thus will give us a key competitive advantage going forward.

Continuously Improve our IT, Data and Collection Platforms through Innovations and Investment

We are continuously looking to improve our IT, data and collection platforms and processes and harmonize our core applications in order to strengthen our services offering and operate more efficiently. We aim to extend our strong track record of implementing incremental technological and collection process improvements, which have contributed to enhanced performance and increased efficiency throughout our business. For example, in the United Kingdom we are actively deploying technology, including the BLAZE software platform, that allows us to pursue more customizable letter strategies, through which we are able to more closely tailor our contact to the customer's unique circumstances. Our UK business is also planning to implement certain application simplification measures, which we believe will enable the reuse of underlying infrastructure and ease the integration of external applications and services, as well as considering measures

designed to further optimize its deployment of speech analytics and IVR capabilities. In Germany, our data analytics team has identified more than 50 operational initiatives including, for example, initiatives to improve our tracing capabilities. For the three months ended June 30, 2016, the tracing initiatives resulted in incremental cost savings of £0.2 million and incremental collections of £0.9 million. We believe these initiatives will improve the efficiency of our operations platform through cost reductions, increased collections or a combination of these two effects, and GFKL is currently developing an implementation timetable for the resulting program of work.

Invest in our One-Stop Service Offering and Continue to Build Even Stronger Client Relationships

Our strategy is focused on building our current share of the receivables management markets in the United Kingdom and Germany by continuing to work closely with the main debt originators in each of our key sectors. We have adopted a proactive approach to managing our relationships with debt originators, with an emphasis on transparency and building longstanding professional relationships based on a granular understanding of a debt originator's business and receivables management services requirements.

Our leading market positions in the United Kingdom and Germany, along with our longstanding client relationships and high volumes of data in each market, contribute to our ability to anticipate our clients' changing needs while identifying new market opportunities. We believe that debt originators are increasingly seeking a holistic, cost-efficient and fully compliant approach to receivables management. To address this growing need, we aim to continue to develop our one-stop service offering, a differentiated services offering that addresses each step of the debt recovery cycle and thereby helps us to further embed our operations within those of our clients. We intend to develop our one-stop service offering in a number of ways, including, for example, by further capitalizing on GFKL's experience in BPO and carve-out transactions. Moreover, we have a strong track record of opening up new sectors of the receivables management market, and we seek to continue to build relationships with entities that have not previously sold debt portfolios or purchased receivables management services. For example, we expect that Interlaken, our third-party collection platform in the United Kingdom, will enable our expansion into the public sector, since it is one of a select group of debt collection agencies chosen by HM Revenue & Customs, the United Kingdom's tax and customs authority, to provide collection services for central government departments.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist

We have a strong track record of selective and accretive expansion in the United Kingdom and Germany, as demonstrated by Lowell's acquisition of Interlaken in 2013, GFKL's acquisitions of ITT and DMA in 2014, and our acquisition of IS Inkasso Service in May 2016. As our business continues to develop, we intend to continue to participate opportunistically in the consolidation of the European receivables management industry in order to build scale, address untapped customer segments and create new relationships with debt originators. We intend to strategically pursue further carve-out transactions with current clients and small, credit-accretive bolt-on acquisitions. We will continue to apply our strong and disciplined approach to pricing in connection with these potential acquisitions.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF THE GROUP

The following table summarizes the Group's historical consolidated financial data as of and for the six months ended June 30, 2016. The information below is not necessarily indicative of the results of future operations. In addition, the following tables present summary unaudited pro forma condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the six months ended June 30, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Notes in connection therewith as if they had been consummated on January 1, 2015. The following summary unaudited pro forma condensed consolidated financial information and other data as of and for the six months ended June 30, 2015 has been derived from and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this Report.

The following summary unaudited pro forma condensed consolidated financial information is for illustrative purposes only and does not purport to indicate the financial results of our combined business had the above mentioned events taken place on January 1, 2015 and is not intended to be a projection of future results. Future results may vary significantly from the results reflected because of various factors, including those discussed in "Risk Factors."

The following tables also present summary unaudited pro forma condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the twelve months ended June 30, 2016 that gives effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Notes in connection therewith as if they had been consummated on January 1, 2015. The following summary unaudited pro forma condensed consolidated financial data as of and for the twelve months ended June 30, 2016 has been derived from and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this Report. This data has been prepared solely for the purpose of this Report, is not prepared in the ordinary course of our financial reporting and has not been audited.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Adjusted EBITDA and ERC, among others. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Report may differ from and may not be comparable to similarly titled measures used by other companies, and Adjusted EBITDA may differ from "Consolidated EBITDA" as defined in the Existing Indentures. The calculations for the non-IFRS measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "Presentation of Financial and Other Information."

The historical data or unaudited pro forma financial information below is not necessarily indicative of results of future operations and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information and the notes related thereto included elsewhere in this Report. Historical results are not necessarily indicative of future expected results.

Summary Group Consolidated Statement of Comprehensive Income

	For the Six Months Ended June 30,	
	2015[1]	2016
	(in £ millions) (unaudited)	
Continuing operations		
Revenue		
Income from portfolio investments	80.8	93.2
Portfolio write up	20.5	37.9
Portfolio fair value release	(1.7)	(1.7)
Service revenue	69.4	71.6
Other revenue	1.0	1.3
Total revenue	**169.9**	**202.2**
Other income	3.2	1.7
Operating expenses		
Collection activity costs	(71.5)	(84.0)
Other expenses[2]	(83.1)	(69.4)
Total operating expenses	**(154.7)**	**(153.4)**
Operating profit	**18.4**	**50.6**
Interest income	0.4	2.3
Finance costs[3]	(100.2)	(67.8)
Loss before tax	**(81.4)**	**(15.0)**
Income tax expense	10.2	(3.7)
Loss for the period	**(71.3)**	**(18.8)**
Other comprehensive expenditure		
Foreign operations—foreign currency translation differences	0.0	(5.9)
Total comprehensive expenditure for the period attributable to equity shareholders	**(71.3)**	**(24.7)**

(1) Prepared on a *pro forma* basis as if the Lowell Acquisition and the GFKL Acquisition and the offering of the Existing Notes in connection therewith had been completed on January 1, 2015. See "*Presentation of Financial and Other Information*" and "*Unaudited Pro Forma Condensed Consolidated Financial Information*."

(2) Other expenses in the six months ended June 30, 2015 included acquisition costs for Lowell and GFKL of £12.2 million and £11.8 million, respectively.

(3) Finance costs for the six months ended June 30, 2015 included debt redemption fees for Lowell and GFKL of £38.2 million and £1.5 million, respectively.

Summary Group Consolidated Statement of Financial Position

	As of December 31, 2015	As of June 30, 2016
	(in £ millions)	
	(audited)	(unaudited)
Assets		
Non-current assets		
Goodwill	861.3	912.4
Intangible assets	76.1	90.7
Property, plant and equipment	6.3	7.6
Portfolio investments	345.7	394.1
Other financial assets	5.0	3.2
Deferred tax assets	0.8	—
Total non-current assets	**1,295.1**	**1,408.0**
Current assets		
Portfolio investments	270.8	294.0
Trade and other receivables	26.8	40.0
Assets for current tax	4.2	0.9
Other financial assets	10.0	10.9
Cash and cash equivalents	106.9	61.0
Total current assets	**418.9**	**406.8**
Total assets	**1,714.0**	**1,814.8**
Equity		
Share capital	3.7	3.7
Share premium	357.2	397.3
Reserves	(14.2)	(20.0)
Retained deficit	(68.6)	(87.3)
Total Equity attributable to equity holders of the parent	**278.2**	**293.7**
Non-controlling interests	0.5	0.4
Total Equity	**278.7**	**294.1**
Liabilities		
Non-current liabilities		
Borrowings	1,221.1	1,312.8
Provisions for pensions	3.5	4.0
Provisions	0.6	1.4
Derivatives	0.5	0.4
Other financial liabilities	55.6	0.1
Deferred tax liabilities	27.4	33.1
Total non-current liabilities	**1,308.8**	**1,351.6**
Current liabilities		
Trade and other payables	60.7	63.0
Provisions	10.6	12.5
Borrowings	34.0	70.9
Derivatives	0.3	0.3
Other financial liabilities	6.9	6.2
Current tax liabilities	14.0	16.1
Total current liabilities	**126.5**	**169.0**
Total equity and liabilities	**1,714.0**	**1,814.8**

Summary Group Consolidated Statement of Cash Flows

	For the Six Months Ended June 30, 2016
	(in £ millions)(unaudited)
Consolidated cash flow statement:	
Net cash from operating activities	**(15.7)**
Investing activities	
Interest received	0.3
Proceeds from sale of subsidiary	0.5
Purchase of property, plant and equipment	(1.8)
Proceeds of intangible assets	(2.8)
Acquisition of subsidiary, net of cash acquired	(17.1)
Net cash from investing activities	**(21.0)**
Financing activities	
Proceeds from loans and borrowings	38.0
Interest paid	(51.6)
Net cash from financing activities	**(13.6)**
Net increase/(decrease) from cash and cash equivalents	(50.3)
Cash and cash equivalents at the beginning of the period	**106.9**
Net increase/(decrease) from cash and cash equivalents	(50.3)
Effect of movements in exchange rate on cash held	4.4
Cash and cash equivalents at the end of the period	**61.0**

Other Group Financial and Operating Data

	As of and for the Six Months Ended June 30,		As of and for the Twelve Months Ended June 30, 2016[10]
	2015[10]	2016	
	(unaudited)	(unaudited)	(unaudited)
Other financial, operating and pro forma data:			
Cash generative asset backing:			
ERC[1]	1,306.9	1,569.3	1,569.3
Portfolio purchases[2]	118.4	115.2	246.9
Number of accounts (in millions)[3]	20.6	23.9	23.9
Number of owned debt portfolios[4]	1,244.0	1,537.0	1,537.0
Net adjusted debt[5]	N/A	1,084.2	1,084.2
Cash generation:			
Collections on owned portfolios[6]	154.1	185.1	355.3
Adjusted EBITDA[7]	102.5	119.2	227.5
Cash flow before interest, portfolio purchases, tax expenses and capital expenditures[8]		101.5	
Cash flow conversion[9]		85.1%	

(1) "ERC" means estimated remaining collections, which are the future collections projected to be received on all of the Group's purchased debt portfolios based on its forecasting models. Group ERC (as a combined metric) as of June 30, 2016 was calculated, without adjustment, by adding Lowell's ERC (based on a 120-month period) to GFKL's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate, and is presented for illustrative purposes only. Group ERC is not intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in *"Risk Factors."*

(2) "Portfolio purchases" represents the value of purchases through actual spend for the relevant financial period.

(3) "Number of accounts" represents the total number of individual consumer debts that the Group owns as of the date specified.

(4) "Number of owned debt portfolios" represents the number of individual portfolios of accounts that the Group owns as of the date specified. Where more than one portfolio has been purchased from a vendor in the same month, such portfolios are grouped together and treated as one portfolio purchase.

(5) "Net Adjusted Debt" represents third-party debt less cash and cash equivalents and excludes subordinated shareholder instruments included in the "Non-current liabilities" line item of the balance sheet.

(6) "Collections on owned portfolios" represents Gross Collections.

(7) Adjusted EBITDA represents collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization. For additional information, see "*Presentation of Financial and Other Information—Non-Financial Operating Data.*" The following tables provide an analysis of Adjusted EBITDA.

The table below sets out the reconciliation of collections/income on owned portfolios to Adjusted EBITDA.

	For the Six Months Ended June 30,		For the Twelve Months Ended June 30,
(in £ millions) (unaudited)	**2015[f]**	**2016**	**2016[f]**
Collections on owned portfolios[a]	150.3	185.1	354.0
Other turnover	73.6	74.6	147.0
Servicing costs[b]	(154.7)	(153.4)	(302.7)
Revaluations in operating expenses and direct write-down of portfolios	0.7	4.8	9.8
Depreciation/amortization[c]	5.3	5.6	10.8
Exceptional items[d]	24.4	2.4	8.6
Other adjustments[e]	2.8	0.0	0.0
Adjusted EBITDA	**102.5**	**119.2**	**227.5**

(a) "Collections on owned portfolios" represents Gross Collections excluding putbacks for GFKL in 2015.

(b) Servicing costs represent the sum of "collection activity costs" and "other expenses."

(c) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets.

(d) Administrative / other expenses include several one-off, non-recurring items that have been added back as exceptional items to reach Adjusted EBITDA. In the six months ended June 30, 2016, exceptional items included £0.5 million of extraordinary compensation, redundancy payments, and other restructuring costs as well as £2.3 million in respect of one-off project fees and professional fees and net of £0.4 million of exceptional gain on sale of a subsidiary. In the six months ended June 30, 2015, on a *pro forma* basis, exceptional items included £24.0 million in respect of acquisition costs for Lowell and GFKL. In the twelve months ended June 30, 2016 on a pro forma basis, exceptional items included £3.4 million of extraordinary compensation, redundancy payments and other restructuring costs as well as £4.8 million of one-off project fees and professional fees.

(e) Other adjustments in the six months ended June 30, 2015 relate to the proceeds from the sale of a portfolio having a direct cash impact on Adjusted EBITDA.

(f) The financial information presented in this table for the six months ended June 30, 2015 and for the twelve months ended June 30, 2016 was prepared on a pro forma basis as if the Lowell Acquisition and the GFKL Acquisition had been completed on January 1, 2015. See "*Presentation of Financial and Other Information*" and "*Unaudited Pro Forma Condensed Consolidated Financial Information.*"

The table below sets out the reconciliation of operating profit to Adjusted EBITDA.

	For the Six Months Ended June 30,		For the Twelve Months Ended June 30,
(in £millions) (unaudited)	**2015[e]**	**2016**	**2016[e]**
Operating profit	18.4	50.6	98.5
Depreciation/amortization[a]	5.3	5.6	10.8
Fair value movement in debt portfolios/portfolio write-up	(18.0)	(31.3)	(60.1)
Exceptional items[b]	24.4	2.4	8.6
Portfolio amortization[c]	69.6	91.9	169.5
Other adjustments	2.8	0.0	0.0
Adjusted EBITDA	**102.5**	**119.2**	**227.5**

(a) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets.

(b) Administrative/other expenses include several one-off, non-recurring items that have been added back as exceptional items to reach Adjusted EBITDA. In the six months ended June 30, 2016, exceptional items included £0.5 million of extraordinary compensation, redundancy payments, and other restructuring costs as well as £2.3 million in respect of one-off project fees and professional fees and net of £0.4 million of exceptional gain on sale of a subsidiary. In the six months ended June 30, 2015, on a *pro forma* basis, exceptional items included £24.0 million in respect of acquisition costs for Lowell and GFKL. In the twelve months ended June 30, 2016 on a pro forma basis, exceptional items included £3.4 million of extraordinary compensation, redundancy payments and other restructuring costs as well as £4.8 million of one-off project fees and professional fees.

(c) Portfolio amortization represents the difference between the gross collections for the period (excluding putbacks for GFKL in 2015) and the income from portfolio investments as stated in the statement of comprehensive income.

(d) Other adjustments in the six months ended June 30, 2015 relate to the proceeds from the sale of a portfolio having a direct cash impact on Adjusted EBITDA.

(e) The financial information presented in this table for the six months ended June 30, 2015 and for the twelve months ended June 30, 2016 was prepared on a *pro forma* basis as if the Lowell Acquisition and the GFKL Acquisition had been completed on January 1, 2015. See "*Presentation of Financial and Other Information*" and "*Unaudited Pro Forma Condensed Consolidated Financial Information*."

(8) Cash flow before interest, portfolio purchases, tax expenses and capital expenditure (or cash used in operations before portfolio purchases) represents Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period. Management monitors cash flow before interest, portfolio purchases, tax expenses and capital expenditure as a measure of the cash available to us to pay down or service debt, pay income taxes, purchase new debt portfolios and for other uses.

(9) Cash flow conversion is cash flow before interest, portfolio purchases, tax expenses and capital expenditure as a percentage of Adjusted EBITDA for the period.

(10) The financial information presented in this table for the six months ended June 30, 2015 and for the twelve months ended June 30, 2016 was prepared on a pro forma basis as if the Lowell Acquisition and the GFKL Acquisition had been completed on January 1, 2015. See "*Presentation of Financial and Other Information*" and "*Unaudited Pro Forma Condensed Consolidated Financial Information*".

RISK FACTORS RELATED TO OUR BUSINESS AND INDUSTRY

We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business.

As a business operating in the EU, we are subject to a variety of national and EU regulations, including laws and regulations regarding anti-money laundering and terrorist financing, unfair competition, and price fixing. For example, our German operations must generally comply with requirements under the German Anti-Money-Laundering Act (*Geldwäschegesetz*). In case of non-compliance, the relevant authorities may, *inter alia*, impose a fine. Furthermore, adverse regulatory developments under any of the laws and regulations applicable to our operations could expose us to a number of risks. Individual employees may act against our instructions and either inadvertently or deliberately violate applicable laws, including competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients. Such actions may harm our reputation and, if we are held responsible, the resulting fines and other sanctions could be substantial. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Our UK and German operations are also subject to various complex laws and regulations that are more specifically related to the CMS industry.

Regulations affecting Lowell

Our UK debt collection business is conducted through a number of subsidiaries, such that the entity conducting the collections business is not necessarily the “creditor” under the agreement (where under the Consumer Credit Act the “creditor” is the originator or the entity that has purchased the debt). On April 1, 2014, the Financial Conduct Authority (the “**FCA**”) took over regulation of consumer credit (including debt purchase and debt collection) from the Office of Fair Trading (the “**OFT**”). Any of our entities in the United Kingdom that collect debt due to other entities under certain types of consumer credit agreements or have purchased debt and hold financial interests in debt due under consumer credit agreements are required to apply for, obtain and maintain authorization from the FCA or be exempt from authorization. All relevant Lowell Group companies currently have such authorization. Since April 1, 2014, all firms undertaking consumer credit regulated activity that prior to April 1, 2014 had a consumer credit license from the OFT are required to have an interim permission from the FCA until they receive permanent full authorization. All relevant Lowell Group companies have an interim permission. The FCA allocated specific application periods for firms with interim permission to apply for full authorization to conduct consumer credit activities in the United Kingdom by April 1, 2016, and the Lowell Group companies made their applications in December 2015, which was within their applicable period. Although we sought and were awarded all relevant “interim permissions,” there is a risk that the FCA will not grant us full authorization to conduct credit activities. If the FCA were to reject our permanent permission applications, we would be required cease carrying on our UK business.

Firms authorized by the FCA must be able to demonstrate that they are “fit” to be authorized. In addition, certain individuals within the firm who exercise a “significant interest” in the business of the firm must be approved by the FCA and these individuals must demonstrate that they are “fit” and competent to hold the position of an “approved person.” The FCA issues rules and guidance on how it expects firms to conduct their business and for the individuals it approves in the capacity of an “approved person.” Failure to comply with any rules or guidance issued by the FCA is likely to have serious consequences, for example:

- The FCA may take enforcement action against a firm which could result in fines and/or remediation action for consumers. Any such enforcement action would be publicly known and would involve severe reputational damage, with vendors of debt portfolios and creditors outsourcing collection activity likely to remove their business from a debt collector that is the subject of such enforcement action;

- Firms can be subject to a section 166 notice by the FCA, which may ensue where the FCA has identified issues within the firm regarding non-compliance with the FCA rules and guidance and commissions, or requires the firm to commission, a “skilled persons” report. A “skilled persons” report is performed by an independent firm, usually one of the large firms that are deemed by the FCA to have the necessary skills and expertise to review the areas of concern. The report is shared with the firm being reviewed and the FCA. Remedial action highlighted is tracked by the FCA through close liaison with the firm. Failure to remedy points raised and/or do so in sufficient time can lead to further

enforcement action including fines. The cost of such a review is borne by the firm. A section 166 notice may become publicly available, and if we become subject to such a notice, originators that currently do business with us may cease to do so, and our ability to purchase debt or collect debt through our UK operations, along with our reputation, and consequently, our ability to win future business may be adversely affected. We might also be required, or otherwise decide, to introduce changes to our business practices in the United Kingdom in response to enforcement action taken against some of our competitors.

The FCA regards debt collection as a "high risk" industry and therefore dedicates special resources to more intensive monitoring of businesses in this sector. The FCA has issued rules relating to the debt collection sector and has created a sector-specific Consumer Credit Sourcebook ("**CONC**") which applies specifically to consumer credit firms such as ours. CONC sets out detailed standards, in the form of specific rules and guidance, which businesses must satisfy and is also applicable to creditors that collect debt owed to themselves directly under consumer credit agreements. CONC also contains other guidance that is relevant to debt collection (and other consumer credit) businesses.

Our UK operations also conduct themselves in accordance with the provisions of the Lending Standards Board's Standards of Lending Practice (previously the Lending Code), which are voluntary, but widely adhered to, standards of practice applicable to banks and building societies in the United Kingdom that are relevant to lending and debt collection activities. While we are not a subscriber to the Standards of Lending Practice, a number of our clients in the United Kingdom are banks, and as such they must ensure that third parties they use offer standards that meet the requirements of the Standards of Lending Practice. Further, we may be subject to contractual obligations to observe certain requirements to ensure that our UK operations are conducted in a way that is consistent with certain FCA rules or requirements and certain provisions of the Standards of Lending Practice, including, for example, being subject to audits by debt originators.

The FCA has investigated the lending practices relating to "pay-day lending." This and future investigations may also result in tighter regulation of, and new restrictions on, debt collection as a whole.

A properly authorized debt collection (or other consumer credit) business is also affected by, or subject to, numerous detailed legislative requirements, principally contained in the CCA (and secondary legislation thereunder), Unfair Terms in Consumer Contracts Regulations 1999 (the "**UTCCRs**") and the Consumer Rights Act 2015 (the "**CRA**"). These legal requirements oblige creditors to, among other things:

- provide customers with heavily prescribed credit agreement documentation at the outset;
- enable customers to obtain copies of credit agreement documentation;
- provide customers with prescribed forms of post contractual notices;
- provide a "fair relationship" between themselves and the customer; and
- ensure that their agreements do not contain unfair terms (and stipulate that any unfair terms are void).

A failure to comply with these requirements can have different consequences, but in some cases, failures can cause agreements to be deemed unenforceable (meaning that in some cases the outstanding debt and interest cannot be collected) or unfair terms may not be binding on the borrower. This could affect our ability to recover on the accounts underlying our debt portfolios in the United Kingdom or restrict important rights that we rely on. An agreement could be deemed unenforceable when we, as the debt collector or purchaser of the debt, or the originator, fail to comply with the applicable requirements. In addition, our UK debt collection (and broader consumer credit) business is subject to an obligation to act fairly, as set out in the Consumer Protection from Unfair Trading Regulations 2008. Breach of certain of these regulations is a criminal offense. From October 1, 2014 consumers also have a right of redress for misleading or aggressive commercial practices.

Consumer protection is the principal aim of the legislation that applies to us. As set out above the FCA is our principal regulator given our interim permissions to perform certain debt-related regulated activities described above. The Competition and Markets Authority and FCA concurrently supervise unfair terms under the UTCCRs and the CRA. There is a Memorandum of Understanding dated 12 January 2016 that outlines the nature of this arrangement. Importantly, the Memorandum of Understanding clarifies that it is the FCA's responsibility to consider

fairness within the meaning of the CRA and UTCCRs in financial services contracts issued by authorized firms or appointed representatives and take action where appropriate.

The FOS also has a role acting as an independent adjudicator of the consumer complaints made to it. The FOS makes a decision based on what is fair and reasonable and good practice rather than strictly on the basis of compliance with the law. Certain claims brought before the FOS trigger a fee, which is paid by the business subject to the complaint, whether or not it successfully defends against such claims. A decision by the FOS is binding on the business, but not on the consumer.

In certain situations we outsource some of our accounts to third party DCAs. This is usually as a result of our own internal collection activity coming to an end. Generally, the use of DCAs may represent one of the more significant conduct risks faced by us, particularly in the way this part of our business model tests our controls in relation to DCAs. To the extent these third parties violate laws or other regulatory requirements in their collection efforts in the United Kingdom, it could also negatively impact our business by harming our reputation or, in some cases, resulting in penalties being directly imposed on us, as the FCA expects businesses to carefully select third parties with which they work and take responsibility for ensuring their compliance.

As mentioned above in the context of fair relationships, even if we comply with the relevant regulatory rules, an English court might still find that an unfair relationship exists through consideration of a wider range of factors than those contemplated by such rules (Plevin v Paragon [2014] UKSC 61). In November 2015, the FCA published its Consultation Paper CP 15/39 entitled "Rules and guidance on payment protection insurance complaints" and is currently consulting on such new rules and/or guidance intended to deal with the impact of the judgment on complaints about PPI. Although PPI complaints are not relevant here, the results of the consultation may more generally lead to an increase in the volume of Plevin-based unfair relationship claims.

Changes to the UK laws and regulations that affect us, or changes in the manner in which these laws and regulations are interpreted, could also negatively affect our operations or increase our cost of regulatory compliance.

For example, in 2009, the UK government commenced a consultation process on proposals to shorten the current statute of limitations period in England, Wales, and Northern Ireland from six years to three years. The statute of limitations period is the amount of time that a business has to commence legal proceedings to enforce its debt. While the proposals were not pursued, such a reduction of the statute of limitations period would likely have severely affected the ability of debt collectors to trace customers, successfully employ debt collection strategies and have the right to enforce debt. This change would therefore have had a serious impact on our current business model in the United Kingdom. If the statute of limitations period were to have been reduced, the value of purchased debt on our financial statements could have been reduced because the portion of amounts recovered would have decreased, leading to significant write offs. We could also have seen a reduction in the market size for debt purchase or higher marginal costs in the UK debt collection industry, as court proceedings might have been initiated earlier in the credit cycle. There can be no assurance that the statute of limitations period will not be shortened in the future.

We currently outsource in the United Kingdom to DCAs on a contingent basis, with DCAs being paid a commission based on collections achieved. Any change in laws or regulations restricting or prohibiting this practice of contingent collections could result in a change in our arrangements with DCAs in the United Kingdom to less variable cost structures, such as fixed fee arrangements. This would increase our fixed cost base, thereby causing our collection costs to rise without necessarily increasing collections. Although we are not currently aware of any such proposal in relation to DCAs or other participants in the debt purchase and collection industries, the FCA is currently concluding a review of staff remuneration and incentives in consumer credit firms and also a review of the collection of early arrears. Similar restrictions were introduced for independent financial advisers and other firms as part of the FSA's Retail Distribution Review. These firms can no longer earn provider-determined commissions for successful recommendations of retail investment products but must instead be paid an adviser charge, which is agreed with retail clients in advance. If a similar change of law or regulations were implemented in relation to the debt purchase and collection industries, this could negatively affect our ability to operate successfully using our current business model in the United Kingdom, which could have a material adverse effect on our financial returns and results of operations.

In October 2015, Lowell Solicitors Limited was granted a legal services license by the Solicitor's Regulation Authority (the "**SRA**") to undertake debt recovery litigation and we therefore now have a litigation firm within the Lowell Group which is regulated by the SRA.

The legislative and regulatory environment is also challenging for originators of consumer credit. With the move to the FCA as the regulator of consumer credit businesses, the regulatory focus, consistent with our business focus, is on requiring lenders and debt collectors to exercise "forbearance" in relation to consumer debt, to accept affordable repayment offers and to have regard at all times to the "treating the customer fairly" principles underpinning the regulatory approach in order to achieve fair customer outcomes. Where legislative changes have a detrimental impact on the profitability of issuing credit, we would anticipate a lower issuance of consumer credit which would in turn impact the supply of debt portfolios for sale. A reduction in debt portfolios offered for sale in the UK market may lead to increased prices and lower returns on our investments, which could have a material adverse effect on our business, results of operations or financial condition.

Regulations affecting GFKL

The receivables management industry could be subject to increased scrutiny due to political factors, which could lead to changes in laws and regulations in Germany or the European Union. Changes in these laws and regulations, or changes to their interpretation by the relevant supervisory authorities and courts, may reduce GFKL's operational flexibility and limit its ability to use its customer data to price portfolios and create efficient debt collection strategies and regulate the fees, or potential set-offs of fees, charged to the customer as part of a creditor's default damage (*Verzugsschaden*) under German law. In Germany, the regulatory framework for debt collection has been tightened by the Act Against Dubious Business Practices (*Gesetz gegen unseriöse Geschäftspraktiken*) which came into force in October 2013. Under this regulation, *inter alia*, the reimbursement of costs for debt collection is limited, and the costs may not exceed the amount a lawyer would be entitled to claim as compensation for a corresponding activity. The German Ministry of Justice (*Bundesministerium der Justiz*) is, subject to the German parliament's consent, authorized to implement a cap on fees recoverable by debt collection companies that can be passed on to consumers. As of the date hereof, the German parliament has not utilized such authorization, but may do so in the future. In GFKL's current business model, GFKL generally attempts, in line with best practices in our industry, to achieve recovery of the full amount under the German statutory regime and applicable civil law. Depending on a variety of factors, including legal developments or reputational risks, we may alter our fee policies, which may impact the amount of fees that we can charge to our and our clients' customers in Germany. Such alterations may limit our Gross Collections and available cash and may have an adverse effect on our business. Changes in laws and regulations in Germany or the European Union, or further developments in or changes to their interpretation by supervisory authorities and courts, including limits on the types and amounts of fees (including statutory fees) GFKL and/or external lawyers can pass on to customers (or a prohibition of such fees) and restrictions on GFKL's ability to perform services for external lawyers could also affect the permissibility of GFKL's business model. In particular, several of the regulations to which GFKL is subject and our interpretations thereof are based on a limited number of court decisions that are not all reconcilable. If court decisions in the future hold more consistently against our positions, GFKL's business model could be adversely affected. Any change in these regulations, court decisions, or our interpretations thereof, and any other factors mentioned above may have a material adverse effect on our operations, business or financial position.

By regulation under the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), companies operating in certain industries are not allowed to sell their overdue and defaulted receivables to third parties (*e.g.*, in the insurance industry for premiums). While it is prohibited to purchase their debt, GFKL may provide these companies with up-front payments, which are made after the receivables have been transferred for service to GFKL. In exchange for providing up-front payment, GFKL receives all further collections as a success fee. The up-front guarantee only reflects a portion of what a similar debt portfolio may cost in an open market purchase, as GFKL purchases only the economic right to collect on a portfolio of debt, not full title to the underlying debt. However, it cannot be excluded that a debt servicing transaction including a third-party collection provider fee may be interpreted by the German regulator to be an illegal sale or purchase of defaulted consumer debt, which may therefore have a material adverse effect on our business, results of operations, financial condition or reputation.

GFKL's debt collection business may also be adversely affected by future supervisory and regulatory restrictions or qualifications. In particular, if the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) were to revise its interpretation of the relevant provision of the German Banking Act such that the ongoing purchase of receivables that are already due and payable qualifies as factoring, *i.e.*, the ongoing purchase of receivables in a commercial manner, and consequently also qualifies as the provision of financial services, GFKL's debt collection business could become subject to potentially costly or burdensome licensing requirements under the German Banking Act.

Furthermore, our group companies that operate in Germany are allowed to conduct our debt collection business only if they are registered under the German Legal Services Act (*Rechtsdienstleistungsgesetz*) which requires proof of aptitude and reliability, theoretical and practical expertise in the area of the legal services to be provided and professional liability insurance coverage. As of the date hereof, SIR, GPP, PCS, IBW, ZYK, GCG and ITT are registered under the German Legal Services Act. If we fail to obtain these requirements, the relevant supervising authority may temporarily prohibit the companies implicated from conducting further debt collections. The supervising authority may also entirely revoke the registration for certain reasons, *e.g.*, if our related insurance coverage is terminated or insufficient. Inability to obtain the registration would have a material adverse effect on our business.

Laws and Regulations affecting Lowell and GFKL's Collection of Data

Our databases contain personal data of our customers, and our ability to obtain, retain and otherwise manage such data is governed by data protection and privacy regulations and guidance issued by, among others, the European Union. Changes to these regulations or secrecy obligations could adversely affect our business.

The process for changing certain privacy regulations that affect our business is currently underway. On April 14, 2016, the EU General Data Protection Regulation (Regulation (EU) 2016/679) was adopted, and it will become effective as of May 25, 2018.

The EU General Data Protection Regulation provides for a number of changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU regulation. Once effective, the EU General Data Protection Regulation will strengthen individuals' rights and impose stricter requirements on companies processing personal data. For example, the EU General Data Protection Regulation might limit our rights to process personal data, make it difficult to obtain credit information, lead to cost-intensive administrative processes, oblige us to provide the personal data that we record to customers in a form that would require additional administrative processes or require substantial changes in our IT environment and organizational structure. In particular, the EU General Data Protection Regulation could impair debt collectors' ability to use customer data, for example, by restricting their ability to create customer profiles. The EU General Data Protection Regulation may also make it significantly more difficult to rely on customers' consent to use their personal data. The EU General Data Protection Regulation may impose a substantially higher compliance burden on us and force us to make changes in the way we use our customer data that could have a negative impact on our collection effort outcomes. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business. The increased compliance obligations and penalties for processors under the EU General Data Protection Regulation are likely to result in an increase in the cost of data processing services. The exact consequences of the EU General Data Protection Regulation on our business will need to be analyzed over the next months. The EU General Data Protection Regulation also provides for significantly increased sanctions and penalties.

In addition to EU regulations, our UK and German operations must comply with national laws and regulations governing the collection and use of data. In the United Kingdom, until the EU General Data Protection Regulation comes into force, the collection, processing and use of personal data is governed by the Data Protection Act 1998 and rules, regulations and guidance promulgated by the UK Information Commissioner. On June 23, 2016, the people of the United Kingdom voted for the United Kingdom to leave the European Union ("**Brexit**"). It is yet unclear what consequences Brexit will have on the data protection rules applicable to our UK operations. In Germany, the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) governs such activities. GFKL Holdco's subsidiary, GPP, is registered as a credit bureau under Section 4d of the German Federal Data Protection Act (*Bundesdatenschutzgesetz*). In order to meet the reporting obligations for automated data processing set out in German Federal Data Protection Act. It is yet unclear if and to what extent the German Federal Data Protection Act will remain in place once the EU General Data Protection Regulation becomes effective in 2018.

Under the German regulatory regime, customers may challenge the validity of the transfer of purchased debt based on the infringement of data protection regulations or secrecy obligations. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business. Furthermore, data subjects, data protection authorities, competitors as well as consumer protection groups and other authorized associations may pursue claims against subsidiaries of GFKL Holdco for breach of the German data protection regulations. Unfavorable decisions or judgments based on these types of claims or challenges may result in:

- the institution of administrative, civil or criminal proceedings;

- sanctions and the payment of fines and penalties, including potential suspension or revocation of regulatory licenses depending on the severity and scale of any regulatory issues;
- changes in personnel;
- an inability to conduct business due to the loss of our regulatory license or restrictions or conditions being placed on our activities;
- increased review and scrutiny of our services by our clients, regulatory authorities and others; and
- negative media publicity and reputational damage.

Our ability to price debt portfolios, trace consumers and develop tailored repayment plans depends on our ability to use personal data in our consumer data intelligence systems. If any of the information or customer data that we use were to become public, including as a result of a change in governmental regulation, or if a legislator were to introduce measures that have the effect of facilitating the tracing of customers, or if the current data processing restrictions were to change such that credit market participants could access credit information before the purchase of portfolios, or if the current data processing restrictions were to change such that we would be prohibited from using customer data in the manner in which or to the extent it is currently used, we could lose a significant competitive advantage and our business could be negatively affected.

Compliance with this extensive and evolving regulatory framework is expensive and labor intensive. Failure to comply with applicable laws, regulations and rules could result in investigations and enforcement actions, permissions that we need to do business not being authorized or being revoked, fines or the suspension or termination of our ability to conduct collections. In addition, such failure to comply or revocation of a permission, or other actions by us that may damage the reputation of the originator would entitle the originator to terminate its forward flow agreement or entitle it to repurchase portfolios we previously purchased from it. It would also entitle a creditor that had placed accounts with us for collection to terminate the servicing contract and remove the accounts from us. Any of these developments could have a material and adverse effect on our ability to conduct business or on our financial condition, our financial returns or our results of operations.

Changes in the economic environment, in particular in the United Kingdom and Germany, may have a material adverse effect on our financial condition, financial returns and results of operations.

We operate mainly in the United Kingdom and Germany and, therefore, our business is exposed to any changes in UK or German economic, market or fiscal conditions. With the recent acquisition of IS Inkasso Service we are also exposed to a lesser extent to changes to the economic market or fiscal conditions in Austria, Switzerland, Croatia and Slovenia. We are also exposed to any changes in the global macroeconomic environment affecting economic conditions in the United Kingdom, Germany, Austria, Switzerland, Croatia and Slovenia. If the UK, German, Austrian, Swiss, Croatian, Slovenian or global economy suffers a prolonged, material downturn that affects the regions in which we operate by, among other things, increasing the unemployment rate, causing inflation, leading to the implementation of austerity measures (such as reductions in the relevant government's provisions of public benefits and/or public sector employment), reducing disposable income and/or impacting interest rates and the availability of credit, customers may be unable or unwilling to continue repaying debt, and we may not be able to perform debt collection in a manner consistent with our past practice. If our customers experience a reduced ability or willingness to pay their debt, we could face increased servicing costs and lower average payments, thereby reducing our cash generation and returns on capital, and, in turn, our ERC. Even if we are able to develop tailored payment plans for certain of the affected customers in order to try to reduce the number of defaults, such measures may prove unsuccessful, or if the measures are successful in avoiding some defaults, total collections may be reduced or the timing of receipt of payments may be extended as a result of these measures, any of which would also impair these financial performance metrics.

Additionally, adverse economic conditions could lead to a reduction in the propensity of financial institutions or other credit institutions to lend to corporations and individuals, as was the case during the global financial crisis of 2008-2009. This, in turn, would lead to a reduced supply of debt available for collection or fewer opportunities for us to enter into forward flow agreements in our debt purchase business. Reduced lending by financial or other credit institutions may also negatively affect customers by reducing disposable income levels or otherwise impairing their ability to fulfill their payment obligations. Furthermore, such a reduction in the propensity of financial institutions or other credit institutions to lend to corporations could adversely affect our own ability to obtain credit,

and this may adversely impact our business, results of operations or financial condition by, *inter alia*, limiting our ability to finance portfolio purchases on financially favorable terms, or at all.

An improvement in the economic conditions in the countries in which we operate could have both positive and negative impacts on our business. Although improved economic conditions may lead to higher debt repayment due to the improved financial position of our customers, this may also lead to more competitive pricing for the debt portfolios that we purchase or for the debt collection services that we offer because of improved payment prospects. In addition, rising interest rates due to a change in the economic environment or other factors beyond our control may increase our financing costs, which may result in our inability to finance debt portfolio purchases at profitable levels or at all.

Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business.

Lowell derives the majority of its revenue from its debt purchase business, and for the year ended December 31, 2015, GFKL derived 52% of its revenue excluding lawyer service revenue and other revenue (representing the sum of "services and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the GFKL 2015 Audited Consolidated Financial Statements) from its debt purchase business. The availability of debt portfolios at profit-generating prices depends on a number of factors, some of which are outside of our control, including: the level of consumer spending; the availability of credit to consumers, which may be driven by a number of factors, including heightened regulation of the credit card and consumer lending industry, changing credit origination strategies, tighter lending criteria introduced by consumer credit providers and general economic conditions; the level of non-performance on consumer debt portfolios and the proportion of such portfolios that are written off by debt originators, which also in turn may affect the availability of credit to consumers identified above; sales of debt portfolios by debt originators, which could be jeopardized by a change in accounting policies or practices, the consolidation of creditors or increased sophistication in internal collection efforts; potential concerns that the small value received for defaulted debt portfolios as a percentage of their face value may not outweigh the potential reputational risks or required management attention associated with selling defaulted debt portfolios; negative publicity or a loss of trust in the CMS industry, whether due to our failure or that of one or more of our competitors to meet applicable legal or regulatory obligations or otherwise; increased government regulation of the circumstances in which debt originators have a right to collect on debt; and the macroeconomic environment in the countries in which we operate, or to the extent that they may impact consumers or the domestic economy in such countries, macroeconomic conditions and other relevant global or European developments. Additionally, an increase in demand for debt portfolios among competitors could result in our not being chosen to purchase a debt portfolio due to more attractive offers from competitors.

Furthermore, the quality of the debt offered in the portfolios available for purchase may be affected by the aforementioned factors as well as originators' willingness to sell debt early in the collection process. If, for example, originators choose to perform more of their own collections or to rely more heavily on DCAs for initial collection efforts, there could be a reduction in the availability of debt that is sold early in the financial difficulty cycle and has had little or no exposure to collection activity. For further discussion, see "—*We depend on the continued willingness and ability of our clients to outsource their debt collection and offer their portfolios for sale*."

There can be no assurances that we will continue to be able to identify a sufficient volume of portfolios at appropriate prices. If the volume of debt sales or the quality of debt sold decreases, we may not be able to buy the type and quantity of receivables at prices consistent with our historic return targets. Generally, prices vary significantly among industries. If we are unable to identify portfolios at appropriate prices or that are of sufficient quality, we may need to purchase portfolios at higher prices, reducing our level of profit, or portfolios of asset types or in industries in which we have little or no experience, or where it is more difficult to collect on overdue receivables. Purchases in these asset types or industries may impair our ability to collect on these claims and may cause us to overpay for these claims. Consequently, we may not be able to meet our historical profit targets in respect of, or make any profit at all, from these debt purchases.

The supply of debt portfolios available for purchase varies over time. This inconsistency in the availability of portfolios for purchase may mean that during certain financial reporting periods we may make few or no debt purchases. This could adversely affect our reported results. In addition, if any originators with which we have committed to purchase debt portfolios should fail to complete such sales, we may be unable to make such

committed portfolio purchases. If we do not continually replace the debt portfolios we service with additional portfolios, our business could be materially and adversely affected. For further discussion of these risks, see "—*We depend on the continued willingness and ability of our clients to outsource their debt collection and offer their portfolios for sale*."

If we are unable to identify sufficient levels of attractive portfolios and generate an appropriate return on purchased debt, we may experience difficulties covering the related expenses and may, as a consequence, need to reduce the number of our collection personnel or take other measures to reduce costs. These developments could lead to disruptions in our operations, loss of efficiency, decreased employee morale, fewer experienced employees and excess costs associated with unused space in our facilities and, as a result, a further loss of clients. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Failure to renew existing debt collection contracts on similar terms or at all, win new debt collection contracts, replace terminated forward flow agreements or successfully manage our commitments under forward flow agreements may adversely affect our revenue.

We obtain most of our debt collection contracts initially through a competitive bidding process, and, apart from forward flow agreements that we renew on a bilateral basis, substantially all of the debt collection contracts that we expect to seek in the foreseeable future likely will be subject to a competitive bidding process. We may be required to compete to renew existing debt collection contracts that have in the past been awarded to us without competition from competitors or for which we have been the incumbent provider of debt collection services for a long time. We may also enter into debt collection contracts at price levels or with margins that are lower than we find acceptable, if we want to develop a new relationship with an originator or get a foothold in new industries or if the overall competition for debt portfolios increases. We may not be afforded the opportunity in the future to bid on debt collection contracts that are held by other companies and are scheduled to expire if the existing contract is extended. In addition, we cannot be certain that all our existing clients will choose to continue to use our debt collection services for the same volumes of debt or at all in the future. Our inability to renew contracts with existing clients on similar terms or at all or to find suitable replacements could have a material adverse effect on our business, financial condition and results of operations.

In the period from June 1, 2004 to June 30, 2016, 39% of Lowell's purchased portfolios were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing £418.1 million in purchase price consideration and a principal value of £5.3 billion. In the period from September 30, 2003 to June 30, 2016, 40% of GFKL's purchased portfolios were acquired pursuant to forward flow agreements, representing €161 million in purchase price consideration and a principal value of €553 million, which excludes any accrued interest and any fees and costs at the time of purchase. A forward flow agreement is an arrangement in which we agree to purchase claims based on specific parameters from a third-party supplier on a periodic basis at a set price over a specified time period. Although our fixed term forward flow agreements mainly include provisions for automatic renewal if none of the parties expressly terminates the agreement, a number of our forward flow agreements may expire in 2016, 2017 and 2018. We could lose a potential source of income if we are unable to renew or replace any volume represented by our forward flow agreements upon termination or expiration. Although we expect that many of these will be renewed, our current forward flow agreements provide no medium to long-term assurance on purchasing levels.

We are dependent on clients in a variety of industries and failure to maintain relationships with these clients could have a material adverse effect on our business, prospects, financial condition and results of operations.

A significant portion of the Group's revenue is generated from a limited number of industries. For the 12 months ended June 30, 2016, 44% of our revenue from third-party collection services, excluding lawyer service revenue and other services revenue, came from the insurance industry, while more than half of our debt portfolios were purchased from retail or financial services clients with retail and financial services clients accounting for 24% and 46% of our debt purchases, respectively (see *"Presentation of Financial and Other Information"* for a description of "other revenue").

A significant decrease in the amount of debt collection outsourced or the volume of debt available for purchase from any of our principal clients in these sectors on acceptable terms would force us to seek alternative sources of revenue. Clients may elect to change receivables management providers if the providers' reputation is harmed by external factors. In addition, our clients may change receivables management providers based on a

change of control. See "—*Limitations imposed on us by debt originators of debt portfolios may adversely impact our operational flexibility*." We may be unable to find alternative sources of revenue and, even if replacement clients could be found, the search could take time or the debt could be of lower quality and/or higher cost. See "—*A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business*." Any material failure in the insurance, telecommunications, retail or financial services sectors or any significant change in the willingness or ability of debt originators in these sectors to outsource or sell their debt to debt collection agencies, such as changes in applicable law or regulations relating to these industries that restrict or prohibit such actions, could materially and adversely affect our business, financial condition and results of operations.

We depend on the continued willingness and ability of our clients to outsource their debt collection and offer their portfolios for sale.

We depend on the willingness and ability of our clients to continually engage us to provide CMS. Some factors that may influence our clients' willingness and ability to engage us to provide CMS include, but are not limited to, the strength of our reputation, regulatory pressures our clients face and the value proposition that we offer. Debt originators may develop technological tools similar to ours, such as sophisticated data analytics and customer profile development that could increase their competitive advantages. If debt originators choose to perform more of their debt collections internally as a result of these data quality improvements, the volume of debt portfolios available for purchase could decrease and the quality of debt portfolios that are sold could suffer. This could materially and adversely affect our business, financial condition and results of operations. See "—*A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business*."

Our business would be adversely affected if our clients decide to reduce or discontinue the outsourcing of their debt collection or portfolio sales or if the actual growth of levels of outsourcing and sales is lower than expected. In addition, our future revenue growth may be limited if companies that do not currently outsource their debt collection or sell portfolios continue to manage their portfolios in-house. There can be no assurances that the demand for our services will increase or remain the same, and a decrease or stagnation in demand for our services, or if one or more material debt originators stop or decrease their portfolio sales due to one of the factors listed above or any other factors, could have a material adverse effect on our business, results of operations or financial condition.

We generate a significant amount of our revenue from a small number of large creditors and we are dependent on a small number of key suppliers.

Although the relative significance of individual creditors changes from year to year, a significant percentage of our revenue is generated by contracts with a small number of creditors in any given year. As a Group, for the twelve months ended June 30, 2016, our top five portfolio purchases vendors by purchase value (excluding one-off secondary purchase) represented 12%, 10%, 10%, 5% and 4%, respectively and our top five Group third-party collections clients represented 20%, 8%, 7%, 7% and 7%, respectively.

A creditor's decision to sell debt to us or contract with us for third-party collection services is based on price, reputation, compliance history and other factors. We cannot be certain that we will maintain our relationships with our current and/or future debt originator clients including large creditors that make material contributions to our revenue. These clients may cease to offer us desirable terms or debt in acceptable quantities, or they may become insolvent or cease to exist. For example, GFKL lost one of the top 10 originators in its third-party collection services business in 2014, mainly due to the originator's shift towards another collection model. Although no originator from our top 10 in 2015 and 2016 has terminated a contract, we may lose more clients in the future. Furthermore, many of our contracts with our clients do not have a fixed term or renew automatically on an annual basis and, therefore, may be terminated on relatively short notice in certain circumstances. Any changes to the key relationships that we rely on could have a material adverse effect on our business, results of operations or financial condition.

A significant decrease in the volume of debt portfolio purchases available from any of the debt originators with which we are currently working, on terms acceptable to us, would make it necessary to further enlarge our network of sellers or the sources of debt to purchase. Furthermore, because reputation is paramount in our industry, the loss of a key vendor relationship could jeopardize our existing relationship with other vendors or our ability to establish new relationships with other vendors. We may be unable to find alternative sources from which to purchase debt, and even if we could successfully replace such purchases, the search could take time, and the receivables could be of lower quality or higher cost, any of which could materially adversely affect our business.

See *"—A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business."*

In addition, we face supply risks, including certain single-source supply risks. In particular, Lowell relies on Experian for a substantial amount of its consumer credit data (for further discussion of this risk, see "—*We are highly dependent on our intelligence systems and proprietary customer profiles*"), and GFKL relies upon ABIT for certain software solutions and Deutsche Post for mail handling. If any of these suppliers were to significantly limit access to their services, significantly raise their prices, experience labor disputes and work stoppages, become insolvent or cease to exist, this could impede our ability to collect on claims or increase our collections costs and therefore have a material adverse effect on our business, results of operations or financial condition.

We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have.

We face competition from new and existing purchasers of debt portfolios and debt collection providers in the markets in which we operate.

Competition in the UK market

We face competition in the United Kingdom from new and existing purchasers of debt portfolios, and large and established foreign debt purchasers are active in the UK debt purchase market. In addition, the UK debt purchase market has recently experienced significant capital inflows. Furthermore, average portfolio purchase prices in the UK debt purchase market are expected to increase over the coming years due to: (i) improvements in collection efficiencies; (ii) sustained competition for the purchase of portfolios; and (iii) greater proportions of the portfolios sold containing fresher debt, with a higher proportion of paying accounts. We may also face competition in this market from financial investors (*i.e.,* those more suited to the purchase of a portfolio consisting of largely paying accounts, such as institutional investors). Such competition may lead to an increase in the purchase price demanded by debt originators for their debt portfolios, which we may not be willing or able to offer.

Even though we have a small DCA business in the United Kingdom operated by Lowell's subsidiary, Interlaken, our UK business focuses on the purchase of debt portfolios. Some of our competitors have more significant UK DCA businesses in addition to operations involving the purchase of debt portfolios. These competitors may be able to offer originators a more attractive suite of services, or they may be able to use the consumer data provided at the DCA stage to help them price debt portfolios more accurately, or collect debt receivables more effectively or efficiently, than we can.

There can be no assurance that we will be able to offer competitive bids for debt portfolios, or that we will be able to maintain the advantages in tracing technology, customer profile development, or low servicing costs that we believe that we currently possess in the UK market. If we are unable to develop and expand our business or adapt to changing market needs as well as our current or future competitors are able to do, or if our competitors are able to make advances in their pricing or collections methods that we are not able to make, we may be unable to purchase debt portfolios at prices we deem appropriate in order to operate profitably in the United Kingdom. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Competition in the German market

The German debt collection market is highly fragmented and consists of numerous companies with varying profiles. These companies compete with us on, among other things, the basis of price. New entrants to the German market and existing competitors may offer more attractive pricing levels, both for debt collection contracts and for debt portfolio purchases, and accept lower returns in order to gain or increase market share. There can be no assurances that this price competition will not result in us paying higher prices for portfolios that we purchase or charging less for our debt collection services, both of which could decrease our margins and have a material adverse effect on our business, results of operations or financial condition.

We face bidding competition in our acquisition of debt portfolios in the German market. We believe that successful bids are awarded based on price and a range of other factors, including service, compliance, reputation and relationships with the sellers of debt portfolios. Some of our current competitors, and potential new competitors, in the German market may have more effective pricing and collection models, greater adaptability to

changing market needs and more established relationships in our industry or the business sectors in which we operate. Moreover, our competitors in the German market may elect to pay prices for debt portfolios that we determine are not economically sustainable and, in that event, our volume of debt portfolio purchases may decrease. There can be no assurance either that our existing or potential debt portfolio sources within the German market will continue to sell their portfolios at recent levels or at all, or that we will continue to make competitive bids for debt portfolios.

Some of our current competitors, and potential new competitors, in the German market may have substantially greater financial resources, less expensive funding or lower return requirements than we currently have. The receivables management industry in Germany might further consolidate and our competitors might merge, creating size and scale benefits that we might not be able to match. Our competitors in Germany might also engage in securitization programs that might free up more funding sources for debt portfolio purchases. In addition, in the future we may not have the financial resources to make competitive bids for portfolio purchases and debt collection contracts, especially when competing with competitors that have greater financial resources than we have. Competition is not limited to the bidding process, as some of our clients will simultaneously retain multiple receivables management companies to perform collections on their behalf, thereby intensifying the competition for ongoing and new business. There can be no assurances that we will be able to develop and expand our business in Germany or adapt to changing market needs as well as our current or future competitors. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Competition in other markets

With the recent acquisition of IS Inkasso Service, we also operate in Austria, Switzerland, Croatia and Slovenia. In the future, we may expand into additional markets. We face significant competition in each of our current markets and expect to face significant competition in any other market that we may enter into in the future. There can be no assurances that we will be able to develop and expand our business in these markets or adapt to changing market needs as well as our current or future competitors.

Errors in our collection process or other operational matters could have a negative effect on our business and reputation.

Our ability to collect debt according to the correct contractual terms and to treat customers fairly is critical to our business and our reputation. Our reputation is fundamental to maintaining our relationships with current and potential clients and regulators. The following events, among others, may have a negative effect on our reputation and/or our financial results: negative media publicity relating either to us or the wider CMS industry, allegations of unethical or improper behavior by us or third parties we use in the collection process, our inability to collect debt on an accurate and timely basis, our failure to respect and treat the customers fairly, failures in our collection and data protection processes, the actions of third parties engaged by us in the debt collection process, IT platform failure or other operational issues, litigation, regulatory restrictions, investigations, fines or enforcement actions and matters affecting our financial reporting.

The collection of debt involves complex interpretations and calculations of contractual terms that may vary by debt originator, which may impact the calculation of customers' resulting payment obligations and the collection strategies we employ. The inherent complexity of debt calculation and historical inaccuracies may result in our failure to choose the correct collection strategies and could lead to incorrect payment calculations in the future. Furthermore, under German law, if we agree on a payment plan with a customer based on an incorrect calculation of the debt, such payment plan will become binding and may not be renegotiated. Therefore, processing errors may have an adverse effect on our business, results of operations or financial condition.

Such processing or other operational errors could lead to an increase in new customer complaints which could harm our reputation with debt originators, customers and/or regulatory authorities. Any of the aforementioned events could thereby result in financial liability for us and could jeopardize our relationships with the debt originators with which we have already established a business relationship or our ability to establish new relationships with other debt originators, have a negative impact on a customer's willingness to pay a debt owed to us or to our clients, diminish our attractiveness as a counterparty or lead to increased regulation of the receivables management industry, each of which could have a material adverse effect on our business, results of operations or financial condition. See "*—Negative attention and news regarding the debt purchase and collection industry and individual debt purchasers and collectors, including us, may have a negative impact on a customer's willingness to pay a debt owed to us and may diminish our attractiveness as a counterparty for debt originators and other third parties*," "*—We are subject to UK, German and EU regulations, among others, and changes to the regulatory*

environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business" and "*—We are subject to audits conducted by sellers of our debt portfolios and creditors that place debt with us for collection on a contingent basis, and we may be required to implement specific changes to our policies and practices as a result of adverse findings by such sellers as a part of this audit process, or certain sellers may remove us from their panels of preferred purchasers, which could limit our ability to purchase debt portfolios from them in the future, which could materially and adversely affect our business*."

Negative attention and news regarding the debt purchase and collection industry and individual debt purchasers and collectors, including us, may have a negative impact on a customer's willingness to pay a debt owed to us and may diminish our attractiveness as a counterparty for debt originators and other third parties.

There are various factors that may cause customers to be more reluctant to pay their debt in full or at all, or more willing to pursue legal actions against us (including, in the United Kingdom, through complaints to the UK Financial Ombudsman Service (the "**FOS**"), and, in Germany, through consumer protection associations (*Verbraucherschutzvereine*) or other similar third party agencies), even if such actions are not warranted. These factors include, *inter alia*: (i) publications in online, print and broadcast media, from time to time, of stories about the debt collection or debt purchase industry that may cite specific examples of real or perceived abusive collection practices as well as regulatory investigations and enforcement actions; (ii) online articles, blogs and tweets that may lead to the rapid dissemination of a story and increase exposure to negative publicity surrounding the debt purchase and receivables management industry in general or in relation to us or any of our clients in particular; and (iii) websites where consumers list their concerns about the activities of debt collectors and seek online guidance from others on how to react to collection efforts. These websites are increasingly providing consumers with legal forms and other strategies to protest collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, the cost of collections may increase. Finally, in Germany, consumer blogs and consumer protection associations (*Verbraucherschutzvereine*) are becoming more common and add to the negative attention surrounding the receivables management industry.

Negative publicity could also result from us being named in published industry complaint data sites, receiving negative attention due to internal disputes, failing to prevent potential unlawful behavior of our employees and engaging in disputes with former employees or being subject to negative publicity relating to any of our clients or any former employers of our key executives. Negative publicity relating to violations by any of the third parties we engage of legal or other regulatory requirements could also result in negative publicity or reputational damage to us.

Any such negative publicity could jeopardize our existing relationships with debt originators or our ability to establish new relationships with other debt originators, diminish our attractiveness as counterparties generally or lead to requests by the debt originator to reassign debt portfolios. Any of the foregoing could impact our ability to purchase debt portfolios or our ability to collect debt owed to us or to our clients, and may materially and adversely affect our business, results of operations or financial condition.

We are subject to risks associated with our contracts and business model for debt collection services, including our ability to correctly assess pricing terms and the potential early termination or a reduction in the volume of claims we service.

The profitability of our debt collection services will generally depend upon our ability to successfully calculate prices by taking into consideration all economic factors and our ability to manage day-to-day operations under these contracts. Under most of our debt collection contracts we do not get paid unless a customer begins paying on a claim and we may be unable to accurately predict the costs or identify the risks associated with these contracts or the complexity of the services, which may result in lower than expected margins, losses under these contracts or even the loss of clients. Some of our material contracts for debt collection services subject us to early termination clauses in a range of circumstances and also include benchmark clauses or, in one instance, penalties for failed collections. If we are unable to satisfy the terms of our contracts, then we could potentially have contracts terminated and lose clients and revenue.

The majority of our material debt collection contracts have an initial stated term, typically one to three years, and, in some cases, termination clauses permitting the debt originator to cancel the contract at its discretion following the expiration of an agreed notice period. There can be no assurances that our clients will not exercise their rights to terminate their contracts prior to expiration or that we will be successful in negotiating new contracts with clients as such contracts expire. In addition, we are also exposed to unforeseen changes in the scope of

existing contracts, including prices or volumes, that may occur as a result of any changes in the general business or political landscape of our clients. Generally, our debt collection contracts do not have volume commitments, and a client can eliminate or reduce the volume of claims it outsources to us for debt collection without formally terminating the contract. We may have disputes or disagreements with our clients as to the level of services we have agreed to provide or contract terms. The potential effects of these risks may increase as we enter into larger contracts. If we are unable to fulfill our obligations under our contracts for any reason, we risk the loss of revenue and fees under that contract, the potential loss of a client and significant harm to our reputation. Any of our contracts could become more costly than initially anticipated, and as a result, we may experience significant increases in our operating costs and/or potential litigation. Furthermore, we may experience delays in integrating with our existing operations any additional collection platforms that we acquire or the carve-outs of our clients' in-house collections departments. Accordingly, if we are unable to collect or maximize payments from customers through our various initiatives, our business and financial condition may be adversely affected. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to collect the expected amounts on our existing debt portfolios or the value of our debt portfolios may deteriorate, and this may lead to reduced profits, write-downs or lost market opportunities.

As the length of time involved in collecting on our existing debt portfolios may be extensive and since the factors affecting debt collection rates may be volatile and outside our control, we may be unable to identify economic trends or make changes in our purchasing strategies in a timely manner.

If our diligence for the purchased debt is not sufficiently comprehensive or if the assumptions used by us in our models are incorrect, including, but not limited to, claims not being time barred, the age and balances of the purchased claims being correctly stated by the sellers, customers being alive and the claim not resulting from fraud, or if some of the accounts in a portfolio behave differently from the way we expect, there could result a loss of value in a portfolio after purchase, subsequent negative revaluations in our statement of financial position and a continuing deterioration in value over time as actual collections can deviate significantly from the collection estimates produced by our pricing model as accounts age. We do not have an insurance policy that covers breaches of guarantees, representations and warranties with respect to the quality of the purchased debt in our debt purchase agreements. Therefore, we may not be able to pass on the losses in the event that we cannot take recourse against the seller.

We purchase debt mainly at a discount to face value, except for small amounts of debt purchased through GFKL's PayProtect service, for which we pay the full face value of the debt. Debt that we purchase typically consists of loans that customers have failed to repay and, in certain cases that the debt originator has deemed to be uncollectable. It is crucial for our business that we are able to identify portfolios that are of sufficient quality for us to determine what we are likely to collect on the claims. Before making the decision to generally sell their overdue or defaulted debt and other overdue receivables, clients usually make various attempts to recover on such receivables, often using a combination of in-house recovery efforts and third-party collection agencies. These overdue claims are difficult to collect and we may not collect a sufficient amount to cover our investment associated with purchasing the portfolios of overdue receivables and the costs of running our business. There can be no assurances that any of the claims contained in our purchased portfolios will eventually be collected. Furthermore, most of the claims that we own are unsecured and an increase in bankruptcy filings involving customers could impact our ability to collect on those claims. If the cash flows from our existing portfolios (and the debt portfolios we purchase in the future) are less than anticipated, we may be unable to purchase all of the new debt portfolios that we would like to purchase, may need to pay a higher interest rate to finance the purchase of new debt portfolios or may need to accept lower returns. This could also result in further write-downs of our debt portfolios. As a result of further write-downs or any of the aforementioned factors, this could have a material adverse effect on our business, results of operations or financial condition.

Limitations imposed on us by debt originators of debt portfolios may adversely impact our operational flexibility.

Lowell derives the majority of its revenue from its debt purchase business, and for the year ended December 31, 2015, GFKL derived 48% of its revenue, excluding lawyer service revenue and other services revenue, from its debt purchase business (other services revenue shown as "other" in the notes to the GFKL 2015 Audited Consolidated Financial Statements). Contracts entered into with our clients for the purchase of debt portfolios typically impose various restrictions on our realization of value from the debt portfolios, including restrictions on our ability to resell portfolios, even if the legal title to the debt has been transferred to us. Debt originators from both our third-party collection services and purchased debt businesses may also restrict our

flexibility in pursuing certain enforcement and collection activities. In addition, our clients may have the right to compel us to undertake or refrain from taking certain actions, including agreeing the fees that we can pass through to the respective customers. Furthermore, debt originators may have rights to repurchase portfolios and require reassignment to protect against factors such as reputational risk. In instances where accounts are fraud-sensitive or where an accountholder has raised a complaint against the debt originator, among other things, debt originators may also have rights to repurchase or require reassignment of the respective debt portfolios. Debt originators may have the right to terminate such agreements upon a direct or indirect change of control of our company. Any of the foregoing factors may adversely impact the profitability of debt portfolios that we purchase and our operational flexibility and, therefore, have a material adverse effect on our financial condition and results of operations.

We are subject to audits conducted by sellers of our debt portfolios and creditors that place debt with us for collection on a contingent basis, and we may be required to implement specific changes to our policies and practices as a result of adverse findings by such sellers as a part of this audit process, or certain sellers may remove us from their panels of preferred purchasers, which could limit our ability to purchase debt portfolios from them in the future, which could materially and adversely affect our business.

Our companies are subject to audits that are conducted by sellers of our debt portfolios and creditors who place debt with us for contingent collections. In the United Kingdom, regulations require us to provide our clients with the opportunity to conduct such an audit whereas in Germany, client audits are available pursuant to provisions in some of our contractual agreements. In addition, relevant authorities may perform audits pursuant to the German Legal Services Act (*Rechtsdienstleistungsgesetz*), and in connection with such audits, we need to provide the relevant authorities with information upon their request. Audits may occur with little or no notice and the assessment criteria used by each seller and creditor varies based on their own requirements, policies and standards. Although much of the assessment criteria is based on regulatory requirements in the United Kingdom and in Germany, we may be asked to comply with additional terms and conditions that are unique to particular debt originators in either the United Kingdom or Germany. From time to time, clients may determine that we are not in compliance with certain of their criteria and in such cases, we may be required to dedicate resources and to incur expenses to address such concerns through the implementation of new policies and procedures or by other means. In addition, to the extent that we are unable to satisfy the requirements of a particular client or where our non-compliance is deemed sufficiently significant or systemic, such client may remove us from its panel of preferred purchasers or suppliers, which could limit our ability to purchase debt portfolios from, or service the collection of debt for, such client in the future, which could materially and adversely affect our business. Furthermore, in certain circumstances in the United Kingdom, audit reports may need to be provided to the regulator, and there is also a risk that any non-compliance identified in those reports may be viewed by the regulator as a breach of our regulatory obligations owed to it.

The statistical models and data analysis tools that we use in our business may prove to be inaccurate, we may not achieve anticipated levels of return and we may be unable to appropriately identify and address underperforming portfolios.

We use internally developed models and other data analysis tools extensively in our operations. At the time of purchase, however, we are likely to have imperfect information about the precise age of the debt, the ability of the customer to pay, the time at which the customer will pay and the cost required to service and collect on such debt. Therefore, our ERC figures could be inaccurate. Moreover, our performance metrics, such as ERC and gross money multiple, are forward looking in nature and have inherent limitations as they are based on historical data and assumptions based on such data, which may prove to be inaccurate. In addition, our historical information about portfolios may not be indicative of the characteristics of subsequent portfolios purchased from the same debt originator or within the same industry due to changes in business practices or economic developments and our internal databases may not be as extensive as needed for a comprehensive data analysis. There is a significant amount of management judgment and estimation involved in purchasing and valuing portfolios and there can be no assurances that management’s judgments and estimations will prove to be accurate. Furthermore, although we have review structures in place designed to ensure that portfolios performing significantly outside of forecast will be reviewed by management, there can be no assurances that we will be able to appropriately identify and address underperforming portfolios.

In addition, our data analytics teams may not be able to achieve the desired results and may not be able to create the data analytics functions which we need in order to operate profitably.

Furthermore, if we purchase types of debt portfolios with which we have limited experience or from clients with which we have no prior dealings, our ability to properly price and collect on such debt portfolios may be

adversely affected. Lack of reliable information, or the use of inaccurate assumptions, can lead to mispricing of purchased portfolios, which may have an adverse effect on the financial returns from such portfolios or can lead us to underbid on and lose bids for debt portfolio purchases. Our statistical models and analysis tools make use of information provided by third parties, such as credit information suppliers and other mainstream or public sources, or generated by software products. We have no control over the accuracy or sufficiency of information received from such third parties. If such information is inaccurate or insufficient, we could incorrectly price portfolios that we purchase, incorrectly value our existing debt portfolios, set debt originator prices or performance goals inaccurately, and/or experience lesser liquidation rates or greater operating expenses.

There can be no assurances that any of the current or future debt contained in our purchased portfolios will eventually be collected. If we are not able to achieve results consistent with our forecasted levels of collection and underlying cost assumptions, valuation impairments may be recognized, our portfolios may be written down and revenue and returns on purchases of portfolios may be reduced. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Our need to adapt to customers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling.

As required by both UK debt collection regulations and corporate policies, Lowell proactively works with customers who experience a reduced ability to pay their debt to try to reach an appropriate payment plan through means such as reduced average monthly payments. This adaptability on Lowell's part could lead to increased servicing costs as our employees in the United Kingdom renew contact with customers and revise pre-existing payment arrangements. Furthermore, a reduction in monthly payments would reduce our cash generation and returns on capital. These higher costs and lower returns would reduce our ERC. A change from our original estimates of servicing costs or customers' monthly payments may mean we may not achieve our expected returns. Additionally, our modeling for future pricing decisions may be rendered less reliable if we are unable to accurately predict the number of customers who will, or which customers will, need to reduce their debt payments or the amounts of such reductions. As a result, our financial condition, financial returns and results of operations may be materially and adversely affected.

We may experience volatility in our reported financial results due to the revaluation of our purchased debt portfolios and the timing of portfolio purchases during the financial year.

Our purchased debt portfolios are initially recognized at a carrying value equal to the portfolio's acquisition cost and are subsequently measured at amortized cost using the EIR method. Following acquisition, the value of these assets may be adjusted as the cash flow projections associated with the portfolios are reassessed based upon actual collections results. Accordingly, the value of our purchased portfolios as recorded in our Consolidated Financial Statements may fluctuate as a result of these reassessments.

There is sometimes a gap between the point in time when we purchase a portfolio and the point in time when we begin earning returns on the purchased portfolio. This is because we do not always have control over when a deal to purchase a portfolio will close, and we need to locate customers, build a consolidated profile of each such customer's circumstances and formulate an appropriate repayment solution before we can start to collect on a purchased portfolio. As a result, we may experience fluctuating cash flows and delays in generating income from purchased portfolios. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

We use a number of estimates and assumptions in the preparation of our consolidated financial statements, which could prove to be incorrect or cause our earnings to fluctuate.

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by management to be reasonable under the circumstances at the time. These estimates and assumptions form the basis of judgments about the carrying amounts of assets and liabilities that are not readily available from other sources.

Areas requiring more complex judgments may shift over time, based on changes in accounting policies or on changes in our business profile. In particular, we expect to become subject to IFRS 15 on or after January 1, 2017. We believe that how and when we recognize revenue will be affected by the implementation of IFRS 15. In

addition, more complex judgments are required in relation to revenue recognition, impairment of our purchased loan portfolios, collection forecast and impairment tests of our goodwill, among others. For example, the estimates used to calculate our returns on our purchased portfolios are primarily based on historical cash collection experience and payer dynamics. If future cash collections are materially different in amount or timing, our earnings could be affected, either positively or negatively. Higher collection amounts or cash collections that occur sooner than projected will have a favorable impact on revenue in the form of impairment reversals. In addition, higher collection amounts or cash collections that occur sooner than projected could have the effect of reducing the expected future value of our loan portfolios, requiring us to purchase additional loan portfolios in order to maintain our level of expected future cash flows, which we might not be able to do. Lower collection amounts or cash collections that occur later than projected will have an adverse impact and may result in an impairment of the purchased loan portfolio. Impairments, in turn, cause reduced and fluctuating earnings. In the future, should actual results differ from management's estimates and assumptions (particularly with respect to revenue recognition and collection forecast) this could have a material adverse effect on our business, prospects, results of operations and financial condition.

It can take several years to realize cash returns on our investments in purchased debt portfolios, during which time we are exposed to a number of risks in our business.

Lowell and GFKL generally measure their investments based on a projected return, typically up to 120 months, based on each company's historical data and collection forecast. It takes Lowell and GFKL an average of 22 months and 24 months, respectively, to collect the gross cash cost of each of their investments in debt portfolios (after taking into consideration, in the case of GFKL, its direct and indirect operating costs, financing costs, taxes and other factors (*e.g.*, real estate costs, legal and consulting costs and IT expenses)), and, in some cases, it may take significantly longer than average to realize cash returns equal to this initial investment. During this period, significant changes may occur in the economy, the regulatory environment, our business or our markets, which could lead to a reduction in our expected returns or forecasted collection plan, a reduction of which could cause us to record an impairment of our purchased debt portfolio, or reduce the value of the debt portfolios that we have purchased. Given the multi-year payback period on substantially all our purchases, each portfolio purchase exposes us to the risk of such changes for a significant period of time, which could have a material adverse effect on our business, results of operations or financial condition.

Our forward flow agreements may contractually require us to purchase portfolios at unfavorable or uneconomic prices.

In the period from June 1, 2004 to June 30, 2016, 39% of Lowell's purchased portfolios were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing £418.1 million in purchase price consideration. In the period from September 30, 2003 to June 30, 2016, 12% of GFKL's purchased portfolios were acquired under forward flow agreements, representing €553 million in purchased debt. Commitments under such forward flow contracts are typically for approximately one to three years, although Lowell has, in the United Kingdom, entered into a five year forward flow agreement with one creditor. However, depending upon the length of the contractual arrangements, forward flow agreements generally contain termination clauses that allow the arrangement to be terminated early and on relatively short notice in certain circumstances, such as where there is a change of control of Lowell or GFKL or at will for certain of our clients. We may be required to purchase debt under a forward flow agreement for an amount greater than we would have otherwise agreed to pay at the time of purchase due to pressure from larger clients or major debt portfolio sellers, which could result in reduced returns. In addition, we could be faced with a choice between decreasing our purchasing volume, agreeing to forward flow agreements at a higher average price or agreeing to fewer contractual protections concerning the portfolios we purchase, any of which could have a material adverse effect on our results of operations. We generally allow for some margin for future fluctuations in value of the debt we purchase through forward flow agreements, but future fluctuations in value may exceed that margin due to circumstances beyond our control, such as economic conditions or other market conditions. If the quality of debt purchased varies from our pricing assumptions, we may price the contract improperly, which could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to procure sufficient funding on favorable terms to purchase further debt portfolios as they become available.

Historically, we have funded purchases of portfolios through cash generated by our operations, borrowings and loans procured by our relevant majority shareholders. Our ability to obtain funding in the future from these sources will depend on our performance and prospects, as well as other factors beyond our control. Such factors

may include weak economic and capital market conditions during or prior to periods in which attractive debt portfolios are available for purchase, the ability and willingness of banks and other creditors to lend to our industry generally or to us, in particular, and changes in fiscal, monetary and other government policies, among others. An inability to procure sufficient funding at favorable terms to purchase portfolios as they become available could have a material adverse effect on our business, results of operations or financial condition.

We could be adversely affected if third parties providing services on which we rely, including lawyers or data providers, perform poorly, cease to provide services or fail to comply with applicable regulatory requirements.

Our business is dependent on a number of key relationships with third parties as part of the supply chain to provide our services. For example, when our internal debt collection efforts are unsuccessful, we may engage law firms, with which we have framework service agreements, to collect or enforce the receivables in our name or in the name of our clients. Any failure by third parties involved in our supply chain to adequately perform services for us on an efficient basis for any reason (including insolvency) or to meet agreed service levels could materially reduce our cash flows, income and profitability, and adversely affect our reputation and results of operations.

Furthermore, these third parties may not be bound by our industry standards and practices. These third parties could commit fraud with respect to the customer accounts that we place with them or fail to comply with applicable laws and regulations, such as data protection requirements, or to provide us with accurate data on the accounts they are servicing. To the extent that these third parties violate laws, other regulatory requirements or their contractual obligations to us, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed on us.

In addition, we depend on banking systems to execute payment transactions in connection with our business. A systematic shutdown or any other disruption of the banking industry or one of the banks we work with would impede our ability to process funds on behalf of clients and to collect on claims. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

We rely partly on data provided by multiple credit information suppliers and other sources in order to operate our business, and our UK operations, in particular, rely on the data provided by Experian. Our business, along with the businesses of our competitors, could be negatively affected if any third-party sources were to stop providing this data for any reason, including a change in laws or regulations, or if they were to raise the price of their services. In addition, any disruption of our relationship with Experian could affect the intelligence systems upon which we rely. See "—*We are highly dependent on our intelligence systems and proprietary customer profiles*" and "—*We generate a significant amount of our revenue from a small number of large creditors and we are dependent on a small number of key suppliers*" for further discussion. Furthermore, if data suppliers provide us with inaccurate data, we may have no recourse against them if we are exposed to claims by our clients, customers, or alleged debtors arising from the use of such inaccurate data, which may also lead to reputational damage. Conversely, through our subsidiaries we provide data to third parties as well and there is a risk that data provided by us may prove to be inaccurate or false and third parties could take recourse against us for providing false data.

In certain situations, we outsource some of our Lowell accounts to third-party DCAs for collection. For example, we may use third-party DCAs late in the collections process when our in-house methods of contact have not succeeded or when an atypical customer may be better served by a specialist DCA (*e.g.*, when the debt collection process is complicated by probate). Any failure by these third parties to adequately perform collection services for us or to remit such collections to us could materially reduce our cash flow, income and profits. We rely on these third parties to effectively manage their operations and to meet our servicing needs efficiently, but these third parties may not have the resources, management training and management depth that we have. This may negatively impact their ability to comply with applicable laws or other regulatory requirements. To the extent these third parties violate laws or other regulatory requirements in their collection efforts, it could negatively impact our business and reputation, and we may not be aware of the risk or occurrence of any such violation.

Any of these developments could hinder or prevent us from using our data analysis as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

Our recent acquisitions or our future acquisitions or business combinations may prove unsuccessful or they may strain or divert our resources, and we may not be able to manage our growth effectively.

Our strategy involves selectively acquiring businesses to increase our market share. Since January 1, 2013 we have acquired Interlaken, DMA and IS Inkasso Service, as well as a 51% interest in ITT. The continuation of this strategy depends on, *inter alia*, identifying suitable acquisition or investment opportunities and successfully completing those transactions. There can be no assurances that we will be able to identify or complete purchases or acquisitions in the future. Furthermore, it may take longer than expected to realize projected benefits from such future purchases or acquisitions because we often cannot control the timing of the closing of such transactions. Moreover, successful completion of an acquisition may depend on consents from third parties, including regulatory authorities and private parties, which are beyond our control.

If we carve-out in-house collections operations from our clients or wholly acquire other receivables management companies, we may not be able to successfully integrate these businesses with our own and we may be unable to maintain our standards, controls and policies, which may result in compliance issues, goodwill write offs and damage to our reputation. Our successful integration of acquired businesses will depend on our ability to effect any required changes in operations or personnel, and may require other capital expenditure or the funding of unforeseen liabilities. In addition, the integration and operation of any future acquisitions may expose us to certain risks, including difficulties in integrating the acquired businesses in a cost effective manner and establishing effective management information and financial control systems, the diversion of management's attention from our day-to-day business, the failure to maintain the quality of services that we have historically provided, transition difficulties with clients and unforeseen legal, regulatory, contractual, labor or other issues arising out of the acquisitions. Any failure to assess suitable acquisitions or to properly integrate them once acquired could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurances that any of the anticipated benefits from our recent acquisitions will be realized or that we will be able to realize such benefits from any future acquisition. In addition, our recent acquisitions and future acquisitions may place additional constraints on our resources, including diverting the attention of our management from other business concerns. Further, acquisitions expose us to the risks associated with write-downs and impairments to goodwill.

Integration of the businesses and carve-out assets we acquire may require significant financial and operating resources and exposes us to a variety of risks. For example, our ability to maintain our standards, controls, policies and the quality of services that we have historically provided could be compromised while we are in the process of integrating a recently acquired business, and this could result in compliance issues, goodwill write-downs and damage to our reputation. Additionally, our successful integration of any businesses we acquire depends on our ability to make required changes in operations or personnel quickly and effectively, and achieving this may require further capital expenditure or the funding of unforeseen liabilities. Moreover, difficulties with establishing effective management information and financial control systems, the diversion of management's attention from our day-to-day business, difficulties with transitioning clients and unforeseen legal, regulatory, contractual, labor or other issues arising out of the acquisitions could also arise in connection with our integration of acquired businesses.

In July and October 2014, GFKL acquired a 51% interest in ITT and fully acquired DMA, respectively. Lowell and GFKL have made efforts to integrate these new entities into each of their corporate groups. However, it may take longer than anticipated to integrate both entities in their respective corporate group or we may face costs and IT risks in integrating their respective IT platforms with our platforms and accordingly, such factors may divert the attention of our management from other business concerns. In addition, GFKL acquired DMA as part of a strategy to improve data analytics and monetize data mining services to external clients. It may take longer than anticipated to build the data mining capability and ensure a seamless interface between DMA and other GFKL entities, which could accordingly strain our internal resources.

In May 2016, we acquired IS Inkasso Service. We have made efforts to integrate this new entity into our corporate group. However, there can be no assurance that these efforts will be successful or that we will realize the expected benefit, or any benefit at all, from this acquisition. Furthermore, we may be unable to integrate IS Inkasso Service as quickly as anticipated, and the costs of integration may exceed our estimates.

Further, although we regularly acquire purchased debt portfolios, if we acquire a significant debt portfolio, and we are unable to realize our estimated collections on such debt portfolio, then the results of such an acquisition could have a material adverse effect on our returns.

We currently operate primarily in the United Kingdom and Germany with limited operations in Austria, Switzerland, Croatia and Slovenia. If we expand into new jurisdictions through future acquisitions, our business will be subject to applicable laws, regulations and licensing requirements in those new jurisdictions, which may be different or more stringent than those currently applicable to our business. Such expansion would also subject us to additional risks related to inflation, recession, currency and interest rate fluctuations, an inability to enforce remedies, difficulty in adequately establishing, staffing and managing operations, risk of non-compliance and business integrity issues, variations in regulation and governmental policies, including additional fees, costs and licenses, and risk of political and social instability within those jurisdictions.

There can be no assurances that we will be able to manage our growth effectively and that our infrastructure, facilities and personnel will be adequate to support our future operations or to effectively adapt to future growth. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We are highly dependent on our intelligence systems and proprietary customer profiles.

LIMA, Lowell's automated tracing and customer intelligence system, along with its proprietary PPM, provides information that is critical to our UK business. In order to operate this system, develop our proprietary customer profiles and run our business generally, we rely to a large extent on data provided to us by a single private credit reference agency. If this private supplier were to terminate its agreement with us or stop providing us with data for any reason, or if such private supplier were to considerably raise the price of its services, our business would be materially and adversely affected. Also, if any of the information or data that we use became public, for example due to a change in government regulations, or if the United Kingdom were to introduce measures that have the effect of facilitating the tracing of consumers, we would lose a significant competitive advantage and our business could be negatively impacted. Furthermore, private or public sources of our data could make claims that the way in which we collect or use information and data violates terms and conditions applicable to such use, and whether or not such claims have any merit, our reputation could be harmed and our ability to continue to use such information and data in the manner in which it is currently used could be impaired. If our competitors are able to develop or procure similar systems or methods to develop data, or if we become unable to continue to acquire or use such information and data in the manner in which it is currently acquired and used, we would lose a significant competitive advantage and our business could be materially and adversely affected. If we were prohibited from accessing or aggregating the data in these systems or profiles for any reason, our operations and financial condition would be negatively and materially impacted.

In addition, for certain of the systems, technologies and programs that we use, we rely on specialist IT providers. Some of these providers are small companies and their long-term financial viability cannot be assured. We cannot assure you that we will be able to find and retain alternative providers or acquire the rights to intellectual property important to our operations if our current or future providers become financially unstable. To the extent any of these systems, technologies or programs do not function properly and we cannot find and retain a suitable IT provider to help remedy the fault, we may experience material adverse effects on our business that require substantial additional investments to remedy, or which we may not be able to remedy at all.

Further, as some of the systems, technologies and programs that we use have been developed internally, we cannot be assured that our level of development documentation is comparable to that of third party software packages and we may have certain employees that possess important, undocumented knowledge of our systems. If any such employee were no longer to work for us, our ability to maintain, repair or modify our collections platform may be limited.

We may not be able to successfully maintain and develop our IT infrastructure platform or data analytics systems, anticipate, manage or adopt technological advances within our industry or prevent a breach or disruption of the security of our IT infrastructure platform and data analytics systems.

We rely on our IT infrastructure platform and data analytics systems and our ability to integrate these technologies into our business is essential to our competitive position and our success. This dependency subjects us to inherent costs and risks associated with maintaining, upgrading, replacing and changing these systems, including impairment of our information technology, substantial capital expenditures and demands on management time. For example, the carve-out of in-house collection operations or the acquisition of another debt collection company may force us to upgrade the IT platform and data analysis systems of the newly acquired operations or entity to meet our standards, causing increased capital expenditures and demands on management time.

IT and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis. We may not be successful in implementing improvements of our IT or data analytics systems and improving operation efficiency through further IT development, which could result in additional costs. The cost of these improvements could be higher than anticipated or result in management not being able to devote sufficient attention to other areas of our business. We depend on having the capital resources necessary to invest in new technologies to purchase and service claims, and there can be no assurances that adequate capital resources will be available to us at the appropriate time. Furthermore, if we become unable to continue to acquire, aggregate or use such information and data in the manner or to the extent in which it is currently acquired, aggregated and used, due to lack of resources, regulatory restrictions or any other reason, we may lose a significant competitive advantage. For example, DMA holds a data trading license that provides us with the future potential to enter into the data trading field and leverage our extensive databases. However, this and other potential initiatives are not yet fully developed and may not achieve their desired results, which could cause us to lose valuable market opportunities and fall behind our competition in advanced data analytics.

Any security breach in our IT infrastructure platform and data analytics systems, or any temporary or permanent failure in these systems, could disrupt our operations. We may be required to enhance capabilities and resilience and we may be subject to future attempts to gain unauthorized access to confidential or sensitive information. Our websites could potentially suffer cyber-attacks, which could disrupt our IT infrastructure platform and data analytics systems and impair our ability to provide online services. In addition, in the event of a catastrophic occurrence, our ability to protect our infrastructure and maintain ongoing operations could be significantly impaired. Our business continuity and disaster recovery plans cover the majority of our systems and services, but may not be successful in mitigating the effects of a catastrophic occurrence, such as fire, flood, tornado, power loss, sabotage or telecommunications failure for some or all of our IT infrastructure platform and data analytics systems. Any of these developments could hinder or prevent us from using our IT infrastructure platform or data analytics systems as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

Our operations could suffer from telecommunications or technology downtime, increased technology costs or an inability to successfully anticipate, manage or adopt technological advances within our industry.

Our success depends on sophisticated telecommunications and computer equipment, as well as software systems. In the normal course of our business, we must record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our pricing and collection activities. We also use these systems to identify and contact large numbers of customers and record the results of our collection efforts. These systems could be interrupted by terrorist acts, natural disasters, power losses, computer viruses or similar events. Any failure of our systems, especially if it also impacts our backup or disaster recovery systems, would disrupt our operations and materially and adversely affect our business. Any temporary or permanent loss of our ability to use our telecommunications or computer equipment and software systems could disrupt our operations and have a material adverse effect on our financial condition, financial returns or results of operations.

Further, our business depends heavily on services provided by various internet service providers and local and long distance telephone companies. Our ability to use telecommunications systems to contact customers is governed by data protection, telecommunications and privacy requirements and regulatory rules and guidance issued by regulators. These may change and may make using, accessing, transferring or storing customer documentation more onerous in the future. If our equipment or systems cease to work or it becomes difficult to continue to use them in the same manner as we do today as a result of any regulatory development, we may be prevented from providing services and we may not be able to collect on the receivables we have purchased. We may face similar consequences if there is any change in the telecommunications market that would affect our ability to obtain favorable rates on communication services or if there is any significant interruption in internet or telephone services. Since we generally recognize revenue and generate operating cash flow primarily through collections, any failure or interruption of services and collections would mean that we would continue to incur payroll and other expenses without any corresponding income.

Additionally, computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis, which could reduce our profitability or disrupt our operations and harm our business. While we believe that our existing information systems are sufficient to meet our current demands and continued expansion, our future growth may require additional investment in these systems. We depend on having the capital resources

necessary to invest in new technologies to acquire and service our debt portfolios. We cannot ensure you that adequate capital resources will be available to us when we need to make such investments.

Improper disclosure of our clients' sensitive data, customer data or a breach of data protection laws could negatively affect our business or reputation.

We handle and process large amounts of potentially sensitive or confidential information, such as personal information of customers, including names and account numbers, locations, contact information and other account specific data. Any security or privacy breaches of these databases could expose us to liability, increase our expenses relating to resolution of these breaches, harm our reputation and deter clients from conducting business with us. We rely on our data analytics systems to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our debt collection and for our analysis of potential debt purchases. Our ability to conduct our business, including our ability to price the purchase of portfolios, trace customers and develop tailored repayment plans, depends on our ability to use customer data in our data analytics systems.

Our ability to obtain, retain, share and otherwise process customer data is governed by data protection laws, privacy requirements and other regulatory restrictions. For example, in Germany and the United Kingdom, personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, to comply with the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) and the UK Data Protection Act 1998, both implementing Directive 95/46/EC of the European Parliament and of the Council dated October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, personal data collected within the scope of these Acts must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept in a form that permits identification of customers for a longer period of time than necessary for the purposes of the collection or other legal obligations, *e.g.*, in Germany, obligations pursuant to the German Commercial Code (*Handelsgesetzbuch* (HGB)).

We may not be able to prevent the improper disclosure or processing of such sensitive information in breach of contract and applicable law. These databases and customer data are vulnerable to damage from a variety of sources, including telecommunications and network failures and natural disasters. The databases are also vulnerable to human acts both by individuals outside of the Group as well as our employees, including fraud, identity theft and other misuse of personal data. Moreover, our systems may be subject to physical or electronic break-ins, computer viruses and similar disruptive problems. Any security or privacy breach of these databases could expose us to liability, increase our expenses relating to the resolution of these breaches, harm our reputation and deter vendors from selling debt to us. Any material failure to process customer data in compliance with applicable laws could result in the revocation of our licenses, monetary fines, criminal charges and breach of contractual arrangements. Any issue of data protection could have a material adverse effect on our business, results of operations or financial condition.

Failure to protect our customer data from unauthorized use or provide adequate data protection could negatively affect our business.

Failure to protect, monitor and control the use of our customer data could cause us to lose a competitive advantage. We rely on a combination of contractual provisions and confidentiality procedures to protect our customer data, and our customer data is stored and protected in our IT infrastructure platform with access limitations in accordance with our technical and organizational measures. These measures afford only limited protection, and competitors or others may gain access to our customer data. Our customer data could be subject to unauthorized use, misappropriation or disclosure, despite our having required our employees, consultants and clients to enter into confidentiality agreements. There can be no assurances that such confidentiality agreements will not be breached or will be of sufficient duration and that adequate remedies will be available in the event of an unauthorized use or disclosure. Policing unauthorized use of such rights can be difficult and expensive, and adequate remedies may not be available or available in an acceptable time frame. A failure to protect our customer data from unauthorized use, or to comply with current applicable or future laws or regulations, could have a material adverse effect on our business, results of operations or financial condition.

Our confidentiality agreements may be breached, or may fail to protect our proprietary processes and systems.

We rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. Certain of our employees possess valuable trade secrets about our models, customer databases and our business processes, and the risk of disclosure of such proprietary know-how could be heightened if any such employee ceases to work for us. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our proprietary know-how, there can be no assurance that:

- our confidentiality agreements will not be breached or will be of sufficient duration;
- such agreements will provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and know-how.

In addition, there can be no assurances that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

We may initiate lawsuits to enforce our confidentiality agreements and the ownership of our intellectual property. Initiating litigation relating to intellectual property rights is costly and may divert technical and management personnel from their day-to-day responsibilities. In many cases it may not be possible to initiate a lawsuit prior to the disclosure of our trade secrets or proprietary know-how, at which point the damage to our competitive position may be severe or irreparable. Furthermore, we may not prevail in any such litigation or proceeding. A determination in a proceeding that results in a finding of non-infringement or non-violation by others of our intellectual property or confidential agreements may result in the use by competitors of our technologies or processes, which may have a material and adverse effect on our financial condition, financial returns and results of operations.

Our risk management procedures may fail to identify or anticipate future risks.

We continually review our risk management policies and procedures and will continue to do so in the future. Although we believe that our risk management procedures are adequate, many of our methods of managing risk and exposures are based upon observed historical market behavior and statistic-based historical models. As a result, these methods may not accurately predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, debt originators, DCAs, customers or other matters that are publicly available or otherwise accessible to us. We rely on intermediaries such as DCAs, and we may be held liable for the acts of intermediaries if we cannot demonstrate that we have adequate procedures in place to prevent risks such as bribery. For example, debt originators typically require us to assume responsibility for the acts of their respective third-party intermediaries in relation to ongoing compliance matters. Further, we keep track of employee misconduct and have policies and procedures in place to minimize its impact, but these procedures may not prove sufficient (for example, to avoid employee fraud). Failure (or the perception that we have failed) to develop, implement, monitor and, when necessary, preemptively upgrade our risk management policies and procedures could, at the very least, give rise to reputational issues for both us and any associated debt originators, and may result in breaches of contractual obligations by us, for which we may incur substantial losses and face removal from debt originators' purchasing panels. Risks that we fail to anticipate, and/or adequately address, could have a material adverse effect on our business, prospects, results of operations and financial condition.

Loss of one or more members of senior management or a significant number of trained personnel could negatively affect our business.

Our future success depends on the skills, experience and efforts of our senior management and other key personnel and our ability to retain such members of our senior management team and other key employees. We may not be able to retain our executive officers and key management personnel or attract additional qualified management in the future. The loss of the services of our senior management and other key personnel could seriously impair our ability to continue to purchase portfolios or collect claims and to manage and expand our business, which could have a material adverse effect on our business, results of operations or financial condition.

In addition, our growth requires that we continually hire and train new customer account associates (each, a "**CAA**"). As is typical among companies that rely on call center operations in the UK market, employee turnover among CAAs at Lowell has been significant. For example, as of June 30, 2016, the average tenure of CAAs in Lowell in the United Kingdom was 29 months. Increases in the turnover rate among our CAAs at Lowell or any of our other companies could increase our recruiting and training costs and limit the number of experienced personnel available to service our and our clients' portfolios. If this were to occur, we would not be able to service such portfolios effectively and the constraint on our resources may reduce our ability to continue our growth and to operate profitably. The demand in our industry for personnel with the relevant capabilities and experience is high and our success in attracting and retaining employees is not guaranteed. There can be no assurances that we will be able to continue to hire, train and retain a sufficient number of qualified personnel to maintain adequate staffing levels or to be flexible enough to react to changing market environments.

We also have a number of employees who possess critical knowledge about our IT infrastructure platform, data analytics systems and our debt purchase operations, and an inability to retain these employees could negatively impact our business. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Increases in labor costs, potential labor disputes and work stoppages could negatively affect our business.

Our financial performance is affected by the cost of labor. As of June 30, 2016, Lowell had 1,394 FTE employees and GFKL had a total of 814 FTE employees. An increased demand for our employees from competitors could increase costs associated with employee compensation, which could have a material adverse effect on our business, results of operations or financial condition.

In the United Kingdom, although no union has reached the membership threshold required for formal recognition, if any union were to reach membership levels of 10% or more of Lowell's total employees and were to be formally recognized, such union would need to be consulted on a number of business decisions affecting its members' terms of employment. In addition, if the unions to which our UK employees currently belong were to consolidate, or if any union were to attract more employees, that union may seek employment terms that could adversely affect the stability of our work force and increase our costs.

Our German employees have established a company works council (*Konzernbetriebsrat*), two joint works councils (*Gesamtbetriebsräte*) and seven works councils (*Betriebsräte*). We also have two collective bargaining agreements (*Manteltarifverträge*) currently in force for German employees who were carved out of our clients' operations. In accordance with the German One-Third Participation Act (*Drittelbeteiligungsgesetz*) in connection with the Stock Corporation Act (*Aktiengesetz*), we have established a Supervisory Board (*Aufsichtsrat*).

Any move by our employees toward further unionization or any other labor relations disputes or work stoppages and/or strikes could disrupt our operations and have a material adverse effect on our business, results of operations or financial condition.

Litigation, investigations and proceedings may negatively affect our business.

We may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings now pending or that may be instituted in the future, or from investigations by authorities, regulatory bodies or administrative agencies. There are certain lawsuits pending, which, if the outcomes are resolved against us, could have a material adverse effect on our business, results of operations or financial condition. For example, GFKL is engaged in ongoing appraisal right proceedings in relation to the 2006 merger of GFKL Holdco and a listed stock corporation ABIT AG, where ABIT AG shareholders were offered a GFKL share conversion or cash compensation for their ABIT shares. Twenty-seven ABIT shareholders initiated an appraisal rights proceeding and while an initial decision was rendered in 2012, the decision was set aside and the matter was remitted to the district court. The outcome of this proceeding is inherently uncertain. As of December 31, 2015, GFKL has recognized provisions of €7.5 million for potential payments. However, we cannot predict when the matter will be resolved or assure you that any such litigation will not result in payment of settlement amounts or the granting of other remedies in excess of what we have provisioned. In addition, several former minority shareholders of GFKL Holdco initiated appraisal proceedings (*Spruchverfahren*) against Garfunkel Holding seeking a higher cash compensation (*Barabfindung*) in connection with the squeeze-out in late 2015 on the grounds that the cash compensation as determined by Garfunkel Holding as then majority shareholder was inadequate.

We may become subject to claims and a number of judicial and administrative proceedings, including consumer credit disputes with customers, labor disputes, contract disputes, intellectual property disputes, environmental proceedings, government audits and proceedings, tax audits and disputes and client disputes. In some proceedings, the claimant may seek damages as well as other remedies, which, if granted, would require expenditures on our part, and we may ultimately incur costs relating to these proceedings that exceed our present or future financial accruals or insurance coverage. Even if we or our directors, officers and employees (as the case may be) are not ultimately found to be liable, defending claims or lawsuits could be expensive and time consuming, divert management resources, damage our reputation and attract regulatory inquiries. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

In recent years, there has been a substantial increase in consumers' propensity to bring claims related to debt collection to the courts in their attempts to claim refunds of sums paid under consumer credit agreements or to avoid making payments going forward. This litigation has been fueled by a substantial rise in claims management companies that aggressively advertise for potential claimants and then bring claims in the hope and expectation that they will be paid a portion of any debt written off. Substantial claims volumes have been made in relation to premiums for mis-sold PPI (which can form part of the debt being collected) and other types of charges added onto credit accounts. Claims could also be brought in relation to other areas of alleged noncompliance, which could affect a large portfolio of agreements. We may in the future be named as defendants in litigation, including under consumer credit, collections and other laws. We may also have disagreements or disputes with sellers from which we purchase debt, parties to which we outsource accounts or other counterparties. Such claims against us, complaints, disputes or disagreements, regardless of merit, could result in or subject us to costly litigation and divert our management personnel from their regular responsibilities. Furthermore, if such claims are adversely determined against us, we could be forced to suspend certain collection efforts or pay damages, and our reputation, financial condition, financial returns and results of operations could be materially and adversely affected.

Our collections may decrease and/or the timing of when we collect be delayed if the number of consumers becoming subject to personal insolvency procedures increases.

We recover on claims that may become subject to insolvency procedures under applicable laws and we also purchase portfolios containing claims that are currently subject to insolvency proceedings. In the United Kingdom, these include individual customers who may have an individual voluntary arrangement with their creditors. In Germany, these include insolvency proceedings regarding natural persons (*Verbraucher*).

Various economic trends and potential changes to existing legislation may contribute to an increase in the number of consumers subject to personal insolvency procedures. Under some insolvency procedures, a person's assets may be sold to repay creditors, but because the debt portfolios that we service are generally unsecured, we are generally unable to collect on such debt portfolios through these proceedings. Therefore, our ability to successfully collect on portfolios may decline, or the timing of our collections on portfolios may be delayed, as a result of an increase in personal insolvency procedures. These scenarios could have a material adverse effect on our business, results of operations or financial condition.

We may be unable to enforce accounts where any underlying debt documentation is legally defective.

When we commence enforcement actions through legal proceedings, courts may require a copy of the account statements or applications to be attached to the pleadings in order to obtain a judgment against a particular customer. Where we are unable to produce account documents in response to a customer's request, that account would be legally unenforceable. Furthermore, if any of the account documents we do have were found to be legally unenforceable, courts may deny our claims. Any changes to laws, regulations or rules that affect the manner in which we initiate enforcement proceedings, including rules affecting documentation, could result in increased administration costs or limit the availability of litigation as a collection tool, which could have a material adverse effect on our business and results of operations. Additionally, our ability to collect by means other than legal proceedings may be impacted by laws that require that certain types of account documentation be in our possession prior to the institution of any collection activities, which could also have a material adverse effect on our business and results of operations.

We may purchase portfolios that contain accounts that are not eligible to be collected, including due to defects in customer documentation that may make the credit agreements unenforceable, and an enforcement of related claims may be difficult.

In the normal course of our debt portfolio purchases, and in the management of any forward flow agreements that we may enter into from time to time, some individual accounts may be included in the portfolios that fail to conform to the terms of the purchase contracts, and we may seek to return these accounts to the debt originator for payment or replacement. Such debt originator may, however, be unable to meet its obligations to us or we may not identify non-conforming accounts soon enough, or at all, to qualify for recourse to the debt originator. Further, our debt purchase agreements impose or may impose restrictions on our ability to return non-conforming accounts by imposing a minimum threshold value that must be met. Each contract specifies which accounts are eligible and which are not. Examples of ineligible accounts could include those that have a foreign address, those that have been subject to fraud, those that have an incorrect balance or those involving a customer serving time in prison. Accounts that would be eligible for recourse if discovered in a timely fashion, but that we do not discover in time for such recourse, are likely to yield no return.

If we fail to identify whether our requirements are met during the due diligence process undertaken during a debt purchase transaction, the applicable credit agreement may become unenforceable and require us to undertake a remediation exercise that may result in balance adjustments and/or cash refunds due on the purchased accounts. In some cases, such remediation exercises may result in the amounts of compensation exceeding the purchase price and therefore resulting in total loss of the portfolio value and potentially additional expenditure on our part. The quality of historical customer documentation may not allow, in each case, the discovery of past breaches relating to form and content requirements that would impair our ability to correctly assess the value of the portfolio, resulting in the risk of loss or reduction in the particular purchased portfolio's value.

As our business relies on our ability to enforce the contracts underlying our owned customer accounts, a contract found to be invalid or unenforceable could hinder our ability to recover from purchased accounts. If we purchase debt portfolios containing too many accounts that do not conform to the terms of the purchase contracts or contain accounts that are otherwise uncollectable or unenforceable, we may be unable to recover a sufficient amount, or anything at all, and such a portfolio purchase could be unprofitable. Additionally, we may be unable to ascertain whether the debt originator has been in compliance in connection with the underlying accounts at a sufficiently early stage. With respect to any future acquisitions of other debt collection companies, we may not have any contractual protection in relation to liabilities or operating or other problems in relation to the loan portfolios of the acquired company, and we may not discover such shortcomings until after completion of such acquisitions. This could lead to adverse accounting and financial consequences, such as the need to make substantial provisions against the acquired assets or to write down acquired assets.

For a significant number of portfolios, particularly in Germany, we act as beneficial owner. We may not be able to collect on a portfolio to which someone else holds legal ownership, or we may need to spend time and resources establishing our own legal ownership of the portfolio if such ownership was unclear. Moreover, in instances where underlying documentation does not prove the existence, ownership or enforceability of an account, or where an account balance is incorrect, we may not always have the right to transfer such accounts back to the debt originator. Additionally, in such instances, we may be contractually required to repurchase accounts that we have subsequently sold to third parties.

Furthermore, enforcement of claims under German law generally requires a creditor to obtain an execution title (*Vollstreckungstitel*). An execution title is not automatically transferred with the underlying claim. An execution title is generally rendered in the name of a specific creditor that has the sole right to enforce the claim. Although for many of our German portfolio debt purchases we benefit from acting as a beneficial owner with the original creditor as trustee, which allows us to enforce on the basis of existing execution titles, we may not be able to enforce the claim using the existing execution title if the original creditor is no longer available to serve as trustee, *e.g.*, in the event that the creditor is liquidated. We also may not use an existing execution title if we are the legal owner of the claim. In such situations, an execution title must be amended by way of a circumscription of title (*Titelumschreibung*), subject to certain legal requirements set forth by the German Code of Civil Procedure (*Zivilprozeßordnung*). This procedure allows other persons who are not named in the respective execution title to use it for enforcement. The circumscription of title bears additional cost that is incurred for any single claim and may result in considerable additional expense. Additionally, under certain circumstances it may be difficult or impossible to achieve a circumscription of title, *e.g.*, if the documentation required by law is not available or the original creditor ceases to exist, which may prevent us from enforcing a claim.

Any of the foregoing factors could materially and adversely affect our financial condition, financial returns and results of operations.

Historical operating results and quarterly cash collections may not be indicative of future performance.

Our past performance may not be indicative of future operating results. Our results of operations and financial condition are dependent on our ability to generate collections from overdue receivables, which in turn is impacted by the ability of customers to pay. The ability of customers to refinance their existing debt, as well as annual cycles in disposable income, could result in a reduction in the volume of NPLs available for collection or purchase. Furthermore, collections within portfolios in the United Kingdom tend to be seasonally higher in the second and third quarters of our financial year due to customers generally having lower expenses during these months, for example because of lower heating costs. Conversely, collections within portfolios tend to be lower in months where there are fewer working days, for example months with public holidays. In addition, we are exposed to quarterly variations in our operating results, which may be affected by the timing of the closing of debt portfolio purchases, which we often cannot control and may be uneven during the year, and the speed with which we can integrate the portfolios into our systems. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Certain pro forma financial and other information included herein needs to be carefully considered.

For the convenience of readers only, we include certain unaudited *pro forma* consolidated financial information in this Report to illustrate the effect of the Lowell Acquisition and the GFKL Acquisition on the consolidated income statements of the Group by giving effect to these acquisitions as if they had occurred on January 1, 2015. See "*Unaudited Pro Forma Condensed Consolidated Financial Information.*"

The Unaudited *Pro Forma* Condensed Consolidated Financial Information presented herein is based upon available information and assumptions that we believe are reasonable but are not necessarily indicative of the results that actually would have been achieved if the Lowell Acquisition and the GFKL Acquisition had been completed on the dates indicated or that may be achieved in the future, and is provided for informational purposes only.

As a result of the differences in the historical consolidated financial information of the Metis Bidco Limited and GFKL Holdco, the Unaudited Pro Forma Condensed Consolidated Financial Information was prepared on the basis of available information, including financial information derived from financial statements that are not included in this Report, and certain assumptions and adjustments.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information was prepared on the basis of:

- Unaudited interim consolidated financial statements of the Parent as of June 30, 2015 and for the period from June 1, 2015 (date of incorporation) to June 30, 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in the following, "IFRS");

- The Parent Unaudited Condensed Consolidated Interim Financial Statements and the Parent Consolidated Financial Statements;

- Unaudited and unpublished interim consolidated income statement of Carl Holding GmbH (which, prior to its merger with Garfunkel Holding, was the indirect parent holding company of GFKL Holdco) for the period from January 1, 2015 to June 30, 2015, which was derived from the unaudited and published IAS 34 condensed consolidated financial statements of GFKL Holdco as of and for the six-month period ended June 30, 2015 and Carl Holding GmbH's accounting records;

- Unaudited and unpublished interim consolidated income statements of Metis Bidco Limited for the periods from January 1, 2015 to June 30, 2015 and from January 1, 2016 to June 30, 2016;

- Audited and unpublished consolidated income statements of Metis Bidco Limited for the period from October 13, 2015 to December 31, 2015;

- Unaudited and unpublished consolidated income statements of Metis Bidco Limited for the period from January 1, 2015 to December 31, 2015;

- Published IFRS consolidated financial statements of Metis Bidco Limited for the 15-month period ended December 31, 2015; and

- Metis Bidco Limited accounting records.

The unaudited interim consolidated financial statements of the Parent as of June 30, 2015 and for the period from June 1, 2015 (date of incorporation) to June 30, 2015, the historical financial statements of Carl Holding GmbH and the unpublished financial information of Metis Bidco Limited were used to prepare the Unaudited Pro Forma Condensed Consolidated Financial Information and are not included in this Report. See "*Unaudited Pro Forma Condensed Consolidated Financial Information*."

The historical financial information of Carl Holding GmbH and Metis Bidco Limited used to prepare the Unaudited Pro Forma Condensed Consolidated Financial Information was adjusted to align certain historical accounting policies of Carl Holding GmbH and Metis Bidco Limited, respectively, to those of the Parent. See "*Unaudited Pro Forma Condensed Consolidated Financial Information—2. Historical Financial Information*." In addition, the historical financial information of Carl Holding GmbH was adjusted to translate the currency in which such information was expressed in the financial statements from which it was derived from euros to pounds sterling. These adjustments are reflected in the figures in the historical columns for Carl Holding GmbH and Metis Bidco Limited included in the Unaudited Pro Forma Condensed Consolidated Financial information without reconciliation of such figures to the unadjusted figures in the applicable historical financial statements of Carl Holding GmbH and Metis Bidco Limited, respectively.

Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in euro.

We present our consolidated financial reports in pounds sterling but the operations of the GFKL Group are conducted in euro. Our business is therefore sensitive to fluctuations in foreign currency exchange rates, especially euro-pound sterling exchange rates. The presentation of our results of operations may be affected by the translation of foreign currencies into pounds sterling for the purpose of our consolidated financial statements.

Uneven debt portfolio supply patterns may prevent us from pursuing all of the debt purchase opportunities we would like to pursue and may result in our experiencing uneven cash flows and financial results.

Debt portfolios do not become available for purchase on a consistent basis throughout the year. Accordingly, there may be times when a number of portfolios, or particularly large portfolios, are available for purchase at similar times, which may prevent us, due to restrictions in our funding ability, from pursuing all of the then available debt purchase opportunities. As a result, we may fail to maintain our market share. The inconsistency in the availability of debt portfolios for purchase may mean that during certain financial reporting periods we may make few or no purchases of debt portfolios. In addition, large purchases at the end of a financial period would likely have a material and adverse effect on our reported financial ratios.

It is not unusual to experience a gap between the time of acquisition of a debt portfolio and the time that we begin earning returns on the acquired portfolio as we need to locate customers, build a consolidated profile of each such customer's circumstances and formulate an appropriate repayment solution before we can start to collect on an acquired portfolio. As a result, we may experience uneven cash flows and delays in generating income from purchased loan portfolios. For example, if we were to acquire a material portfolio at the end of a reporting period, then this would increase our net debt or reduce our cash on hand without generating cash or contributing to Adjusted EBITDA for the relevant period. See "*—We may not be able to procure sufficient funding on favorable terms to purchase further debt portfolios as they become available*."

Rising interest rates could impair the ability of our customers to pay their debt, which could have a material adverse effect on our financial condition, financial returns and results of operations.

Rising interest rates could impair the financial viability of customers who have variable interest rate obligations or other significant debt that bears floating rate interest. If our customers experience a reduced ability to pay their debt, debt collection agencies may require higher commissions to address increased collection activity costs, and we could face higher payment plan default rates and lower average payments, any of which could reduce our cash generation or prolong the time required to collect cash, and reduce our return on capital and ERC. Even if we are able to develop payment plans in relation to certain of these obligations, such measures may prove unsuccessful. Further, we could more quickly reach a point of saturation with certain customers (*i.e.*, the number of

accounts matched to a customer may reach a point at which that customer lacks the financial means to pay on all of the accounts that we own). Even if our efforts were to prove successful in avoiding some defaults, total collections may still decline or the timing of receipt of payments may lengthen, any of which would impair our financial condition and results of operations.

Our hedges may be ineffective or may not be implemented correctly.

We are subject to the risk of changes in interest rates and their impact on our derivative instruments. We use interest rate swaps to hedge the effect of changes in the interest rate on our profit and loss. We further hedge parts of our cash-flow risk that arises out of variable interest agreements on the refinancing side. We enter into a derivative contract by paying fixed interest payments in exchange for receiving floating rate interest payments. When interest rates rise, our unhedged floating rate and new financing costs rise, thereby reducing our profit or increasing our loss, but we also receive higher interest income from our derivative instruments, which offsets (to the extent of such increase in income) the decline in profit or increase in loss from the rise in financing costs. Conversely, when interest rates decline, our unhedged floating rate and new financing costs decline, thereby increasing our profit or decreasing our loss, but our interest income from our derivative instruments also declines, thus offsetting (to the extent of such decrease in income) any changes to profit and loss due to interest rate movements. We are subject to the risk that there is a mismatch either between the interest swap performance and the change in the underlying funding cost that the derivative instruments are structured to hedge. We are also exposed to the risk that our hedges could be implemented or priced incorrectly. Volatility in interest rates could impact valuation of interest rate swaps and therefore impair our ability to enter into these contracts on terms that enable us to achieve the hedging we need. If interest rates turn negative, our derivative instruments would not achieve our hedging needs. In addition to paying fixed interest payments, a negative interest rate would increase our interest payment instead of our receiving a floating rate interest payment in return. Furthermore, our derivative contracts may be subject to termination or break clauses, which may force us to renegotiate or replace those contracts on unattractive terms. Any of these events could cause losses and have a material adverse effect on our business, results of operations or financial condition.

We may not be successful in achieving our strategic goals.

We may not be successful in developing and implementing our strategic plans for our businesses. If the development or implementation of such plans is not successful, we may not produce the revenue, margins, earnings or synergies that we need to be successful and to offset the impact of adverse economic conditions that may exist currently or develop in the future. We may also face delays or difficulties in implementing process and system improvements, which could adversely affect our ability to successfully compete in our core markets. In addition, the costs associated with implementing such plans may exceed anticipated amounts and we may not have sufficient financial resources to fund all of the desired or necessary investments required in connection with our plans, including one-time costs associated with our business consolidation and operating improvement plans.

The existing and future execution of our strategic and operating plans will, to some extent, also be dependent on external factors that we cannot control, such as legislative changes, systemic failures in our industry or the industry sectors of our clients and changes in fiscal and monetary policies. In addition, these strategic and operational plans need to be continually reassessed to meet the challenges and needs of our businesses in order for us to remain competitive. The failure to implement and execute our strategic and operating plans in a timely manner or at all or the failure to realize the cost savings or other benefits or improvements associated with such plans could have a material adverse effect on our business, results of operations or financial condition.

Pending and future tax audits within our Group and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by local tax authorities. Lowell's tax returns are prepared in accordance with UK tax legislation and prevailing case law. Certain tax positions taken by Lowell are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. These positions may relate to tax compliance, sales and use, value added, franchise, gross receipts, payroll, property and income tax issues, including tax base and apportionment. Challenges made by tax authorities to Lowell's application of tax rules may result in adjustments to the timing or amount of taxable income or deductions. If any such challenges are made and are not resolved in our favor, they could have an adverse effect on our financial condition and result of operations.

In addition, we are exposed to potential tax risks related to acquisitions, disposals and reorganizations, if our position with regard to the tax consequences of the acquisitions, disposals and reorganizations is challenged in a tax audit. Further, Lowell's effective tax rate in a given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. One such factor affecting this effective tax rate is the relevant standard rate of corporation tax assessed against Lowell, which is subject to change. This rate is currently 20%. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities including those tax laws relating to the utilization of tax loss or credit carry forwards, and changes in our assessment of certain matters, such as the ability to realize deferred tax assets, may also have a material adverse effect on our business. For example, in the UK, value added tax is not currently required to be paid on the collections we make on telecommunications or retail debt, as the sale of such debt triggers a tax exemption. However, a change in the rules of application of value added tax on telecommunications or retail debt, providing that such tax would be payable, could have a material and adverse effect on our business. Any additional tax payments could have a material adverse effect on our margins and results of operations and financial condition.

GFKL's tax audits in Germany have been finalized for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) for financial years up to and including the year ended (i) December 31, 2003 in the case of GFKL Holdco and (ii) December 31, 2006 in the case of most other GFKL Group companies. Ongoing tax audits for the GFKL Group, which comprise, for most GFKL Group companies, the period up to and including the financial year ended December 31, 2013, tax audits for later periods not yet subject to a tax audit or tax audits in other countries may lead to higher tax assessments in the future. For example, GFKL operates a number of tax groups (*Organschaften*) in Germany and these tax structures may be challenged in future tax audits. Non-recognition of our tax groups by the German tax authorities could lead to additional tax liabilities. In addition, tax authorities ordered an extraordinary VAT audit with respect to Garfunkel Holding in June 2016.

Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.

Tax loss carry forwards and unused losses of the current financial year are forfeited in full if more than 50% of the subscribed capital, membership rights, participation rights or voting rights in certain of our German companies are transferred, directly or indirectly, to an acquirer or related parties of such acquirer (or a group of acquirers with common interests) within a period of five years or of comparable measures (the so-called "harmful acquisition"). As regards transfers of more than 25% and up to 50% under the same prerequisites, tax loss carry forwards and unused losses of the current financial year are forfeited on a *pro rata* basis. If and to the extent the tax loss carry forwards and unused losses of the current financial year are covered by the built-in gains of the loss-making company's business assets that are subject to domestic taxation, a forfeiture of such items would generally not apply.

With respect to the acquisition of GFKL Holdco by Carl Holding GmbH (which subsequently merged into Garfunkel Holding) in 2009, we have applied for a binding tax ruling to confirm that the loss carry forwards will not be affected on the basis of the application of the so-called "restructuring exception" granted by the applicable tax laws. The ruling was granted in September 2009, but revoked in April 2011 on the basis of a decision of the European Commission. GFKL has filed court rulings and appeals against, *inter alia*, the European Commission. Appeals and court rulings are still pending. GFKL has made accruals for the taxes and interest relating to the appeals and court rulings, which amounted to €11.4 million for suspended taxes and €3.3 million for interest as of June 30, 2016. Any payments resulting from losing the court rulings and appeals could have a material adverse effect on our results of operation and financial position.

With respect to the acquisition of Carl Holding GmbH by Garfunkel Holding in 2015, we believe that tax loss carry forwards of Carl Holding GmbH (now merged into Garfunkel Holding) will be forfeited, but tax loss carry forwards of GFKL Holdco will be protected by the built-in gains clauses and thus remain available for offsets against future profits. If tax authorities and the tax court do not follow that position and thus claim for forfeiture of tax loss carry forwards, a deferred tax asset accrued for at the GFKL Holdco level with an amount of €7.6 million may be forfeited, thus such forfeiture may have a material adverse effect on our business, financial condition and results of operations.

Tax loss carry forwards as per December 31, 2015 of approximately €173,000 for corporate income tax purposes.

Due to restrictions on the deduction of interest expenses under German tax laws, we may be unable to fully deduct interest expenses on our financial liabilities.

Interest payments on our debt may not be fully deductible for tax purposes, which could adversely affect our financial results. Subject to certain prerequisites, the German interest barrier rules (*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules in general have disallowed the deduction of net interest expenses exceeding 30% of the tax-adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of tax-adjusted EBITDA. There are certain exemptions from the restrictions of the German interest barrier rules allowing for a tax deduction of the entire annual interest expenses, which, however, may not be available in the case at hand. Any non-deductible amount of interest expenses exceeding the threshold of 30% is carried forward and may, subject to the interest barrier rules, be deductible in future fiscal years. In the past, Carl Holding GmbH's interest expenses were not entirely deductible. The interest carry forward will be forfeited in full in connection with a change of the ownership structure (*i.e.*, the acquisition of Carl Holding GmbH by Garfunkel Holding in 2015) as described in the preceding risk factor "*—Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.*" Such forfeiture may have a material adverse effect on our business, financial condition and results of operations.

The VAT treatment of the purchase of non-performing loans performed by us may be challenged or changed resulting in additional cash out for VAT.

A substantial part of the business of the GFKL Group is the purchase of portfolios of NPLs. The GFKL Group collects the receivables for its own account, taking the risk of final payment default. Generally, the purchase price for the NPL is determined by estimating the value of collectable receivables ("**economic nominal value**")—which is less than the nominal value of the receivables—less the cost of debt collection and of pre-financing and discounted using an appropriate discount rate. In 2003, the European Court of Justice ("**ECJ**") decided that the purchase of receivables for a subsequent cash collection (factoring) is to be treated as a supply of a taxable service from the purchaser to the seller (C-305/01, MKG). The seller would be relieved from the collection of the receivables as well as from the risk of (final) payment default. The ECJ decision was also adopted by the German tax authorities for the purchases of NPL (old version of Section 2.4 para. 1 and para. 8 German VAT Guidelines, "**UStAE**"). On October 27, 2011, ECJ decided that acquisitions of NPL are not subject to VAT (C-93/10, GFKL). This court decision was adopted by the German Federal Tax Court ("**BFH**") in a decision dated January 26, 2012 (V R 18/08). The BFH decision also said that no input VAT could be claimed on costs incurred in connection with NPL acquisitions as well as on costs incurred in connection with the collection of the receivables, and referred back to the local Tax Court Düsseldorf. The GFKL Group has since withdrawn its initial lawsuit. Consequently the cases are not binding on the GFKL Group. These court cases as well as another comparable case (BFH decision dated July 4, 2013 (V R 8/10)) have been adopted by the German tax authorities in a tax decree issued by the German Federal Ministry of Finance dated December 2, 2015 and in updated VAT Guidelines (Section 2.4 para. 1, para. 7 and para. 8 German VAT Guidelines). If applying the MKG ECJ-case and the former view of the German tax authorities, the purchaser of NPLs should account for VAT on the purchase of NPLs with a corresponding full input VAT deduction. In contrast, if applying the GFKL Group ECJ-case, the purchaser would not need to account for VAT, but would also not be entitled to deduct input VAT in context of the NPL-business.

In the period from the year ended December 31, 2004 to the year ended December 31, 2011, the GFKL Group did not entirely treat the purchases of NPL as subject to VAT according to the MKG jurisprudence, *i.e.*, in some cases no VAT was collected and paid to the tax authorities. During that period, the GFKL Group claimed full input VAT incurred from costs in the context of the acquisition and the collection of the NPLs. Due to the new case law an accrual for non-claimable input VAT for the year ended December 31, 2004 to the year ended December 31, 2011 (including interest) was recorded by GFKL in the year ended December 31, 2011, amounting to €15.3 million. In the light of the BFH decisions, the GFKL Group discussed the VAT treatment with the tax authorities. As an outcome of those discussions, the GFKL Group applied a lump-sum rate of 30% on the total input VAT amounts as being non-deductible for the period February 2012 through December 2012. Following a written statement (dated October 22, 2012) of the German Federal Ministry for Finance towards the Federal association of credits and servicing ("*Bundesvereinigung Kreditankauf und Service e.V.*" ("**BKS**")) stating that the tax authorities are going to apply the existing guidelines the 30% lump sum approach was used in December 2012 for the last time. In total, input VAT amounting to approximately €3.6 million has not been claimed.

From 2013 onwards, the GFKL Group taxed the purchase of NPL and deducted full input VAT in the context of the NPL business. Further, in the annual VAT return for the year ended December 2012, the GFKL

Group adopted this treatment as outlined in the statement of the German Federal Ministry of Finance and increased the VAT liability by €0.2 million for the year ended December 31, 2013. In turn, the input VAT receivable for the year ended December 31, 2012 was increased by €3.6 million in the GFKL 2014 Audited Consolidated Financial Statements. The annual VAT return for the year ended December 31, 2012 has been assessed by the tax authorities.

In 2014, GFKL Holdco has booked an accrual for additional VAT for the period from the year ended December 31, 2004 to the year ended December 31, 2012 (and not anymore for non-claimable input VAT; see above) of €7.3 million plus interest of €2.7 million. The calculation of this accrual has been aligned with the tax auditors. The receivable of €3.4 million (*i.e.*, €3.6 million input VAT, which was not claimed, less €0.2 million additional VAT for the year ended December 31, 2012) has been netted with the VAT accrual. As of June 30, 2016, the accrual amounts to €8.0 million (including interest).

Based on the tax decree issued by the German Federal Ministry of Finance dated December 2, 2015 and the updated German VAT Guidelines, the previous guidance from the German tax authorities will remain in effect for the historical periods with respect to NPLs acquired before July 1, 2016 and the respective transfers performed before January 1, 2019, *i.e.*, that the purchase of NPL still qualifies as a VAT-taxable service allowing for deduction of input VAT for the respective historical periods.

Any VAT payments could have a material adverse effect on our margins and results of operations and financial condition. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities may also have a material adverse effect on our business.

Terrorist attacks, war and threats of attacks and war may materially and adversely affect consumer spending, and in turn, our financial condition, financial returns and results of operation.

Terrorist attacks in the United Kingdom, Germany and abroad, as well as war and threats of war or actual conflicts involving the United Kingdom, Germany or other countries, may dramatically and adversely impact the economies of the countries in which we operate and cause consumer confidence and spending to decrease. Any of these occurrences could affect our ability to collect our receivables and result in a material adverse effect on our financial condition, financial returns and results of operation.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We are a European company incorporated in Luxembourg with business operations in the United Kingdom, Germany and Austria, Switzerland and Croatia. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for certain regions within the United Kingdom to preserve their place in the European Union by separating from the United Kingdom as well as for the governments of other European Union member states to consider withdrawal.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. In addition, Brexit may lead to a down-turn in the UK or other European economics and could lead to lower access to European markets, in general. Any reduction in our customers' willingness or ability to pay their debts due to Brexit-related changes in the economic environments of the United Kingdom and Germany could materially affect our revenue and our ability to perform debt collection in a manner consistent with our past practice. See *"—Changes in the economic environment, in particular in the United Kingdom and Germany, may have a material adverse effect on our financial condition, financial returns and results of operations*." In addition, any fundamental shift in the macroeconomic environment in the United Kingdom or the parts of Europe in which we operate could adversely affect the accuracy of our predictions regarding the expected returns from the debt portfolios we purchase and service. See "*—The statistical models and data analysis tools that we use in our business may prove to be inaccurate, we may not achieve anticipated levels of return and we may be unable to appropriately identify and address underperforming portfolios*."

Lack of clarity about future UK laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, data privacy and collection laws and regulations and tax and free trade agreements, may increase costs associated with operating in either or both of the United Kingdom and Germany, depress economic activity and restrict our access to capital. In particular, Lowell is subject to a number of EU laws and regulations governing its operations, and uncertainty regarding the future applicability of these regulations may increase our compliance costs. Additionally, any substantial change in the regulations applicable to our United Kingdom business could jeopardize our ability to continue to operate in a manner consistent with our past practice. See "—*We are subject to UK, German and EU regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business—Regulations affecting Lowell*."

If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the United Kingdom and other EU member states or among the European economic area overall could be diminished or eliminated. To the extent that such changes increase the costs or difficulties associated with operating in both the United Kingdom and Germany, they could adversely affect our financial condition, financial returns or results of operations.

UNAUDITED *PRO FORMA* CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Introduction

The Unaudited *Pro Forma* Condensed consolidated financial information (the "**Unaudited *Pro Forma* Condensed Consolidated Financial Information**") of Garfunkelux Holdco 2 S.A. (in the following "**Garfunkel**") has been prepared to reflect the acquisitions of 100% of the shares of Carl Holding GmbH (in the following "**Carl**") including the acquisition of any ordinary shares in GFKL Financial Services AG (in the following "**GFKL**") held by minority shareholders subject to squeeze-out pursuant to Sections 327a *et seq.* of the German Stock Companies Act (*Aktiengesetz*) and of the 100% of the shares of Metis Bidco Limited (in the following "**Metis**") as well as the related redemption of certain existing Carl and Metis indebtedness and the incurrence of indebtedness under the notes described in sections 3.2 and 3.3 of the Unaudited *Pro Forma* Condensed Consolidated Financial Information below. The Unaudited *Pro Forma* Condensed Consolidated Financial Information comprises unaudited *pro forma* consolidated income statements for the 6-month period ended June 30, 2015, the 12-month period ended December 31, 2015 and the 12-month period ended June 30, 2016 together with the related notes thereto.

The purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information is to show the material effects the acquisitions of Carl and Metis by Garfunkel would have had on the historical consolidated financial statements of Garfunkel if Garfunkel had already existed in the structure created by the above described acquisitions as of January 1, 2015 with respect to the unaudited *pro forma* condensed consolidated income statements for the 6-month period ended June 30, 2015, the 12-month period ended December 31, 2015 and the 12-month period ended June 30, 2016.

The following Unaudited *Pro Forma* Condensed Consolidated Financial Information is presented for illustrative purposes only. Due to its nature, the Unaudited *Pro Forma* Condensed Consolidated Financial Information describes only a hypothetical situation and, therefore, does not purport to represent what the actual consolidated results of the operations of Garfunkel would have been when the transactions occurred, nor is it necessarily indicative of Garfunkel consolidated income statements after the completion of the transactions, nor is it necessarily indicative of future consolidated income statements of Garfunkel. Therefore, the actual consolidated income statement of Garfunkel after the acquisitions may differ significantly from those reflected in the Unaudited *Pro Forma* Condensed Consolidated Financial Information. Furthermore, the Unaudited *Pro Forma* Condensed Consolidated Financial Information is only meaningful when read in conjunction with the historical consolidated financial statements of Garfunkel.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information has been prepared by Garfunkel as of September 8, 2016.

Unless stated otherwise, all figures are shown in millions of pounds sterling. All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated.

2. Historical Financial Information

The Unaudited *Pro Forma* Condensed Consolidated Financial Information is based on the following historical financial information:

- Unaudited interim consolidated financial statements of Garfunkel as of June 30, 2015 and for the period from June 1, 2015 (date of incorporation) to June 30, 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in the following "IFRS").

- Unaudited interim condensed consolidated financial statements of Garfunkel as of June 30, 2016 and for the period from January 1, 2016 to June 30, 2016 prepared in accordance with IAS 34—Interim financial reporting.

- The historical financial information for Garfunkel for the period from July 1, 2015 to June 30, 2016 has been calculated by the addition of the period from January 1, 2016 to June 30, 2016 as noted above and the period from July 1, 2015 to December 31, 2015. The period from July 1, 2015 to December 31, 2015 has been calculated by deducting the 1 month period from June 1, 2015 (the date of incorporation) to June 30, 2015 from the audited financial statements for the period from June 1, 2015 (the date of incorporation) to December 31, 2015.

- The audited consolidated financial statements of Garfunkel as of December 31, 2015 and for the period from June 1, 2015 (date of incorporation) to December 31, 2015 prepared in accordance with IFRS.

- Unaudited and unpublished interim consolidated income statement of Carl for the period from January 1, 2015 to June 30, 2015, which was derived from the unaudited and published IAS 34 interim condensed consolidated financial statements of GFKL as of and for the 6-month period ended June 30, 2015 and Carl's accounting records.

- Unaudited and unpublished interim consolidated income statements of Metis for the periods from January 1, 2015 to June 30, 2015, January 1, 2016 to June 30, 2016, audited and unpublished consolidated income statements for the period from October 13, 2015 to December 31, 2015 and the unaudited and unpublished consolidated income statements for the period from January 1, 2015 to December 31, 2015 and published IFRS consolidated financial statements of Metis for the 15-month period ended December 31, 2015 and Metis' accounting records.

The unaudited historical financial information used for Carl and for Metis were both adjusted to the accounting policies of Garfunkel, which are based on IFRS as adopted in the European Union and disclosed in the unaudited and—together with this Unaudited *Pro Forma* Condensed Consolidated Financial Information—condensed consolidated financial statements of Garfunkel as of June 30, 2015 and as of June 30, 2016 and, together with the audited consolidated financial statements of Garfunkel as of December 31, 2015.

3. Basis of preparation

3.1. Preparation Principles

The Unaudited *Pro Forma* Condensed Consolidated Financial Information presents the *pro forma* financial position and results from operations of the consolidated companies based upon the historical consolidated financial information of Garfunkel after giving effect to the transactions, based on certain *pro forma* assumptions as described in these *pro forma* notes.

The historical consolidated financial information of Garfunkel has been adjusted to give effect to *pro forma* adjustments that are (1) directly attributable to the acquisitions and (2) factually supportable. The Unaudited *Pro Forma* Condensed Consolidated Financial Information does not reflect anticipated operating efficiencies, cost savings, sales or income enhancements or other synergies that may be achieved by the transactions.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information is based upon currently available information and estimates and *pro forma* assumptions that Garfunkel believes are reasonable as of the date hereof. Any of the factors underlying these estimates and *pro forma* assumptions may change or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the effectiveness of the transactions.

The Unaudited *Pro Forma* Condensed Consolidated Financial Information does not reflect any changes in the business of Carl or Metis or any other changes arising from the transactions since June 30, 2016.

The accounting principles applied for the preparation of the Unaudited *Pro Forma* Condensed Consolidated Financial Information on the above described transactions are as follows:

General accounting principles

For the purpose of converting Garfunkel's historical condensed consolidated financial statements for the one month period (from the date of incorporation) ended June 30, 2015 and the 6-month period ended June 30, 2016, together with the audited financial statements for the 7-month period (from incorporation) ended December 31, 2015, the results were converted by using the prevailing euro to sterling average exchange rates. The Carl *pro forma* results for the 6-month period ended June 30, 2015, were converted using the average exchange rate of £0.732 per €1.00 over the period.

Accounting for the acquisitions

The acquisitions are accounted for as business combinations in accordance with IFRS 3—Business Combinations. According to IFRS 3, the actual initial consolidation of a business combination takes place at the acquisition date, i.e. the time at which the acquiring company obtains control of the acquired company or acquired business operation.

Due to the accounting for the acquisitions as business combinations in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of Carl and Metis are required to be measured at their acquisition date fair values in accordance with IFRS. For purposes of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, the purchase price allocations of Carl and Metis were undertaken on the basis of a valuation of the respective acquired net assets at fair value as of June 30, 2015, and October 13, 2015 respectively (in the following "PPAs").

With regard to the unaudited *pro forma* condensed consolidated income statement it is assumed that the acquisitions of Carl and Metis had taken place at January 1, 2015 in order to show the effects of such acquisitions on the entire reporting periods.

It is assumed that Garfunkel, Garfunkelux Holdco 3 S.A. as well as any other relevant holding companies have been incorporated as of January 1, 2015.

The PPAs, as disclosed in the Garfunkel audited financial statements for the 7-month period (from incorporation) ended December 31, 2015, were performed using the most current available financial information for Carl and Metis as of June 30, 2016 and October 13, 2015, respectively. The amortization of the adjustments to the fair values of the identifiable assets acquired and the liabilities assumed resulting from the PPAs were recognized in the unaudited *pro forma* consolidated income statements for the 6-month period ended June 30, 2015, the 12 month period ended December 31, 2015 and the 12-month period ended June 30, 2016.

Transaction related costs

Legal, consulting and other fees incurred by Garfunkel in connection with the acquisitions were classified as transaction related costs. In accordance with IFRS 3.53 those costs were assumed to be incurred as of January 1, 2015 and, therefore, were recognized as expenses as of January 1, 2015 in the unaudited *pro forma* consolidated income statement for the 6-month period ended June 30, 2015 and the 12-month period ended December 31, 2015, and were not recognized as expenses in the unaudited *pro forma* consolidated income statement for the 12-month period ended June 30, 2016.

Transaction related costs for the acquisition of Metis are £12.2 million, of which no significant amount had been incurred as of June 30, 2015, whereas transaction costs in regard to the acquisition of Carl are £11.8 million of which £7.1 million were already recognized in Garfunkel's historical condensed consolidated financial statements as of June 30, 2015.

3.2. Acquisition and financing of Carl

On May 17, 2015, Garfunkel as purchaser and Advent Carl Luxembourg Finance S.à r.l., as seller, entered into a sale and transfer agreement regarding the acquisition of 100% of the shares held by the seller in Carl. The acquisition closed on June 30, 2015. Garfunkel agreed to pay a purchase price for the acquisition of the shares of €484.7 million (£344.3 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1). The purchase price was financed by the secured notes of €365 million (£259.7 million using the spot rate as of June 30, 2015 of £0.7114 per £1) and equity contributions of Permira Funds of €261.0 million (£185.7 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1). The remaining funds received in excess of the purchase price paid were mainly used to repay existing credit facilities of Carl (in the following "**Carl Credit Facilities**"), transaction related costs as well as finance related costs. These secured notes were issued by Garfunkelux Holdco 3 S.A., a subsidiary of Garfunkel, with a maturity of seven years, an equal principal amount of €365 million and a coupon of 7.50% (in the following "**Carl Notes**").

For the purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, interest expenses resulting from the issued Carl Notes have been calculated based on an effective interest rate of 8.3% (including the coupon of 7.50%).

3.3 Acquisition and financing of Metis

On August 7, 2015, Garfunkel entered into a sale and transfer agreement regarding the acquisition of certain shares and indebtedness of Metis, which comprises shareholder loans as well as issued preference shares, all classified and presented as financial liabilities in the historical financial statements of Metis. The acquisition closed on October 13, 2015 for a total consideration of £611.7 million. Of the total consideration transferred to the sellers, an amount of £375.8 million was paid in cash and an amount of £236.0 million was financed by the issuance of equity instruments by Garfunkel as well as shareholder loans granted to the sellers.

The acquisition of Metis was financed by equity contributions, shareholder loans and by the issuance of senior secured notes by Garfunkelux Holdco 3 S.A. and senior unsecured notes by Garfunkel with principal amounts of £565.0 million and £230.0 million (together in the following "**Metis Notes**"), respectively. The Metis Notes have a maturity of seven years for the senior secured notes and eight years for the senior unsecured notes. The funds raised were used to redeem the existing senior secured notes and senior facilities of Metis, meaning the £275.0 million aggregate principal amount of 10.75% senior secured notes due 2019 and the £115.0 million aggregate principal amount of 5.875% senior secured notes due 2019 issued by its subsidiary Lowell Group Financing plc. (in the following together "**Lowell Notes**") as well as the revolving credit facility of up to £66 million, which were made available to certain subsidiaries of Metis (in the following "**Lowell Senior Facilities**"). The nominal interest rates for the Metis Notes are 8.50% and 11.00%, respectively, and 9.73% for the shareholder loans.

For the purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, interest expenses resulting from the issued Metis Notes have been calculated based on the following effective interest rates: 9.3% (including the nominal interest rate of 8.50%) for the Senior Secured Notes and 11.8% (including the nominal interest rate of 8.5%) for the Senior Notes.

Garfunkel entered into revolving credit facilities of up to €200.0 million, which were made available to finance the operating business, but not to finance the payment of the purchase price nor any payment to redeem any existing indebtedness of Carl and Metis.

To redeem the Lowell Notes a loss of £38.2 million was incurred.

3.4 Financing-related costs

Financing-related costs attributable to the financing arrangements used to fund the acquisition considerations were capitalized and amortized over the expected respective life of the financing arrangements in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

To raise new financing sources for the acquisition of Metis, total directly attributable debt-related costs of £32.0 million were incurred, of which none were recognized in historical financial statements as of June 30, 2015 or at an earlier date. For the financing of the acquisition of Carl, total debt-related costs amount to £15.2 million. To the extent that the debt-related costs relate to the issuance of the Metis Notes and the Carl Notes these have been amortized by applying the effective interest rate method according to IAS 39.

3.5. *Pro forma* assumptions

To prepare the Unaudited *Pro Forma* Condensed Financial Information the following assumptions are made:

<u>Funding assumptions:</u>

- The date of proceeds received from the Metis Notes and for the Carl Notes is for the purpose of the unaudited *pro forma* condensed consolidated income statements January 1, 2015.

- For the purpose of the Unaudited *Pro Forma* Condensed Consolidated Financial Information, it is assumed that no amounts are drawn from any revolving credit facility granted to Garfunkel, so that no fees incurred in connection with any revolving credit facility as well as any draw down after June 30, 2015 were adjusted for *pro forma* purposes.

Redemption assumptions:

- The date of redemption of the Lowell Notes, the Lowell Senior Facilities as well as the Carl Credit Facilities is January 1, 2015 for the purpose of the unaudited *pro forma* consolidated income statement.

Acquisition assumptions:

- The acquisition date for Carl and Metis is January 1, 2015 for the purpose of the unaudited *pro forma* consolidated income statements.

Tax assumptions:

- Due to the debt push down from the bond issuing companies (Garfunkelux Holdco 2 S.A. and Garfunkelux Holdco 3 S.A.) to Carl and Metis a gross interest margin (without costs) has been assumed for tax purposes on each level.

- The input value added tax (in the following "VAT") in connection with transaction costs and debt related costs have been treated as non-deductible for VAT purposes in Luxembourg. In the UK, transaction costs and debt-related costs are subject to the partial exemption method. The corresponding German VAT is treated as deductible.

- For the calculation of tax effects it is assumed that a fiscal unity between Garfunkel Holding GmbH (a subsidiary of Garfunkelux Holdco 3 S.A.) and GFKL Financial Services GmbH (a subsidiary of Garfunkel Holding GmbH), will be established in the near future.

- The *pro forma* adjustments made lead to deferred tax assets on tax losses in Germany and UK these are expected to be used in the foreseeable future so that the recognized deferred tax asset on net operating losses carried forward are assumed to be recoverable.

- Within the refinancing it is assumed no equity has been pushed down as an intercompany loan from Garfunkelux Holdco 2 S.A. and Garfunkelux Holdco 3 S.A. to Metis.

- For UK tax purposes it is assumed that the interest related to the shareholder loans are non-deductible and all the interest related to the Metis Notes are deductible. Interest accrued on the redeemable cumulative preference shares has been treated as non-deductible.

- Transaction costs are assumed to be completely non-deductible.

4. Unaudited *Pro Forma* Condensed Consolidated Income Statement for the 6-month period ended June 30, 2015

	Historical Financial Information				*Pro Forma* Adjustments			
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	*Pro Forma* Consolidated Income Statement
				(in £ millions)				
Income from portfolio investments..................	—	18.6	62.2	80.8	—	—	—	80.8
Portfolio write up................	—	10.0	10.5	20.5	—	—	—	20.5
Portfolio fair value release .	—	—	(1.9)	(1.9)	—	—	0.2[(6)]	(1.7)
Service revenue	—	64.3	5.1	69.4	—	—	—	69.4
Other revenues.................	—	1.0	—	1.0	—	—	—	1.0
Total revenue	—	**93.9**	**75.9**	**169.8**	**—**	**—**	**0.2**	**169.9**
Other income	**—**	**3.2**	**—**	**3.2**	**—**	**—**	**—**	**3.2**
Operating expenses								
Collection activity costs......	—	52.7	18.9	71.5	—	—	—	71.5
Other expenses	7.1	27.5	31.2	65.8	4.1[(2)]	—	13.2[(7)]	83.1
Total operating expenses	**7.1**	**80.1**	**50.0**	**137.3**	**4.1**	**—**	**13.2**	**154.7**
Operating profit	**(7.1)**	**16.9**	**25.8**	**35.6**	**(4.1)**	**—**	**(13.1)**	**18.4**
Interest income.................	—	0.3	0.0	0.4	—	—	—	0.4
Finance cost.....................	0.3	8.1	33.8	42.2	58.8[(1)]	(0.7)[(4)]	—	100.2

Profit/(Loss) before tax ...	**(7.4)**	**9.2**	**(7.9)**	**(6.2)**	**(62.9)**	**0.7**	**(13.1)**	**(81.4)**
Income tax expense	—	4.1	1.0	5.1	(11.8)(3)	(3.4)(5)	(0.1)(8)	(10.2)
Profit/(Loss)	**(7.4)**	**5.1**	**(9.0)**	**(11.3)**	**(51.2)**	**4.1**	**(12.9)**	**(71.3)**

4.1. Explanation of "funding" adjustments

(1) Due to the assumed funding as of January 1, 2015, additional interest has been recognized. This additional interest relates to the following funding sources:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022	10.6
£565 million 8.50% senior secured notes due 2022	25.1
£230 million 11.00% senior notes due 2023	13.0
Shareholder loans	10.2
Total	**58.8**

(2) The adjustment to other expenses relates to acquisition costs in respect of the acquisition of Carl, which were assumed to have occurred on January 1, 2015.

(3) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the additional finance costs as described under the notes (1) and (2) in section 4.1.

4.2. Explanation of "redemption of existing indebtedness" adjustments

(4) Due to the assumed redemption of existing indebtedness of Carl and Metis as of January 1, 2015, interest expenses were eliminated as follows:

	(in £ millions)
Interest costs with respect to the redemption of the indebtedness of Carl	(5.1)
Interest costs with respect to the redemption of the indebtedness of Metis	(33.8)
Loss from early redemption of the existing indebtedness of Metis	38.2
Total	**(0.7)**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the redemption of the Lowell Notes and the Lowell Senior Facilities as well as interest expenses regarding the shareholder loans and preference shares, which were assumed to be purchased together with the shares in Metis.

The interest expenses eliminated with respect to the indebtedness of Carl include the interest expenses regarding the assumed redemption of the Carl Credit Facilities.

The adjustment also relates to the loss from the early redemption of the Lowell Notes together with the Lowell Senior Facilities as well as the Carl Credit Facilities.

(5) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the redemption of existing indebtedness of Carl and Metis as described under note (4) in section 4.2.

4.3. Explanation of "acquisition" adjustments

(6) The income from portfolio investments includes the release of fair value step-ups resulting from the measurement of portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Metis' historical financial information for the 6-month period ended June 30, 2015 included a release of fair value step-ups resulting from previous business combinations of £1.9 million taking into account a typical collections income profile of 84 months. Due to the assumed acquisition of Metis as of January 1, 2015, the unaudited *pro forma* income statement includes the reduction of fair value step-ups from portfolio investments of £0.2 million, i.e. in total £1.7 million.

(7) The adjustment includes the additional amortization resulting from the fair value step-ups due to the PPAs as well as the additional transaction related costs, which were not yet reflected in the historical financial information of Garfunkel for the 6 month period ended June 30, 2015, which have been expensed in accordance with IFRS 3 as of January 1, 2015 for the purpose of the unaudited *pro forma* consolidated income statements. The adjustment can be explained as follows:

	(in £ millions)
Customer relationships GFKL	0.5
Tradename GFKL	0.2
Tradename Lowell	0.3
Elimination of depreciation and amortization expenses for assets not recognized	(0.6)
Transaction related costs in respect of the acquisition of Carl	0.6
Transaction related costs in respect of the acquisition of Metis	12.2
Total	**13.2**

(8) The adjustment relates to the income tax effect resulting from the *pro forma* adjustments in respect of the acquisitions of Carl and Metis as described under notes (6) and (7) in section 4.3.

5. Unaudited *Pro Forma* Condensed Consolidated Income Statement for the 12-month period ended December 31, 2015

	Historical Financial Information				*Pro Forma* Adjustments			
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	*Pro Forma* Consolidated Income Statement
	(in £ millions)							
Income from portfolio investments	52.5	18.6	101.0	172.1	—	—	—	172.1
Portfolio write up	20.7	10.0	25.4	56.1	—	—	—	56.1
Portfolio fair value release	(0.6)	—	(2.9)	(3.5)	—	—	0.2(5)	(3.3)
Service revenue	65.8	64.3	7.9	138.1	—	—	—	138.1
Other revenues	1.7	1.0	—	2.8	—	—	—	2.8
Total revenue	**140.2**	**93.9**	**131.4**	**365.5**	**—**	**—**	**0.2**	**365.7**
Other income	**1.9**	**3.2**	**—**	**5.1**	**—**	**—**	**—**	**5.1**
Operating expenses								
Collection activity costs	68.5	52.7	31.6	152.8	—	—	—	152.8
Other expenses	73.5	27.5	50.0	151.0	—	—	0.6(6)	151.5
Total operating expenses	**142.0**	**80.1**	**81.5**	**303.7**	**—**	**—**	**0.6**	**304.3**
Operating profit	**0.1**	**16.9**	**49.9**	**66.9**	**—**	**—**	**(0.4)**	**66.5**
Interest income	3.3	0.3	—	3.7	—	—	—	3.7
Finance cost	77.4	8.1	54.1	139.5	89.2(1)	(59.5)(3)	—	169.2
Profit/(Loss) before tax	**(74.0)**	**9.2**	**(4.2)**	**(68.9)**	**(89.2)**	**59.5**	**(0.4)**	**(99.0)**
Income tax expense	(5.5)	4.1	2.9	1.5	(15.6)(2)	7.0(4)	(0.1)(7)	(7.1)
Profit/(Loss)	**(68.5)**	**5.1**	**(7.1)**	**(70.5)**	**(73.6)**	**52.5**	**(0.3)**	**(91.8)**

5.1. Explanation of "funding" adjustments

(1) The additional interest expenses in relation to the funding can be explained as follows:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022	11.9
£565 million 8.50% senior secured notes due 2022	40.2
£230 million 11.00% senior notes due 2023	20.8
Shareholder loans	16.3
Total	**89.2**

(2) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the additional interest expenses as described under note (1) above in section 5.1.

5.2. Explanation of "redemption of existing indebtedness" adjustments

(3) The interest expenses relating to the indebtedness assumed to be redeemed as of January 1, 2015 have been eliminated as follows:

	(in £ millions)
Interest costs with respect to the redemption of the indebtedness of Metis	(53.5)
Interest costs with respect to the redemption of the indebtedness of Carl	(6.0)
Total	**(59.5)**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the assumed redemption of the Lowell Notes, the Lowell Senior Facilities and interest expenses regarding the shareholder loans and preference shares, which were purchased together with the shares in Metis.

The interest expenses eliminated with respect to the indebtedness of Carl include the interest expenses regarding the assumed redemption of the Carl Credit Facilities.

(4) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the redemption of existing indebtedness of Carl and Metis as described under note (3) in section 5.2.

5.3. Explanation of "acquisition" adjustments

(5) The income from portfolio investments also includes the release of fair value step-ups resulting from the measurement of portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Due to the assumed acquisition of Metis as of January 1, 2015, the unaudited *pro forma* income statement includes a reduction in fair value step-ups from portfolio investments of £0.2 million, i.e. in total £3.3 million.

(6) The adjustment includes the additional expenses resulting from the fair value step-ups due to the PPAs as well as the transaction related costs in respect of the acquisition of Metis, which were not recognized in Garfunkel's audited financial statements at December 31, 2015. The adjustment can be explained as follows:

	(in £ millions)
Customer relationships GFKL	0.5
Tradename GFKL	0.2
Tradename Lowell	0.5
Elimination of depreciation and amortization expenses for assets not recognized	(0.9)
Transaction related costs in respect of the acquisition of Metis	0.3
Total	**0.6**

(7) The adjustment relates to the income tax effect resulting from the *pro forma* adjustments in respect of the acquisitions of Carl and Metis as described under notes (5) and (6) in section 5.3.

6. Unaudited *Pro Forma* Condensed Consolidated Income Statement for the 12-month period ended June 30, 2016

	Historical Financial Information				*Pro Forma* Adjustments			
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	*Pro Forma* Consolidated Income Statement
	(in £ millions)							
Income from portfolio investments	145.6	—	38.8	184.5	—	—	—	184.5
Portfolio write up	58.6	—	14.9	73.5	—	—	—	73.5
Portfolio fair value release	(2.3)	—	(1.0)	(3.3)	—	—	(0.4)[6]	(3.7)
Service revenue	137.4	—	2.9	140.3	—	—	—	140.3
Other revenues	3.0	—	—	3.0	—	—	—	3.0
Total revenue	**342.4**	**—**	**55.5**	**397.9**	**—**	**—**	**(0.4)**	**397.5**
Other income	**3.7**	**—**	**—**	**3.7**	**—**	**—**	**—**	**3.7**

Operating expenses								
Collection activity costs	152.5	—	12.7	165.2	—	—	—	165.2
Other expenses	135.8	—	18.8	154.6	(4.1)[(1)]	—	(12.9)[(7)]	137.5
Total operating expenses	**288.3**	**—**	**31.5**	**319.8**	**(4.1)**	**—**	**(12.9)**	**302.7**
Operating profit	**57.8**	**—**	**24.1**	**81.8**	**4.1**	**—**	**12.6**	**98.5**
Interest income	5.6	—	0.0	5.6	—	—	—	5.6
Finance cost	144.9	—	20.3	165.2	31.3[(2)]	(58.8)[(4)]	—	137.6
Profit/(Loss) before tax	**(81.6)**	**—**	**3.8**	**(77.8)**	**(27.1)**	**58.8**	**12.6**	**(33.5)**
Income tax expense	(1.7)	—	1.9	0.2	(3.7)[(3)]	10.4[(5)]	0.0[(8)]	(6.8)
Profit/(Loss)	**(79.9)**	**—**	**1.9**	**(78.0)**	**(23.4)**	**48.4**	**12.6**	**(40.3)**

6.1. Explanation of "funding" adjustments

(1) The adjustment to other expenses relates to acquisition costs in respect of the acquisition of Carl as it is assumed that these occurred on January 1, 2015.

(2) The additional interest expenses in relation to the funding can be explained as follows:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022	1.3
£565 million 8.50% senior secured notes due 2022	15.0
£230 million 11.00% senior notes due 2023	7.7
Shareholder loans	7.2
Total	**31.3**

(3) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the additional interest expenses as described under the notes (1) and (2) in section 6.1.

6.2. Explanation of "redemption of existing indebtedness" adjustments

(4) The interest expenses relating to the indebtedness assumed to be redeemed are eliminated as follows:

	(in £ millions)
Interest costs with respect to the redemption of the indebtedness of Metis	(19.7)
Interest costs with respect to the redemption of the indebtedness of Carl	(0.9)
Loss from early redemption of existing indebtedness of Metis	(38.2)
Total	**(58.8)**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the assumed redemption of the Lowell Notes, the Lowell Senior Facilities and interest expenses regarding the shareholder loans and preference shares, which were assumed to be purchased together with the shares in Metis.

The adjustment also relates to the elimination of the redemption costs in respect of the Lowell Notes due to the assumption that the redemption has taken place as of January 1, 2015.

(5) The adjustment relates to the tax effects from the *pro forma* adjustments in respect of the redemption of existing indebtedness of Metis as described under note (4) in section 6.2.

6.3. Explanation of "acquisition" adjustments

(6) The portfolio release also includes the release of the fair value step-ups resulting from the measurement of the portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Due to the assumed acquisition of Metis as of January 1, 2015, the unaudited *pro forma* income statement includes further releases of fair value step-ups from portfolio investments of £0.4 million, i.e. in total £3.7 million.

(7) The adjustment includes the additional expenses resulting from the fair value step-ups due to the PPAs as well as the elimination of transaction related costs in respect of the acquisition of Carl and Metis, which

were already recognized in Garfunkel's historical condensed consolidated financial statements and which were assumed to have incurred as of January 1, 2015. The adjustment can be explained as follows:

	(in £ millions)
Tradename Lowell	0.2
Elimination of depreciation and amortization expenses for assets not recognized	(0.3)
Transaction related costs in respect of the acquisition of Carl	(0.6)
Transaction related costs in respect of the acquisition of Metis	(12.2)
Total	**(12.9)**

(8) The adjustment relates to the income tax effect resulting from the *pro forma* adjustments in respect to the acquisitions of Carl and Metis as described under notes (6) and (7) in section 6.3.

7. Continuing and one-time effects of the *pro forma* adjustments

The *pro forma* adjustments relating to the PPAs together with the adjustments relating to the interest expenses in respect to the Carl Notes and the Metis Notes reflected in the *pro forma* consolidated income statement for the 6-month period ended June 30, 2015, the 12-month period ended December 31, 2015 and the 12-month period ended June 30, 2016 have a continuing effect.

The *pro forma* adjustments recognized in the unaudited *pro forma* consolidated income statement for the 6-month period ended June 30, 2015 and the 12-month period ended December 31, 2015 include the following adjustments with a one-time effect:

- The transaction related acquisition costs for Carl of £11.8 million and Metis of £12.2 million, i.e. in total £24.0 million were recognized immediately in accordance with IFRS 3 as of the assumed acquisition date January 1, 2015.
- The redemption of the existing indebtedness of Metis led to a one-time loss of £38.2 million and the redemption of the existing indebtedness of Carl led to a one-time loss of £1.5 million due to the assumed redemption date of January 1, 2015.