Garfunkelux Holdco 2 S.A.
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Report

January 15, 2018

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.

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 ''**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, all references to ''**NOK**'' are to the lawful currency of the Kingdom of Norway, all references to ''**SEK**'' are to the lawful currency of the Kingdom of Sweden and all references to ''**DKK**'' are to the lawful currency of Denmark.

Definitions

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

- ''Acquisition'' means the proposed acquisition of the entire share capital of the Targets by Finland Bidco, an indirect subsidiary of the Group pursuant to the Acquisition Agreement;
- ''Acquisition Agreement'' or ''SPA'' means the sale and purchase agreement dated November 2, 2017, as amended on November 17, 2017 and December 1, 2017, between Lindorff AB and Finland Bidco for the sale and purchase of the entire share capital of the Targets;
- ''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 Group, the Parent, Simon Bidco Limited, Simon Midco Limited, Simon Holdco Limited, 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;
- ''Apontas'' means Apontas GmbH & Co. KG and its subsidiaries, acquired by the Group on October 10, 2016;
- ''CAGR'' means compound annual growth rate;
- ''Combined Group'' means, collectively, the Group and the Northern European Division;
- ''Completion Date'' means the date on which the Acquisition is consummated;
- ''DACH'' means the region in which our DACH Division operates, which, as of the date of this report, is comprised of Germany, Austria, Switzerland, Croatia and Slovenia; however, in the years 2014 and 2015, operations of the DACH Division were in Germany only (except for some operations in Spain, which were sold as well as liquidated in December 2014);
- ''DACH Division'' means Lowell Holdco GmbH and its consolidated direct and indirect subsidiaries from time to time;
- ''DMA'' means Deutsche Multiauskunftei GmbH, an operating subsidiary of Lowell Holdco GmbH;
- ''E&Y Germany'' means Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft;
- ''E&Y Luxembourg'' means Ernst & Young, Société Anonyme;
- ''ERC'' has the meaning assigned to in ''*Presentation of Financial and Other Information— Non-Financial Operating* Data;''
- ''Existing 2021 Proceeds Loan'' means the loan made on or about April 21, 2017 and documented under the Existing 2021 Proceeds Loan Agreement;
- ''Existing 2021 Proceeds Loan Agreement'' means the proceeds loan agreement under which the Group onlent on or about April 21, 2017 the additional €175 million aggregate principal amount of the Former 2021 Euro Notes issued on April 21, 2017 to Simon Bidco Limited as amended and restated on September 20, 2017 to, *inter alia* update certain references to the Former 2021 Euro Notes (and related documentation) to refer to the Existing 2023 Euro Notes (and related documentation) and to extend the maturity date of the Existing 2021 Proceeds Loan to the maturity date of the Existing 2023 Euro Notes;

- ‘‘Existing 2022 Euro Notes’’ means the €365 million aggregate principal amount of 7.500% Senior Secured Notes due 2022 issued by the Group on July 23, 2015 pursuant to the July 2015 Senior Secured Notes Indenture;
- ‘‘Existing 2022 Proceeds Loan’’ means the loan made under the Existing 2022 Proceeds Loan Agreement;
- ‘‘Existing 2022 Proceeds Loan Agreement’’ means the proceeds loan agreement under which the Group was deemed to have on-lent the aggregate principal amount of the Existing 2022 Euro Notes to Lowell Holding GmbH on the GFKL Acquisition Completion Date;
- ‘‘Existing 2022 Sterling Notes’’ means the £565 million aggregate principal amount of 8.500% Senior Secured Notes due 2022 issued by the Group on October 19, 2015 pursuant to the October 2015 Senior Secured Notes Indenture;
- ‘‘Existing 2023 Euro Notes’’ means the €415 million aggregate principal amount of Floating Rate Senior Secured Notes due 2023 issued by the Group on September 20, 2017;
- ‘‘Existing FRN Proceeds Loan’’ means the loan made under the Existing FRN Proceeds Loan Agreement;
- ‘‘Existing FRN Proceeds Loan Agreement’’ means the proceeds loan agreement entered into on September 20, 2017 between the Group, as lender, and Lowell Holdco GmbH, as borrower, pursuant to which the Group onlent a portion of the proceeds of the Existing 2023 Euro Notes to Lowell Holdco GmbH;
- ‘‘Existing Indentures’’ means, collectively, the July 2015 Senior Secured Notes Indenture, the October 2015 Senior Secured Notes Indenture, the October 2015 Senior Notes Indenture and the September 2017 Senior Secured Notes Indenture;
- ‘‘Existing Notes’’ means, collectively, the Existing 2023 Euro Notes, 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 2023 Euro Notes, 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;
- ‘‘Fair Pay Please’’ means Fair Pay Please AS;
- ‘‘Finland Bidco’’ means Pofidax Oy (to be renamed Hansa Bidco Oy), Reg. No. 2788135-4, a limited liability company incorporated under the laws of Finland;
- ‘‘Former 2021 Euro Notes’’ means collectively the €230 million aggregate principal amount of Floating Rate Senior Secured Notes due 2021 issued by the Group on September 28, 2016 and the additional €175 million aggregate principal amount of Floating Rate Senior Secured Notes due 2021 issued by the Group on April 21, 2017, which were redeemed in full on October 1, 2017;
- ‘‘Fredrickson’’ means Fredrickson International Limited;
- ‘‘Garfunkelux PBA S.à r.l.’’ 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;
- ‘‘GCG’’ means GFKL Collections GmbH (previously SNT Inkasso & Forderungsmanagement GmbH) an operating subsidiary of Lowell Holdco GmbH;
- ‘‘GFKL Acquisition’’ means the acquisition by Lowell Holding GmbH of Carl Holding GmbH (prior to its merger into Lowell Holding GmbH);

- ''GFKL Acquisition Completion Date'' means June 30, 2015, the date on which the GFKL Acquisition (other than the acquisition of certain additional shares in Lowell Holdco GmbH following the squeeze-out of minority shareholders pursuant to Sections 327a *et seq*. of the German Stock Companies Act) (*Aktiengesetz*)) was consummated;
- ''GPP'' means GFKL PayProtect GmbH (previously Domnowski Inkasso GmbH), an operating subsidiary of Lowell Holdco GmbH;
- ''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 Group. Group ERC is calculated by adding our UK Division's ERC (based on a 120-month period) to our DACH Division'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 our UK Division and our DACH Division use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for our UK Division and our DACH Division may not be directly comparable. Future results for our Group may vary significantly from the Group ERC presented herein. See ''*Presentation of Financial and Other Information—Non-Financial Operating Data*;''
- ''IAS 34'' means Internatinal Accounting Standard 34, ''Interim Finacial Reporting;''
- ''IBW'' means INKASSO BECKER WUPPERTAL GmbH & Co. KG, an operating subsidiary of Lowell Holdco GmbH;
- ''IBW Verwaltungs'' means IBW Verwaltungs- und Beteiligungs GmbH, a subsidiary of Lowell Holdco GmbH.
- ''IFRS'' means the International Financial Reporting Standards, as adopted by the European Union;
- ''IJDF Norwegian Portfolios'' means Norwegian non-financial service portfolios that were historically held by Intrum Justitia Debt Finance AG and acquired by the Norway Carve-out on June 1, 2017. The Norwegian entity Intrum Justitia AS has been the debt collector for these portfolios both historically and after June 1, 2017 on a no cure no pay basis. The service provided for the debt collection has been paid according to market price. Any references to ''IJDF Norwegian Portfolios'' in this report are related to net revenue, amortization and revaluation recognized prior to June 1, 2017 in Intrum Justitia Debt Finance AG net of collections costs charged by Intrum Justitia AS;
- ''Intercreditor Agreement'' means the intercreditor agreement dated June 29, 2015, originally among, *inter alios*, the Group, 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 or supplemented from time to time.
- ''Interlaken'' means Interlaken Group Limited;
- ''Intrum'' means Intrum Justitia AB (publ);
- ''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 Lowell Holdco GmbH;
- ''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 Group, Lowell Holding GmbH and the Trustee, as amended or supplemented from time to time;
- ''KPMG Luxembourg'' means KPMG Luxembourg, *Société coopérative*;
- ''KPMG UK'' means KPMG LLP;
- ''Lindorff'' means Lindorff AB;

- ''Lindorff Group'' means Lock AS and its historical subsidiaries;
- ''Lindorff Payment Services'' means Lindorff Payment Services AB;
- ''Lindorff Sverige'' means Lindorff Sverige AB;
- ''Lowell Acquisition'' means the acquisition of the shares (except T-Shares) of Metis Bidco Limited by Simon Bidco Limited pursuant to a sale and purchase agreement dated August 7, 2015 between, *inter alios*, the previous majority shareholder of Metis Bidco Limited and Simon Bidco Limited and a share purchase agreement dated August 7, 2015 between, *inter alios*, certain employee shareholders of Metis Bidco Limited and Simon Bidco Limited;
- ''Lowell Holdco GmbH'' means Lowell Financial Services GmbH (formerly GFKL Financial Services GmbH and GFKL Financial Services Aktiengesellschaft);
- ''Lowell Holding GmbH'' means Lowell Holding GmbH (formerly Garfunkel Holding GmbH);
- ''Milla Securitization'' means the securitization program by which Lowell Holdco GmbH, PCS and IBW sold certain NPLs to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey, see ''*Description of Certain Financing Arrangements—Milla Securitization*;''
- ''Nordea Securitization'' means the loan note issuance deed, dated June 28, 2016, among, *inter alios*, Lindorff Payment Services as issuer and Nordea Bank AB (Publ) as facility agent and security trustee;
- ''Northern Europe'' means, collectively, Denmark, Estonia, Finland, Norway and Sweden;
- ''Northern European Division'' means, collectively, the Scandi Carve-out and the Norway Carve-out;
- ''Norway Carve-out'' means Fair Pay Please AS and its consolidated subsidiaries;
- ''Norwegian GAAP'' means generally accepted accounting principles in Norway as adopted by the Norwegian Accounting Act;
- ''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 Group as an initial guarantor and the Trustee as trustee and security agent, as amended or supplemented from time to time;
- ''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 Group as issuer and the Trustee as trustee and security agent, as amended or supplemented from time to time;
- ''Parent'' means Garfunkelux Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg;
- ''PayProtect Services'' means our historical risk management service offered to e-commerce clients in the DACH Division, which provides credit checks and creditworthiness information as well as purchases certain debt at face value and which is no longer marketed;
- ''PCS'' means Proceed Collection Services GmbH, an operating subsidiary of Lowell Holdco GmbH;
- ''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;
- ''PwC'' means PricewaterhouseCoopers AS;
- ''Qualified Purchaser'' or ''QP'' means a Person who is a ''qualified purchaser'' as defined in Section 2(a)(51)(A) of the Investment Company Act;
- ''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*, Lowell Holding GmbH, 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 Group, the Parent, Simon Bidco Limited, Simon Midco Limited, Simon Holdco Limited, 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, and as may be further amended and/or restated from time to time;
- ‘‘Scandi Carve-out’’ means, collectively Lindorff A/S, Lindorff Danmark A/S, Lindorff Payment Services Holding AB, Lindorff Payment Services AB, Lindorff Sverige, Lindorff Oy, Lindorff Invest Oy, Lindorff Eesti Aktsiaselts, Lindorff Payment Services AS and, since its formation, Remco Management Services AS;
- ‘‘Seller’’ means Lindorff AB, Reg. No. 556723-5956, a limited liability company incorporated under the laws of Sweden;
- ‘‘September 2017 Senior Secured Notes Indenture’’ means the indenture dated September 20, 2017 governing the Existing 2023 Euro Notes by and among, *inter alios* the Group as issuer and the Trustee as trustee and security agent, as amended or supplemented from time to time;
- ‘‘Simon Bidco Limited’’ 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 Limited’’ means Simon Holdco Limited, a company incorporated under the laws of Jersey (Registration Number 119216) that is a direct subsidiary of the Group, together with its successors and assigns;
- ‘‘Simon Midco Limited’’ 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 Limited, together with its successors and assigns;
- ‘‘SIR’’ means Sirius Inkasso GmbH, an operating subsidiary of Lowell Holdco GmbH;
- ‘‘T-Shares’’ means shares or beneficiary units in certain Group entities, namely units in the Parent and the Group and shares (‘‘PBA Shares’’) in Lowell Holding GmbH, Lowell Holdco GmbH, Simon Holdco Limited, Simon Midco Limited, Simon Bidco Limited and many of their respective subsidiaries, 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’’);
- ‘‘Targets’’ means, collectively, Fair Pay Please and Lindorff Sverige;
- ‘‘Tesch’’ means DC Holding GmbH, a limited liability company incorporated under the laws of Germany, registered in the Commercial Register of the local court of Cologne under HRB 76434, before it was merged with and into Lowell Holdco GmbH;
- ‘‘Tesch Group’’ means Tesch and its direct and indirect subsidiaries;
- ‘‘Trustee’’ means Citibank, N.A., London Branch in its capacity as trustee under the terms of the Existing Indentures, and any successor trustee under any or all of the Existing Indentures;
- ‘‘UK Division’’ means Metis Bidco Limited and its consolidated direct and indirect subsidiaries;
- ‘‘UK Division Financial Year 2014’’ means the 12-month period from October 1, 2013, to September 30, 2014, corresponding to the consolidated financial statements of Metis Bidco Limited as of September 30, 2014, and for such 12-month period;
- ‘‘UK Division Financial Year 2015’’ means the 15-month period from October 1, 2014 to December 31, 2015 corresponding to the consolidated financial statements of Metis Bidco Limited as of December 31, 2015 and for such 15-month period;
- ‘‘UK GAAP’’ means accounting principles generally accepted in the United Kingdom; and
- ‘‘ZYK’’ means ZYKLOP INKASSO DEUTSCHLAND GmbH, an operating subsidiary of Lowell Holdco GmbH.

GLOSSARY OF SELECTED TERMS

Term	Definition
''3PC''	third-party collection services business or third-party collection and value-added services
''AML''	anti-money laundering
''Backbook''	all of the debt portfolios owned by the Group, 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
''CCA''	Consumer Credit Act 1974, as amended
''CEE''	central and eastern Europe
''CMS''	credit management services
''complaint ratio''	the ratio of the number of complaints filed divided by the number of accounts
''Credit File''	a consumer's credit history held by a credit bureau
''crossover rate''	the proportion of accounts in a debt portfolio being reviewed for purchase that can be matched to consumer data already held
''CSA''	UK Credit Services Association
''consumer''	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
''Dual Bureau''	a facility for making a search with a second credit bureau
''EIR''	effective interest rate
''FCA''	UK Financial Conduct Authority
''financial services''	means the banking and non-retail home credit sectors in relation to the UK Division and, in relation to the DACH Division, the banking sector (comprising ''credit'' banks, ''savings'' banks and ''cooperative'' banks), as described in ''*Industry and Market Data—Overview of Key Market Sectors*''
''FOS''	UK Financial Ombudsman Service
''FTE''	full-time equivalent employee
''GRC''	Governance, Risk and Compliance Cockpit, a risk management and reporting tool employed by Lowell Holdco GmbH 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, in the case of our DACH Division, after tax payments for VAT and insurance. Gross Collections are only from unsecured portfolios unless otherwise specified. In the case of the Norway Carve-out, Gross Collections includes collections in respect of the IJDF Norwegian Portfolios

Term	Definition
"Gross Money Multiple"	The sum of Gross Collections and the respective ERC from our UK Division's, our DACH Division's, the Scandi Carve-out's or the Norway Carve-out's purchased debt portfolios divided by the purchase price of the relevant purchased debt portfolios. In the case of our DACH Division, the Gross Collections used to calculate Gross Money Multiple include only collections from unsecured portfolios. In the case of the Norway Carve-out, the Gross Collections used to calculate Gross Money Multiple includes the IJDF Norwegian 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 our DACH Division
"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 DACH 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 consumer intelligence and automated tracing system used by our UK Division.
"Net Promoter Score"	the metric produced by a standardized survey, the Net Promoter Score Survey, which measures the strength of a company's consumer relationships
"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 CMS companies
"paying consumer"	a paying consumer 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 consumer 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"	consumer 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 out of the 3PC business that existed as of the respective balance sheet dates

Term	Definition
‘‘retail’’	the home retail credit sector in relation to our UK Division and e-commerce and retail sectors in relation to our DACH Division, as described in *‘‘Industry and Market Data—Overview of Key Market Sectors*’’
‘‘SAS’’	the business intelligence, data mining and automation product, as described in ‘‘*Our Group’s Business—Decision Science—Our UK Division’s Decision Science*’’
‘‘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 consumer 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

Scandi Carve-out

This report contains combined historical financial information for Lindorff A/S, Lindorff Danmark A/S, Lindorff Payment Services Holding AB, Lindorff Payment Services AB, Lindorff Sverige AB, Lindorff Oy, Lindorff Invest Oy, Lindorff Eesti Aktsiaselts, Lindorff Payment Services AS and, since its inception in July 2017, Remco Management Services AS (collectively, the ''**Scandi Carve-out**'' and referred to in the Scandi Carve-out Financial Statements as ''RemCo''). The Scandi Carve-out historically operated as indirect subsidiaries of Lindorff AB. On June 12, 2017, the European Commission approved the combination of Intrum and the parent of Lindorff AB, and as part of the approval, the shareholders of the Seller have committed to divest, as a combined business, the Scandi Carve-out and Fair Pay Please AS and its consolidated subsidiaries (collectively, the ''**Norway Carve-out**'' and, together with the Scandi Carve-out, the ''**Northern European Division**''). The Northern European Division does not consolidate its financial statements as one operating entity.

This report contains historical combined financial statements for the Scandi Carve-out. The Scandi Carve-out has not existed, and will not exist, as a separate legal entity or combined group of entities and has not historically produced financial statements, including as of and for the years ended December 31, 2014, 2015 and 2016 nor as of and for the nine months ended September 30, 2016 and 2017. The historical combined financial statements included in this report have therefore been prepared specifically for the purposes of the Acquisition and for inclusion in this report. The historical combined financial statements have been prepared on a carve-out basis and the results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Scandi Carve-out been a separate entity or the future results of the Scandi Carve-out as it will exist upon completion of the Acquisition as part of the Combined Group.

In particular, this report includes and presents:

- the audited combined financial statements and the accompanying notes thereto of the Scandi Carve-out as of and for the financial year ended December 31, 2016 (including comparative information as of and for the financial years ended December 31, 2015 and 2014), which have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') and audited by the Scandi Carve-out's independent auditors, PricewaterhouseCoopers AS, as set forth in its audit reports included elsewhere herein (the ''**Scandi Carve-out Audited Financial Statements**'');
- the unaudited combined interim financial statements and the accompanying notes thereto of the Scandi Carve-out as of and for the nine months ended September 30, 2017 and 2016, which have been prepared in accordance with IFRS and International Accounting Standard 34, ''Interim Financial Reporting'' (''**IAS 34**'') and reviewed by the Scandi Carve-out's independent auditors, PricewaterhouseCoopers AS (the ''**Scandi Carve-out Unaudited Financial Statements**'' and, together with the Scandi Carve-out Audited Financial Statements, the ''**Scandi Carve-out Financial Statements**'').

Norway Carve-out

The historical financial information included in this report for the Norway Carve-out is that of Fair Pay Please AS and its consolidated subsidiaries, collectively referred to in the Norway Carve-out Financial Statements as ''Intrum Justitia Group Norway''. The Norway Carve-out historically operated as indirect subsidiaries of Intrum. On June 12, 2017, the European Commission approved the combination of Intrum and the parent of Lindorff AB, and as part of the approval, the shareholders of the Seller have committed to divest, as a combined business, the Northern European Division. The Northern European Division does not consolidate their financial statements as one operating entity.

This report contains historical consolidated financial statements for the Norway Carve-out. The Norway Carve-out has not existed, and will not exist, as a separate legal entity or combined group of entities and has not historically produced financial statements, including as of and for the year ended December 31, 2014, 2015 and 2016 nor as of and for the nine months ended September 30, 2016 and 2017. The historical consolidated financial statements included in this report have therefore been prepared specifically for the purposes of the Acquisition and for inclusion in this report. The historical consolidated financial statements have been prepared on a carve-out basis and the results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Norway

Carve-out been a separate entity or the future results of the Norway Carve-out as it will exist upon completion of the Acquisition as part of the Combined Group.

In particular, this report includes and presents:

- The audited financial statements and the accompanying notes thereto of the Norway Carve-out as of and for the years ended December 31, 2016 (including comparative information as of and for the years ended December 31, 2015 and 2014), which have been prepared in accordance with the provisions of the Norwegian Accounting Act and audited by the Norway Carve-out's independent auditors, Ernst & Young AS, as set forth in their audit reports included elsewhere herein (the ''**Norway Carve-out Audited Financial Statements**'');
- The unaudited financial statements and the accompanying notes thereto of the Norway Carve-out as of and for the nine months ended September 30, 2017 and 2016, which have been prepared in accordance with the Norwegian Accounting Act and reviewed by the Norway Carve-out's independent auditors, Ernst & Young AS (the ''**Norway Carve-out Unaudited Financial Statements**'' and, together with the Norway Carve-out Audited Financial Statements, the ''**Norway Carve-out Financial Statements**'').

The Norway Carve-out prepared the Norway Carve-out Financial Statements on the basis of Norwegian GAAP.

IFRS differs in certain significant respects from Norwegian GAAP in respect of the Norway Carve-out Financial Statements, including for example:

- under Norwegian GAAP, actuarial gains and losses related to pension schemes need not be recognized in the income statement, and the obligation and expense for the period will be different from the figures under IFRS. For a description of unrecognized amounts, see Note 3 to the Norway Carve-out Financial Statements included elsewhere in this report. The financial assumptions with regards to unrecognized actuarial gains and losses under Norwegian GAAP and IFRS may also differ; and
- under Norwegian GAAP, local regulation requires the Norway Carve-out to include an accrual for revenues for 3PC in progress at the balance sheet date, while this item is not reported in IFRS.

LTM Financial Information

This report includes certain unaudited financial information for the twelve months ended September 30, 2017. This financial information has been calculated, as the case may be, by: (i) adding the Group's financial information for the nine months ended September 30 2017 to the Group's financial information for the financial year ended December 31, 2016, and subtracting the Group's financial information for the nine months ended September 30, 2016 (the ''**Group's LTM Information**''); (ii) adding the DACH Division's financial information for the nine months ended September 30 2017 to the DACH Division's financial information for the financial year ended December 31, 2016, and subtracting the DACH Division's financial information for the nine months ended September 30, 2016 (the ''**DACH Division's LTM Information**''); (iii) adding the Scandi Carve-out's financial information for the nine months ended September 30 2017 to the Scandi Carve-out's financial information for the year ended December 31, 2016, and subtracting the Scandi Carve-out's financial information for the nine months ended September 30, 2016 (the ''**Scandi Carve-out's LTM Information**''); (iv) adding the Norway Carve-out's financial information for the nine months ended September 30, 2017 to the Norway Carve-out's financial information for the year ended December 31, 2016, and subtracting the Norway Carve-out's financial information for the nine months ended September 30, 2016 (the ''**Norway Carve-out's LTM Information**''); and (v) adding the unaudited Group's LTM Information plus the unaudited the Scandi Carve-out's LTM Information plus the unaudited the Norway Carve-out's LTM Information (the ''***Pro Forma*** **LTM Information**'' and, together with the Group's LTM Information, the Scandi Carve-out's LTM Information and the Norway Carve-out's LTM Information, the ''**LTM Information**''). The LTM Information has been prepared solely for the purposes of this report, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed. It is for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

Non-IFRS Financial Measures

The Group

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

We define ''**Group Adjusted EBITDA**'' as cash collections on acquired portfolios plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional items, depreciation, amortization and impairment of non-performing loans.

We define ''**Cash flow conversion**'' as cash flow before interest, portfolio purchases, tax expense and capital expenditure as a percentage of Group Adjusted EBITDA for the period.

We define ''**Cash flow before interest, portfolio purchases, tax expenses and capital expenditure**'' as Group Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period.

We define ''**Group cash income**'' as the total revenue for the period adding back portfolio amortization and portfolio fair value release and deducting portfolio write-up, lawyer service revenue and other revenue.

We define ''**Gross Collections**'' as actual amounts collected from purchased debt portfolios including put backs and consideration received for the sale of our own portfolios and, in the case of our DACH Division, after tax payments for VAT and insurance. Gross Collections are only from unsecured portfolios unless otherwise specified.

We define ''**net adjusted debt**'' as third-party debt less cash and cash equivalents excluding subordinated shareholder instruments included in the ''Non-current liabilities'' line item of the balance sheet and excluding restricted cash.

We define ''**other turnover**'' as service revenue, other revenue and other income.

We define ''**working capital**'' as the movement in trade and other receivables, trade and other payables and other net assets, including inventories, derivatives and provisions.

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

The Scandi Carve-out

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

The Scandi Carve-out defines ''**Scandi Carve-out Adjusted EBITDA**'' as profit and loss for the period, before taxes, net financial items, depreciation and amortization of non-financial assets and amortization and revaluation of purchased debt, further adjusted to eliminate the impact of certain non-recurring items.

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

The Scandi Carve-out defines ''**Scandi Carve-out cash income**'' as the total revenue for the period adding back portfolio amortization and deducting portfolio write-up.

The Scandi Carve-out defines ''**other turnover**'' as income deriving from 3PC services as well as DP revenue that is not included in cash collections on acquired portfolios.

The Norway Carve-out

This report contains non-Norwegian GAAP measures and ratios for the Norway Carve-out, including Norway Carve-out Adjusted EBITDA, that are not required by, or presented in accordance with

Norwegian GAAP. The Norway Carve-out's non-Norwegian GAAP measures are defined by the Norway Carve-out as set out below.

The Norway Carve-out defines ''**Norway Carve-out Adjusted EBITDA**'' as collections on owned portfolios, including collections in respect of the IJDF Norwegian Portfolios, plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional income, exceptional items, depreciation and amortization.

For reconciliations of the Norway Carve-out's collections on owned portfolios plus other turnover to Norway Carve-out Adjusted EBITDA and the Norway Carve-out's profit/(loss) for the period to Norway Carve-out Adjusted EBITDA, see ''*Summary—Summary Consolidated Financial and Other Information of the Norway Carve-out*.''

The Norway Carve-out defines ''**Norway Carve-out cash income**'' as the total revenue, including revenue in respect of the IJDF Norwegian Portfolios, for the period adding back portfolio amortization and deducting portfolio write-up.

The Norway Carve-out defines ''**other turnover**'' as income deriving from 3PC services.

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 Group Adjusted EBITDA, UK Division Adjusted EBITDA, DACH Division Pro Forma Normalized Adjusted EBITDA, Scandi Carve-out Adjusted EBITDA, Norway Carve-out Adjusted EBITDA and *Pro Forma* Combined Group Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

Pro Forma Combined Group Adjusted EBITDA, DACH Division Pro Forma Normalized Adjusted EBITDA, UK Division Adjusted EBITDA, Scandi Carve-out Adjusted EBITDA, Norway Carve-out Adjusted EBITDA and Group Adjusted EBITDA as used in this report are not calculated in the same manner as ''Consolidated EBITDA'' is calculated pursuant to the Existing Indenture governing the 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:

''***Pro Forma* Combined Group Adjusted EBITDA**'' is defined as Group Adjusted EBITDA further adjusted to include the contribution of Scandi Carve-out Adjusted EBITDA and Norway Carve-out Adjusted EBITDA for the twelve months ended September 30, 2017 (in an amount of £93.3 million) as if the Acquisition had been completed on October 1, 2016, as well as certain adjustments related to (i) management fees for the Northern European Division, (ii) a Scandi Carve-out depreciation charge, (iii) two terminated Scandi-Carve-out SRG contracts and (iv) DACH Division reorganization savings. See

"*Summary Consolidated Financial and Other Information of the Group—Pro Forma and Other Information*." The Norway Carve-out does not report its financial results using IFRS, and the Scandi Carve-out's and the Norway Carve-out's respective accounting policies and definitions of Adjusted EBITDA and cash income may differ from ours for the period from October 1, 2016 to September 30, 2017. See "*Risk Factors—Risks Related to Our Business and Industry—We are not providing pro forma financial statements reflecting the impact of the proposed Acquisition on our historical operating results and the pro forma combined information related to the Acquisition that we are providing is subject to a number of limitations and assumptions*." *Pro Forma* Combined Group 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 Group would have been had the Acquisition taken place on October 1, 2016 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*."

"***Pro forma* Combined Group cash income**" is defined as cash income for each of the Group, the Scandi Carve-out and the Norway Carve-out. There may be material differences between the accounting policies and treatment by each of the Group, the Scandi Carve-out and the Norway Carve-out, and the cash income of each of the Group, the Scandi Carve-out and the Norway Carve-out may not be directly comparable. The Norway Carve-out does not report its financial results using IFRS, and its accounting policies may differ from ours for the period from October 1, 2016 to September 30, 2017. See "*Risk Factors—Risks Related to Our Business and Industry—We are not providing pro forma financial statements reflecting the impact of the proposed Acquisition on our historical operating results and the pro forma combined information related to the Acquisition that we are providing is subject to a number of limitations and assumptions*." *Pro forma* Combined Group cash income is presented for illustrative purposes only and does not purport to indicate what the performance of our combined business would have been had the Acquisition taken place on October 1, 2016 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, for the year ended December 31, 2015, the data from our UK Division and our DACH Division were combined, without adjustment, assuming the Lowell Acquisition and the GFKL Acquisition had occurred on January 1, 2015 and does not include any data from IS Inkasso Service, Tesch or any other subsequent acquisition. This combined data is presented for illustrative purposes only. It does not purport to indicate what the performance of our Group 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*."

Our UK Division's accounting records and non-financial operating data are denominated in pounds sterling whereas our DACH Division's accounting records and non-financial operating data are denominated in euro. Unless the relevant DACH Division 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 DACH Division 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 DACH Division 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 our UK Division and over a 180-month period for our DACH Division and the Northern European Division, including the IJDF Norwegian Portfolios (in each case, except as otherwise specified). ERC projections for the Group (the ''**Group ERC**'') were calculated by adding our UK Division's ERC (based on a 120-month period) to our DACH Division's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate. ERC projections for the Combined Group (the ''***Pro Forma Combined Group ERC***'') were calculated by adding our UK Division's ERC (based on a 120-month period) to our DACH Division's ERC, the Scandi Carve-out's ERC and the Norway Carve-out's ERC (each based on a 180-month period and translated into pounds sterling at the applicable rate). While the underlying methodologies our UK Division, our DACH Division, the Scandi Carve-out and the Norway Carve-out each use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for our UK Division, our DACH Division, the Scandi Carve-out and the Norway Carve-out 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 UK Division Consolidated Financial Statements, the DACH Division Consolidated Financial Statements, the Scandi Carve-out Financial Statements and the Norway Carve-out Financial Statements. We believe that ERC, Group ERC and Pro Forma Combined Group ERC represent important supplemental measures to compare our cash generating capacity with other companies in the CMS industry, even though we can provide no assurance that we will achieve such collections within the specified time period, or at all. For more information about how we calculate ERC, see ''*Management's Discussion and Analysis of the Scandi Carve-out's Financial Condition and Results of Operations*'' and ''*Management's Discussion and Analysis of the Norway Carve-out's Financial Condition and Results of Operations*.''

We define ''**purchased debt**'' as all of our portfolios of non-performing unsecured loans and receivables acquired for settlement inclusive of any portfolios which are the subject of any securitization program.

Unaudited *Pro Forma* Condensed Consolidated Financial Information

As part of this report, we present unaudited *pro forma* consolidated income statements of the Group for the year ended December 31, 2015, the six months ended June 30, 2015 and the twelve months ended June 30, 2016 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro 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. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited *Pro Forma* Condensed Consolidated Financial Information included in this report presents periods beyond the prior period as of the current date. 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 or not applicable, 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 certain private third-party reports.

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 Purchasers 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 Purchasers 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. See ''*Industry and Market Data*.''

EXCHANGE RATE INFORMATION

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				
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	1.2345	1.3549	1.4810	1.2158
2017	1.3524	1.2886	1.3582	1.2068
Month				
June 2017	1.3008	1.2807	1.3008	1.2625
July 2017	1.3190	1.2994	1.3190	1.2849
August 2017	1.2894	1.2955	1.3238	1.2790
September 2017	1.3395	1.3314	1.3582	1.2919
October 2017	1.3273	1.3202	1.3298	1.3055
November 2017	1.3509	1.3227	1.3509	1.3055
December 2017	1.3524	1.3401	1.3524	1.3315
January 2018 (through January 12)	1.3691	1.3561	1.3691	1.3517

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				
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	1.1703	1.2202	1.3645	1.0983
2017	1.1250	1.1416	1.1968	1.0758
Month				
June 2017	1.1397	1.1399	1.1540	1.1297
July 2017	1.1168	1.1278	1.1415	1.1125
August 2017	1.0853	1.1497	1.1942	1.0758
September 2017	1.1348	1.1185	1.1405	1.0866
October 2017	1.1396	1.1232	1.1396	1.1232
November 2017	1.1360	1.1263	1.1405	1.1170
December 2017	1.1250	1.1321	1.1396	1.1250
January 2018 (through January 12)	1.1283	1.1278	1.1347	1.1219

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

	Period end	Average	High	Low
		NOK per £1.00		
Year				
2012	0.1108	0.1085	0.1132	0.1043
2013	0.0996	0.1089	0.1175	0.0986
2014	0.0858	0.0965	0.1012	0.0853
2015	0.0766	0.0813	0.0883	0.0752
2016	0.0939	0.0883	0.1004	0.0762
2017	0.0903	0.0939	0.1000	0.0889
Month				
June 2017	0.0918	0.0923	0.0933	0.0909
July 2017	0.0960	0.0944	0.0920	0.0962
August 2017	0.0997	0.0978	0.1000	0.0955
September 2017	0.0963	0.0958	0.0991	0.0936
October 2017	0.0922	0.0949	0.0956	0.0922
November 2017	0.0891	0.0923	0.0941	0.0891
December 2017	0.0903	0.0897	0.0903	0.0889
January 2018 (through January 12)	0.0918	0.0915	0.0921	0.0906

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

	Period end	Average	High	Low
		NOK per €1.00		
Year				
2012	0.1363	0.1337	0.1377	0.1292
2013	0.1196	0.1282	0.1372	0.1172
2014	0.1104	0.1197	0.1234	0.1074
2015	0.1040	0.1119	0.1198	0.1040
2016	0.1100	0.1077	0.1120	0.1029
2017	0.1016	0.1072	0.1135	0.1003
Month				
June 2017	0.1046	0.1052	0.1059	0.1041
July 2017	0.1072	0.1064	0.1048	0.1079
August 2017	0.1082	0.1073	0.1083	0.1066
September 2017	0.1063	0.1071	0.1080	0.1063
October 2017	0.1050	0.1064	0.1074	0.1050
November 2017	0.1012	0.1040	0.1059	0.1012
December 2017	0.1016	0.1016	0.1025	0.1003
January 2018 (through January 12)	0.1036	0.1031	0.1038	0.1021

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 DACH Division operating data from euro to pound sterling, rates used for 2003 to 2009 have been sourced from Capital iQ, rates used for 2010 through 2014 are based on Bloomberg Composite (London) rates and the rates used for 2015, 2016, the nine months ended

September 30, 2016, the 12 months ended September 30, 2017 and for the nine months ended September 30, 2017 are derived from the European Central Bank euro foreign exchange reference rates.

Year	Period End	Average
	euro per £1.00	
2003	1.415	1.445
2004	1.415	1.473
2005	1.451	1.462
2006	1.484	1.466
2007	1.361	1.461
2008	1.042	1.257
2009	1.127	1.122
2010	1.166	1.166
2011	1.196	1.152
2012	1.230	1.233
2013	1.201	1.177
2014	1.287	1.241
2015	1.356	1.377
2016	1.168	1.220
Nine months ended September 30, 2016	1.209	1.285
12 months ended September 30, 2017	1.135	1.148
Nine months ended September 30, 2017	1.135	1.147

The rates present the actual rates used in the preparation of the Group Consolidated Financial Statements and other financial information appearing in this report. Neither we nor the Initial Purchasers represent that the pound sterling amounts referred to in the tables above could be or could have been converted into euro or, in the case of euro amounts, pound sterling at any particular rate indicated or any other rate.

SUMMARY

This summary highlights certain information report described 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

On November 2, 2017, we announced the acquisition of the carve-out business (the ''**Northern European Division**'') from Intrum (formerly the combined business of Intrum and Lindorff). The Northern European Division is comprised of Lindorff's legacy businesses in Denmark, Estonia, Finland and Sweden and its payment services business in Norway (the ''**Scandi Carve-out**'') as well as Intrum's legacy business in Norway (the ''**Norway Carve-out**''). Upon completion of the Acquisition, the combined group will consist of the UK Division, the DACH Division and the Northern European Division (the ''**Combined Group**'').

Upon completion of the Acquisition, the Combined Group will be one of the largest Credit Management Services (''**CMS**'') in Europe, by revenue and ERC in the debt purchasing business and by current outstanding face value of debt portfolios managed on behalf of third parties. We believe that the combined business will benefit from greater scale and diversification in terms of broader geographic reach and a more balanced revenue mix, together with a complementary and client-focused product offering. Furthermore, our expertise, management and financial resources, alongside the Northern European Division's strong business mix, rich talent and regional reach, provide the Combined Group with excellent opportunities to drive further growth and diversification in a highly developed, data-rich credit market. These growth prospects are supported by our clear core competencies: (i) longstanding and multifaceted client relationships built on differentiated strategies for originating new business; (ii) a broad business model that is diversified across product offerings, markets and sectors; (iii) a strong track record of return on capital and reliable portfolio pricing; (iv) strong cash-generation capability featuring high predictability and visibility into future cash flows; and (v) a robust governance framework with a focus on reputation and compliance that we believe is embedded in our operational activity.

Our Group generated total revenue of £517.3 million, operating profit of £118.3 million, Group cash income of £579.6 million and Group Adjusted EBITDA of £292.6 million for the twelve months ended September 30, 2017, which have consistently increased since 2015. On a *pro forma* basis, *pro forma* Combined Group cash income was £793.4 million and *Pro Forma* Combined Group Adjusted EBITDA was £394.3 million for the twelve months ended September 30, 2017. Our *Pro Forma* Combined Group ERC was approximately £2,788.9 million as of September 30, 2017. The Combined Group would have generated *pro forma* Combined Group cash income from debt purchases of £597.4 million and from third-party collections (''**3PC**'') of £196.0 million for the twelve months ended September 30, 2017, excluding lawyer service revenue. As of September 30, 2017, our Group had £9.9 billion (as of September 30, 2016, £9.8 billion) in face value of third-party debt under management. As of September 30, 2017, the Gross Money Multiple for our purchased debt portfolios was 2.5x in the UK Division and 3.2x in the DACH Division (which is currently comprised of Germany, Austria, Switzerland, Croatia and Slovenia), and the Northern European Division's Gross Money Multiple was 2.8x as of September 30, 2017. For further information on third-party debt under management, see ''*Summary Key Financial, Pro Forma and Other Operating Data*.'' For a discussion of how we define *Pro Forma* Combined Group Adjusted EBITDA and *Pro Forma* Combined Group ERC, see ''*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures'' and ''Presentation of Financial and Other Information—Non-Financial Operating Data*.''

We currently enjoy a leading position in the UK and Germany, built on the key capabilities of our UK Division and DACH Division, respectively. Following our acquisition of IS Group Management GmbH (''**IS Inkasso Service**'') in May 2016 and the Tesch Group in September 2016, we also enjoy a leading position in Austria in 3PC services and benefit from a strong position in 3PC services in Germany, including a leading position in the utilities sector. Following the Acquisition, the Combined Group will also enjoy a leading position in the debt purchasing and 3PC services in the Northern Europe region. We have built our reputation in the UK as a preeminent debt purchaser as a result of advanced decision science, the unique insights we derive from our comprehensive consumer information databases and our highly efficient operational platform. Best practices relating to our sophisticated pricing, decision science and cost-optimization experience are continuously shared across our business. Additionally, with a proven platform across the Northern European markets, the Combined Group will be able to leverage the broad-based capabilities of the Northern European Division that are underpinned by a team of highly skilled and experienced staff to focus on and further develop this business through services tailored to clients' needs.

We believe that providing a full range of services across the CMS value chain helps attract and retain clients and increases the breadth and depth of collectible data, which in turn supports the development of tailored collection strategies and analytical capabilities to more accurately price portfolios. Operating with a balanced business model across Europe also enables us to allocate resources across our platform and jurisdictions to the opportunities that are most attractive. Furthermore, the acquisition of the Northern European Division will also enable the Combined Group to provide clients with an enhanced range of value-added services before loans and receivables are overdue. These include invoicing, where the client can outsource its CMS to the Northern European Division, real time credit decisions at the time of purchase, and ability to offer customers payment through invoice or part payment solutions and the commercialization of data to provide value to clients' credit management capabilities, including credit decisions, company payment behavior monitoring services and payment information.

These solutions will enable us to access a wider breadth of credit active customers earlier in the value chain, before the delinquency phase.

We believe the competitive advantages and competencies of each of our existing divisions and the Northern European Division will allow the Combined Group to further enhance our position as a preeminent player in the European CMS sector. We expect that the combination will be enhanced by sharing best practices between our Group and the Northern European Division and utilizing complementary competencies in debt purchasing and outsourced credit services. As the Combined Group continues to develop, we expect to further capitalize on the Combined Group's strengths by: (i) delivering a multi-product, multi-service and pan-regional offering while maintaining clear pricing discipline; (ii) establishing an industry benchmark for operational excellence through investments in its one-stop service offering; (iii) maintaining a reputation for pioneering insights by continuously improving its IT, data and collection platforms through innovations and investment; (iv) continuing to take a best practices approach to its client relationships; and (v) continuing to invest in its employees and corporate culture.

Our History

Since the completion of the Lowell Acquisition in October 2015, our Group, which is controlled by Permira, historically operated through two entities: (i) Metis Bidco Limited and its consolidated direct and indirect subsidiaries, which operate in the UK, and (ii) Lowell Holdco GmbH and its consolidated direct and indirect subsidiaries, which operate primarily in Germany. As of April 2017, we rebranded the Group as ''Lowell'' and primarily operate at a Group level, with two divisions: our ''UK Division'' and our ''DACH Division''. Going forward, we also expect to operate with a separate division for the Northern European Division.

Headquartered in Leeds (UK Division), Essen (DACH Division) and Oslo (Northern European Division), the Combined Group had 3,821 FTEs, as of September 30, 2017, with 1,674 in the UK Division, 1,293 in the DACH Division and 854 in the Northern European Division.

Our UK Division was established in 2004 and is a leading provider of CMS in the UK, the sole jurisdiction in which it operates. While our UK Division focuses mainly on debt purchase, it performs limited third-party collection services in several sectors and offers certain other CMS activities. Metis Bidco Limited and its consolidated direct and indirect subsidiaries are now contained within our UK Division following our rebranding in April 2017.

Our DACH Division was founded in 1992 and is a leading provider of CMS in Germany. In addition to Germany, the DACH Division has operations in Austria, Switzerland, Croatia and Slovenia. Our DACH Division is active across the full value chain of CMS. Lowell Holdco GmbH and its consolidated direct and indirect subsidiaries are now contained within the DACH Division following our rebranding in April 2017.

The Northern European Division is an established player across the Northern European markets with a long track record in each country: Finland (1966), Sweden (1981), Norway (1982), Denmark (1994) and Estonia (1997). The Northern European Division is active across the full value chain of CMS with strong capabilities across all client sectors. The Northern European Division was formed by the combination of Intrum's former operations in Norway and Lindorff's former operations in Denmark, Estonia, Finland and

Sweden, as well as Lindorff's payment services business in Norway. On June 12, 2017, the EC approved the combination of Intrum and the parent of Lindorff, and as part of the approval, the shareholders of Intrum have committed to divest, as a combined business, the Northern European Division.

Our Key Strengths

Leading position across key European consumer credit markets

The Combined Group will be the second largest pan-European credit management company by revenue, *Pro Forma* Combined Group Adjusted EBITDA and ERC. *Pro Forma* Combined Group Adjusted EBITDA for the twelve months ended September 30, 2017 was £394.3 million. We believe the scale of the Combined Group provides several strategic benefits, including bolstering our ability to competitively price portfolios in our debt purchasing activities and develop optimal collection strategies, which we believe will have a positive impact on our revenue and efficiency. Additionally, we believe the increase in size of the business should allow us to better absorb fixed costs, including those related to regulatory and legal, compliance and IT, which should further benefit our margins.

We believe the Combined Group's expanded geographic footprint across 11 countries, with top-three positions in eight of those countries, combined with top tier local market positions is a competitive advantage which will further enhance our ability to follow our clients across markets and deepen client relationships.

The UK Division and DACH Division, our current two market-leading and complementary operational divisions, operate primarily in the two largest consumer credit markets in Europe, the UK and Germany. The UK had approximately £204 billion and Germany had approximately £169 billion of consumer credit outstanding as of September 2017, according to the Bank of England and the European Central Bank, respectively. In addition, both the UK and Germany experienced increasing amounts of new consumer credit origination annually, with £260 billion and £84 billion in new flows, respectively, in 2016, according to Bank of England and Deutsche Bundesbank, respectively. In the twelve months ended September 30, 2017, we invested £270.7 million to purchase debt portfolios in the UK and DACH regions and managed £9,858.5 million of 3PC debt.

The Northern European Division holds leading positions across each of its geographies and offers exciting growth opportunities as the CMS sector in Northern Europe continues to benefit from strong tailwinds. The market growth is supported by an increasing level of outsourcing and propensity to sell by creditors who recognize the need to focus on their core activities while relying on sophisticated CMS specialists to achieve better financial and reputational outcomes. In the twelve months ended September 30, 2017, the Northern European Division invested £77.5 million to purchase debt portfolios in Northern Europe and managed £3,400.9 million in its 3PC segment.

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 UK, the DACH region, and now Northern Europe, than we would otherwise be able to address with a less comprehensive approach. We are a market leader and a pioneer in servicing debt originators across multiple sectors. We also 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 UK and the insurance and fitness sectors in Germany. The Northern European Division has also built a strong presence in the financial services sector.

In the UK, for the twelve months ended September 30, 2017, 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, we believe we are the number three CMS by revenue. Across Northern Europe, the Northern European Division purchases debt portfolios across a wide array of industry verticals and holds the number two market position, as defined by debt collection revenues, in Sweden and Finland. It is also ranked amongst the top three in Denmark and Estonia and amongst the top five in Norway.

We believe our scale provides key benefits critical to our success. For example, 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 and allows us to provide our clients with a comprehensive service offering capable of addressing their needs throughout the debt recovery cycle. Due to our ability to provide a one-stop service offering, we believe we are able to better maintain and develop relationships with large debt originators than our smaller peers in the UK, DACH and Northern European markets, and as a result, are better positioned than our smaller peers for rapid growth in these respective markets. Furthermore, we expect that the acquisition of the Northern European Division will only serve to further deepen our competitive advantages and fortify our position as a preeminent player in the European CMS sector.

Attractive Market Dynamics Supporting Growth and Profitability

We believe that the characteristics of the core markets in which we will now operate are conducive to sustainable growth and profitability for the Combined Group. The UK, Germany and Northern Europe have historically benefited from stable macroeconomic conditions, including real GDP growth, low inflation, low interest rates and low unemployment levels. Although Brexit has caused uncertainty and we expect this uncertainty to persist over the short to medium term, we believe that the UK will continue to benefit from overall 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 UK 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 UK, Germany and Northern Europe can be burdensome to small businesses and may therefore increase consolidation opportunities for large players in the CMS. In addition, we believe that Austria largely benefits from similar business and macroeconomic conditions as Germany.

Moreover, the markets in which we operate 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 CMS companies such as ours can provide certain benefits to debt originators across sectors, including consumer insights and 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.

We believe that the consumer credit market in the UK has several distinctive features that make it attractive to CMS companies like us. We believe that the UK is the largest consumer credit market in Europe with an estimated £204 billion of outstanding debt as of September 2017 according to the Bank of England. In addition, we believe that the UK has the largest consumer NPL market in Europe by face value of defaulted debt sold annually. 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 is competitively advantaged to grow more quickly, and at higher levels of profitability, than its smaller peers. We believe such players have a number of structural advantages, including, for example, an ability to exploit more extensive consumer 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 CMS 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 CMS companies. We believe that Germany is the second largest consumer credit market in Europe, with an estimated £169 billion of outstanding debt as of September 2017 according to the European Central Bank. In addition, Germany boasts a large stock of overall defaulted debt and is also one of the largest consumer NPL markets in Europe by flow of newly created unsecured consumer defaulted debt. A diverse range of German businesses, from sectors such as financial services, fitness, retail and telecommunications, originate consumer credit from a diverse consumer base. These businesses use a varied set of collection methods to support the debt recovery process and typically outsource the majority of their receivables collections. 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 CMS market is highly fragmented, with approximately 600 to 900 players, we believe that large players, such as the Group, 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 consumers, since the statutory limitation period in Germany for applying for and obtaining an enforcement title against consumers 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 consumer 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.

The consumer credit market in Northern Europe is also a large and mature market with a stable regulatory regime. The credit management industry in Northern European countries has existed for more than 100 years, and matured significantly following the financial crisis in the 1990s, when debt collection companies, including the Northern European Division, grew their businesses and supported clients in their deleveraging of large, overdue debt portfolios. In 3PC services, clients have historically preferred well-known and established players. This has benefited the Northern European Division with its leading pan-Northern European platform. According to a market study by a leading consultancy firm, the proportion of debt portfolio sales compared to 3PC-serviced portfolios is expected to increase from their current level of 40% of the overall NPL market, as clients, particularly financial institutions, show an increasing willingness to optimize their balance sheet. The Northern European Division is, thus, well placed to take advantage of this trend owing to significant operational synergies among its business segments as its debt collection segment serves as an origination source for debt purchasing.

A Balanced Business Model with Significant Diversification Benefits

The Combined Group will operate a balanced and diversified business model, and 75% and 25% of the *pro forma* Combined Group cash income in the twelve months ended September 30, 2017 was generated from debt purchase businesses and third-party collection services, respectively. During the twelve months ended September 30, 2017, our Group earned revenue from a wide client base with 70 different originators (excluding one-off secondary purchase) for our debt purchasing business and 83 different originators for our third-party collection services. In addition, we believe we have the most diversified industry mix among our peers. Our client base encompasses clients in the financial services, insurance, retail, telecommunications, fitness, public and utilities sectors, among others. As of September 30, 2017, the Combined Group's *pro forma* 120-month ERC split by industry was financial services (55%), retail (22%), telecommunications (18%), and other (5%). For the twelve months ended September 30, 2017, the Combined Group's NPL acquisitions split by industry, on a *pro forma* basis, was financial services (55%), retail (26%), telecommunications (15%) and other (4%). The Combined Group will be able to provide these clients with a one-stop service offering that includes third-party collection services, risk management and value-added services. We believe this one-stop 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 modelling.

In addition to diversification, we believe our pan-European presence allows us to realize a number of key benefits that we expect will provide us with key competitive advantages. For the twelve months ended September 30, 2017, the UK Division, DACH Division and Northern European Division contributed 45%, 28% and 27%, respectively, to *pro forma* Combined Group cash income. We believe the combination of allocating capital at a group level into markets where we believe our risk/reward return is the most attractive and the expertise of the individual businesses allows us to allocate capital and originate business across markets, sectors and clients to wherever we see the greatest opportunities. 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.

Our broad-based business model will be enhanced by the acquisition of the Northern European Division, which is active across the entire CMS value chain in Northern Europe. In addition to 3PC services and debt purchasing, the Northern European Division provides a wide range of value-added services before debt and receivables are overdue, including customer and credit information and analysis, selection and scoring of potential customers, invoicing and the commercialization of data to provide value to clients' credit management capabilities, including credit decisions, company payment behavior monitoring services and payment information.

The Northern European Division will thus reinforce our flexible and balanced product offering, which we believe will allow us to maximize revenue by offering solutions to clients along the entire CMS value chain, enabling us to operate as a ''one-stop shop'' for our clients. While our predominant activities will continue to remain debt collection and debt purchasing, the value-added services segment will increasingly become an important source of origination for the debt purchasing and debt collection businesses and for data collection.

A Consumer-Centric Approach at the Core of our Business

Our collection rate is dependent on our ability to both understand consumers and to treat them fairly and with respect. We believe that by treating our consumers in this manner, and by ensuring regulatory compliance and maintaining a strong risk management discipline within our Group, we are able to maintain and foster a positive reputation. We believe that having a positive reputation is a key factor to our success as a debt servicing company.

Our UK Division has received numerous accolades for its strong track record with respect to the quality of its customer service. In addition, in 2016 and 2017, respectively, our UK Division received a Net Promoter Score of +39 and +43. We believe that this score demonstrates that our approach of working with consumers to agree on a mutually acceptable payment plan tailored to the consumer's personal circumstances results in positive consumer relationships. Our UK Division's 2016 and 2017 Net Promoter Score is much stronger than that of many other financial services companies, which often fail to achieve a positive Net Promoter Score. Our UK Division's Net Promoter Score also exceeded the scores received by most well-known retail banks in the UK, which we believe is particularly remarkable given our consumers do not choose to have their debt managed by the Group. This has been followed by a 'Gold Award' in 2017 (previous 'star' ratings have been replaced with bronze, silver and gold awards and Lowell was the first company to receive the Gold Award). Our DACH Division has also been recognized for its consumer service. We currently hold the highest S&P Servicer Rating among German CMS providers.

These achievements are a product of our focus on risk management. Our risk management framework is grounded in our management structure, our processes and a ''three lines of defense'' risk-management (see ''*Our Group's Business—Compliance and Risk Management*'' for a description of the ''three lines of defense'' model) that we believe mirrors the highest risk-management standards in the financial services markets in which we operate. We have implemented our risk-management approach with oversight from our Group's internal audit function. Compliance is at the heart of our Group's operations. We believe that we have a strong track record with respect to consumer complaints in both the UK and Germany. For example, for the twelve months ended September 30, 2017, the FOS-filed complaint ratio in our UK Division was low, with 24.1 cases filed per one million active financial services accounts. In our DACH Division (excluding the Tesch Group), we received, on average, only 0.005% consumer complaints as a percentage of active accounts for the twelve months ended September 30, 2017. A focus on risk management and compliance are woven into our Group's structure and that of the Northern European Division from the local level to the internal and independent external risk control and auditing functions carried out at the executive and board levels.

The Northern European Division also has a well-defined and proven governance and risk-management framework that has been established from decades of experience, ensuring that the business is continuously aligned and compliant in its conduct. The Northern European Division has a strong culture of consumer compliance seeking to offer debtors the best possible customer journey and supporting them in rebuilding a healthy personal financial profile. The Northern European Division has also invested significantly into individual compliance training and instilling a strong customer centric corporate culture, leading to positive customer feedback.

We believe the decision science that underlies our Group's and the Northern European Division's 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, DACH and Northern European regulatory environments, which, though different in their particular legal frameworks and regulations, are similarly well-developed, robust and stable. It is our view that the well-developed nature of such environments provides us with a competitive advantage and favors strong market participants, such as our Group, which has the scale and experience necessary to meet demanding compliance requirements.

Our Group and the Northern European Division both share an overarching commitment to be a fair and principled business that puts people at the heart of the culture, particularly our consumers. This shared, values-based approach will be central to our integration and provide consistency to our vision of being the best in our field.

Competitive Advantage Embedded in Sophisticated Data Analytics

The Group is supported by what we believe to be industry-leading IT and data platforms in our markets, which we are continuously investing in to build a scalable platform. Through our consumer database, which we believe to also be industry-leading, we have developed proprietary behavioral and asset valuation models, custom software applications and a variety of other business tools. The Combined Group's systems are technologically sophisticated, highly automated and driven by data derived from databases of owned and serviced consumer portfolios in the UK and DACH markets, and we believe that our Group has the largest databases in the UK and DACH and one of the largest databases in Northern Europe. Sophisticated data analytics serve as an integral part in the process of pricing portfolios ahead of acquisitions and allow the business to establish more efficient debt collection strategies. As of September 30, 2017, on a *pro forma* basis, the Combined Group's systems held data derived from the transactional records of some 32.9 million consumer accounts contained in 3,007 NPL portfolios. 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.

Thus, given the breadth of our experience throughout the credit management value chain, we will have access to comprehensive databases of purchased and serviced debt. Our IT and data platforms are subject to an ongoing process of improvement and innovation, which we will continue to support with ongoing investment. We believe that our sophisticated and scalable IT and data platforms, in which we have made robust investments, provide significant competitive advantages. Combined with data analysis capabilities, we will be able to take a centralized approach to forecasting and pricing that is supported by specialist local input, ensuring strong cross-organizational evaluation of portfolio pricing. 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.

The Combined Group's data capabilities will also facilitate more efficient debt collection strategies through data analytics and cross-learning. In addition, the risk management approach of the Combined Group will help ensure that the sophisticated pricing information is used in an investment decision-making context that focuses on compliance and maintaining strong internal controls. We believe that our sophisticated collection strategies, in turn, lead to increased collection efficiency and reduced collection costs. Further, we believe our sophisticated IT and data platforms allows 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.

Strong Track Record of Return on Capital and Portfolio Pricing Through the Cycle

We believe that we have a track record of strong and stable return on capital supported by continuous improvement in decision science and the use of feedback from our collection operations. The Combined Group's aggregate Gross Money Multiple on portfolios purchased as of September 30, 2017 was 2.5x in our UK Division, 3.2x in our DACH Division and 2.8x in the Northern European Division. Moreover, since Group management will be involved in investment decisions at each division, we believe that we will be able to deploy our capital across the UK, DACH and Northern European regions 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 decision science and leveraging feedback from collection operations have helped strengthen our underwriting, resulting in a narrower disparity between forecasted and actual returns. Our historical actual collections compared to forecast collections demonstrate our accurate and disciplined yet prudent forecasting. Even during more challenging economic environments, such as the 2008 to 2009 financial crisis, our actual collections exceeded our forecasted collections. Our Group's actual collections were 100% of our forecasted collections for the twelve months ended December 31, 2015 and 104% of our forecasted collections for the twelve months ended December 31, 2016. Our Group's actual collections were 107% of our forecasted collections for the nine months ended September 30, 2017. Similarly, the Northern European Division's actual collections were 106% of forecasted collections, including the IJDF Norwegian Portfolios, for the nine months ended September 30, 2017.

We believe that our disciplined approach to portfolio pricing has helped us 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 consumer characteristics and 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, our sophisticated and automated data systems and our experienced and skilled portfolio pricing specialists. Our ability to leverage our own data and our specific expertise and databases from comparable portfolios across many sectors minimizes risk and helps to ensure accurate pricing bolstered by strong in-house analytical capabilities. 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. The Northern European Division shares a similar culture and approach to data analytics, thus helping it price portfolios accurately and efficiently.

High Visibility into Future Cash Flow Generation

Our debt portfolio purchase business provides excellent visibility into future earnings, as well as substantial cash-flow generation backed by a significant asset base. Although the Combined Group's ERC metrics extend for 120 months for the UK Division and 180 months for the DACH Division and Northern European Division, respectively, a majority of collections occur within the first 48 months. We expect approximately 35% of *Pro Forma* Combined Group ERC to be generated within the next 24 months and approximately 57% to be generated within the 48-month period. As of September 30, 2017, on a *pro forma* basis, the Combined Group owned 3,007 debt portfolios and *Pro Forma* Combined Group ERC was £2,788.9 million, resulting in an aggregate Gross Money Multiple on portfolios purchased of 2.5x for our UK Division, 3.2x for our DACH Division and 2.8x for the Northern European Division. In addition, we believe that our Group ERC forecast is reliable and resilient, 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.

In addition, we believe that the multi-year nature of our forward flow agreements helps to provide us with visibility into new business origination and expected returns. In the twelve months ended September 30, 2017, 44% by total purchase price for our UK Division's debt portfolio purchases came from forward flow agreements. Similarly, forward flow agreements accounted for 64% and 31% of debt portfolio purchases in the DACH Division and Northern European Division respectively, including the IJDF Norwegian Portfolios in the twelve months ended September 30, 2017.

In addition, our portfolio purchases for the twelve months ended September 30, 2017 have increased as compared to the twelve months ended September 30, 2016. 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. For the twelve months ended September 30, 2017, long term payment plans as a percentage of collections was 79% in the UK Division, 44% for the Scandi Carve-out and 15% for the Norway Carve-out.

Our third-party collection services business is also cash generative and typically enables us to scale our business without requiring significant incremental investments. We believe that the contractual arrangements in the 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 revenue and cash income from 3PC services for the twelve months ended September 30, 2017 was £112.3 million. Furthermore, for the twelve months ended September 30, 2017, 3PC services revenue, on a *pro forma* basis, would have represented 25% of the *pro forma* Combined Group cash income.

On a *pro forma* basis, *Pro Forma* Combined Group Adjusted EBITDA was £394.3 million for the twelve months ended September 30, 2017, and *Pro Forma* Combined Group ERC was £2,788.9 million. For more information regarding *Pro Forma* Combined Group Adjusted EBITDA and cash conversion, see ''*Presentation of Financial and Other Information—Non-IFRS Measures*.''

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 CMS companies. For example, our CEO served as CEO of our UK business since it was established in 2004, and our CFO has over 15 years of relevant senior management experience in financial services. The Combined Group will have a wide bench of strong management talent spread across our regions.

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 2,967 FTEs as of September 30, 2017. 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

Develop Sustainable Competitive Advantage in Chosen Markets to Facilitate Continued Growth

Our strategy is to ultimately become the leading multi-product and multi-service provider of CMS services in our chosen markets. We believe that we have a complementary set of competitive advantages across UK, DACH and Northern Europe that are essential to helping us achieve this objective. Our UK Division is a leader in the UK CMS market and possesses one of the most sophisticated debt purchase platforms in Europe. Our DACH Division is a leading player in the DACH debt purchase and third-party collection services markets and provides our clients with a diversified service offering that harnesses our expertise in a range of CMS services, including BPO and risk-management services. We believe the acquisition of the Northern European Division will provide us with a leading position in the Northern European CMS market, including BPO and risk-management services leadership positions in the Northern European financial institutions client segment that possesses one of the most sophisticated debt purchasing and collection platforms in the data-rich Northern European region. By sharing best practices within the Combined Group and utilizing our complementary competencies in debt purchasing and outsourced credit services, we believe the strength of each of our divisions enables us to seize new opportunities to help us expand our offering both geographically and throughout several key market sectors.

Our pricing discipline and systematic, objective pricing processes remain an integral part of our strategy and lay the foundation for us to build a sustainable competitive advantage. 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 consumer 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 will be able to deploy our capital across the Combined Group to wherever returns are most promising, which we believe will contribute to our ability to maintain high returns on capital.

Establish an Industry Benchmark for Operational Excellence Through a Diversified One-Stop Offering

We believe that debt originators are increasingly seeking a holistic, cost-efficient approach to CMS that fully complies with applicable regulations. 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 also intend to further diversify our one-stop service offering by capitalizing on the Northern European Division's value-added services offering. Moreover, we have a strong track record of opening new sectors to the CMS market, and we seek to continue to build relationships with entities that have not previously sold debt portfolios or purchased CMS services. For example, Fredrickson, our third-party collection services platform in the UK, has enabled us to enter the public sector market, since it is one of a select group of debt collection agencies chosen by HM Revenue & Customs, the UK's tax and customs authority, to provide collection services for central government departments. Our enhanced geographic diversity will mean that we are in a position to fully leverage our geographic footprint by launching products which have been successful in one market into our other markets. Our longstanding client relationships and high volumes of data in our UK and DACH markets, and now the Northern European markets, along with our meaningful presence throughout our other markets, will contribute to our ability to anticipate our clients' changing needs while identifying new market opportunities.

The Combined Group's strategy will be focused on increasing its current share of the CMS markets in the UK, DACH and the Northern European regions 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 CMS requirements. This local, specialized approach to our client relationships allows us to provide specialized offerings that have been tailored to reflect the consumer's individual needs.

Maintain Our Reputation for Pioneering Insights by Continuously Improving our IT, Data Analytics, Data Science and Collection Platforms through Innovations and Investment

We are continuously looking to improve our IT, data analytics, data science 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 UK we are actively deploying technology through which we are able to more closely tailor our contact to the consumer's unique circumstances. In addition, on a Group-wide basis we are implementing a multi-channel digital strategy to better connect with our consumers. We believe these initiatives will improve the efficiency of our operations platform through cost reductions, increased collections or a combination of these two effects. Sophisticated data analytics underpin our disciplined approach to pricing and investment decisions, which we believe are an integral part of our strategy and which differentiate us from our competition.

Consumer Focus and Relationships that Provide Long-Term Value Creation

We aim to continue our discipline of operating ethically, transparently and in compliance with all applicable rules, regulations and guidance. We intend to focus on providing a fair, understanding and consumer centric approach to our debt collection services. To that end, we intend to work with each consumer to develop a realistic and sustainable payment plan that is tailor-made to the consumer's circumstances and allows the consumer to restore his or her financial standing and continue to access mainstream credit products. To maintain and enhance this individualized approach to our consumers, we intend to continue to leverage our decision science capabilities in order to help ensure that the consumer profiles we build are as accurate and up-to-date as possible. We aim to communicate closely, clearly and transparently with the consumer and strive to understand their situation and circumstances. We believe that clear communication will enable us to have visibility with regard to the timing and profile of future collections.

As the legal and regulatory environments in which we operate continue to evolve, we intend to adapt our culture, practices and policies appropriately, while always seeking to be the model that others look to for compliance standards and best practices. Compliance is an increasingly important differentiating factor in our industry and 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.

Continue to Invest in Our Employees and Corporate Culture

Our reputation is extremely important to us, both among our clients and among our employees. 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. They create the culture that defines our business, protects our reputation and drives our performance, and they constitute the primary component of our consumers' experience. 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 consumer experience.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist

We have a strong track record of selective and accretive expansion in the UK and Germany, as demonstrated by our acquisition of IS Inkasso Service in May 2016, the Tesch Group in September 2016 and Apontas in October 2016 and now the Northern European Division from Intrum in November 2017. Furthermore, the Combined Group has a proven track record of successfully expanding by acquiring carve-outs of the internal collections businesses of banks, insurers, telecoms and utility companies. As our business continues to develop, we intend to continue to participate opportunistically in the consolidation of the European CMS industry in order to build scale, address untapped consumer segments and create new relationships with debt originators. We intend to strategically pursue further carve-out transactions with current clients and credit-accretive bolt-on acquisitions. We will continue to apply our strong and disciplined approach to valuation in connection with these potential acquisitions.

The Acquisition

On November 2, 2017, we entered into a sale and purchase agreement, as amended on November 17, 2017 and December 1, 2017, (the ''**Acquisition Agreement**'' or ''**SPA**'') with Lindorff AB (the ''**Seller**'') to acquire the entire issued share capital of the Targets and their subsidiaries (such acquisition, the ''**Acquisition**''). In connection with the Acquisition Agreement, the Seller has given certain customary representations and warranties related to the Targets and the business of the Targets. We expect that the total amount payable in connection with the Acquisition (including the repayment of certain existing indebtedness of the Targets) will amount to €747 million, or approximately £658 million.

We currently anticipate that the Acquisition will close in the first half of 2018. The closing of the Acquisition is subject to customary competition and regulatory approvals (the ''**Closing Condition**'') and other customary closing conditions. If these closing conditions have not been satisfied by August 2, 2018, or if it becomes apparent that these conditions will not be satisfied by such date, the Acquisition Agreement may be terminated by either party.

Recent Developments

The Scandi Carve-out has recently purchased two NPL portfolios from longstanding clients for an aggregate purchase value of approximately €45 million.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF THE GROUP

The following tables summarize the Group's historical consolidated financial data as of and for the twelve months ended September 30, 2017, the nine months ended September 30, 2017, the nine months ended September 30, 2016 and the year ended December 31, 2016 and should be read in conjunction with the section entitled ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations.'' Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the Group Consolidated Financial Statements mentioned above. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the Group Consolidated Financial Statements mentioned above but rather was taken from the Unaudited Group Interim Condensed Consolidated Financial Statements or the Group's internal reporting system, or has been calculated based on figures from these sources, as applicable. 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 year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015. 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. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited Pro Forma Condensed Consolidated Financial Information included in this report presents periods beyond the prior period as of the current date.

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.''

In May 2016, our DACH Division acquired IS Group Management GmbH (together with its subsidiaries), and its results have been consolidated with the Group's beginning June 1, 2016. In September 2016, our DACH Division acquired Tesch, and its results have been consolidated with the Group's beginning October 1, 2016. In October 2016 our DACH Division acquired Apontas, and its results have been consolidated with the Group's beginning October 1, 2016. As a result, the financial results for the year ended December 31, 2016 are not directly comparable to those for prior years.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Group 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 Group Adjusted EBITDA may differ from ''Consolidated EBITDA''. 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 ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations.'' Historical results are not necessarily indicative of future expected results.

Summary Group Consolidated Statement of Comprehensive Income

	For the period from June 1, 2015 (date of incorporation) to December 31, 2015	For the Year ended December 31, Pro Forma 2015(1)	For the Year ended December 31, 2016	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2017	For the twelve months ended September 30, 2017
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
			(in £ millions)			
Continuing operations						
Revenue						
Income from portfolio investments	52.5	172.1	199.3	144.0	179.6	234.9
Portfolio write-up	20.7	56.1	95.4	71.9	84.9	108.4
Portfolio fair value release	(0.6)	(3.3)	(3.4)	(2.6)	(1.9)	(2.7)
Service revenue	65.8	138.1	160.0	112.8	126.3	173.5
Other revenue	1.7	2.8	2.9	2.0	2.5	3.4
Total revenue	**140.2**	**365.7**	**454.2**	**328.2**	**391.3**	**517.3**
Other income	1.9	5.1	4.1	3.5	3.3	3.9
Operating expenses						
Collection activity costs	(68.5)	(152.8)	(181.4)	(133.4)	(136.4)	(184.4)
Other expenses(2)	(73.5)	(151.5)	(167.2)	(105.8)	(157.2)	(218.6)
Total operating expenses	**(142.0)**	**(304.3)**	**(348.6)**	**(239.2)**	**(293.6)**	**(403.0)**
Operating profit	0.1	66.5	109.8	**92.5**	**101.0**	**118.3**
Interest income	3.3	3.7	0.7	2.5	2.2	0.4
Finance costs(3)	(77.4)	(169.2)	(138.7)	(100.1)	(137.4)	(176.0)
Loss before tax	**(74.0)**	**(99.0)**	**(28.2)**	**(5.1)**	**(34.2)**	**(57.3)**
Income tax (expense) / credit	5.5	7.1	(3.0)	(6.0)	(2.3)	0.7
Loss for the period	**(68.5)**	**(91.8)**	**(31.2)**	**(11.1)**	**(36.5)**	**(56.6)**
Other comprehensive loss						
Gains / (losses) on pension plans	0.4		(1.0)	—	—	(1.0)
Deferred tax on gains / (losses) on pension plans	(0.1)		0.3	—	—	0.3
Foreign operations—foreign currency translation differences	(6.0)		(5.9)	(8.9)	(1.8)	1.2
Total comprehensive loss for the period attributable to equity shareholders	**(74.3)**		**(37.8)**	**(19.9)**	**(38.3)**	**(56.2)**

(1) Prepared on a *pro forma* basis as if the Lowell Acquisition and the GFKL Acquisition and the offering of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith had been completed on January 1, 2015. See ''*Presentation of Financial and Other Information*.''

(2) Other expenses in the year ended December 31, 2016 included a tradename impairment expense of £6.2 million and acquisition costs of £1.2 million. In the year ended December 31, 2015, other expenses included acquisition costs for Metis Bidco Limited and Lowell Holdco GmbH of £12.2 million and £11.8 million, respectively. Other expenses in the twelve months ended September 30, 2017 included a tradename impairment expense of £6.2 million and acquisition costs of £1.0 million.

(3) Finance costs for the year ended December 31, 2015 included debt redemption fees for Metis Bidco Limited and Lowell Holdco GmbH of £38.2 million and £1.5 million, respectively. In the nine months ended September 30, 2017 there was a write off of prepaid costs on the Existing Senior Secured Notes and fees due to the redemption of the Former 2021 Euro Notes that totaled £10.3 million and £3.6 million respectively.

Summary Group Consolidated Statement of Financial Position

	As of December 31,		As of September 30,	
	2015	2016	2016	2017
	(audited)		(unaudited)	
	(in £ millions)			
Assets				
Non-current assets				
Goodwill	861.4	1,005.9	1,008.5	1,019.2
Intangible assets	76.1	124.1	133.3	116.0
Property, plant and equipment	6.3	10.1	9.0	10.2
Portfolio investments	345.7	491.4	431.8	533.7
Other financial assets	5.0	2.1	3.3	9.4
Deferred tax assets	0.8	—	—	—
Total non-current assets	**1,295.2**	**1,633.7**	**1,585.8**	**1,688.5**
Current assets				
Portfolio investments	270.8	340.3	324.2	371.4
Trade and other receivables	26.8	28.9	43.7	40.1
Assets for current tax	4.2	1.1	1.2	1.4
Other financial assets	10.0	8.3	13.1	2.5
Cash and cash equivalents	106.9	98.1	88.9	88.9
Total current assets	**418.9**	**476.7**	**471.2**	**504.3**
Total assets	**1,714.0**	**2,110.5**	**2,057.0**	**2,192.8**
Equity				
Share capital	3.7	3.7	3.7	3.7
Share premium and similar premiums	357.2	400.4	397.3	400.4
Reserves	(14.2)	(20.5)	(23.1)	(22.3)
Retained deficit	(68.6)	(99.7)	(79.6)	(136.2)
Total Equity attributable to equity holders of the parent	**278.2**	**284.0**	**298.4**	**245.7**
Non-controlling interests	0.5	—	0.4	—
Total Equity	**278.7**	**284.0**	**298.8**	**245.7**
Liabilities				
Non-current liabilities				
Borrowings	1,221.1	1,531.3	1,532.3	1,758.1
Provisions for pensions	3.5	5.1	4.1	5.9
Provisions	0.6	1.8	2.1	2.0
Derivatives	0.5	0.2	0.3	—
Other financial liabilities	55.6	0.1	—	0.2
Deferred tax liabilities	27.4	47.3	48.5	48.1
Total non-current liabilities	**1,308.8**	**1,585.8**	**1,587.3**	**1,814.2**
Current liabilities				
Trade and other payables	60.7	101.7	79.8	58.0
Provisions	10.6	14.5	13.9	15.4
Borrowings	34.0	100.3	52.0	35.9
Derivatives	0.3	0.3	0.3	—
Other financial liabilities	6.9	6.5	6.5	6.8
Current tax liabilities	14.0	17.3	18.3	16.8
Total current liabilities	**126.5**	**240.6**	**170.9**	**133.0**
Total equity and liabilities	**1,714.0**	**2,110.5**	**2,057.0**	**2,192.8**

Summary Group Consolidated Statement of Cash Flows

	For the Year ended December 31, 2016	For the Nine Months Ended September 30, 2016	2017
	(audited)	(unaudited)	
	(in £ millions)		
Consolidated cash flow statement:			
Net cash used in operating activities	**(21.5)**	**(16.0)**	**(16.4)**
Investing activities			
Interest received	0.2	0.3	0.2
Proceeds from sale of subsidiary	0.2	0.5	—
Purchase of property, plant and equipment	(4.8)	(3.1)	(1.7)
Purchase of intangible assets	(5.0)	(4.3)	(1.7)
Acquisition of subsidiary, net of cash acquired	(133.8)	(137.8)	—
Net cash used in investing activities	**(143.2)**	**(144.4)**	**(3.2)**
Financing activities			
Proceeds from loans and borrowings	263.0	236.7	523.7
Proceeds from securitization	—	—	13.6
Transaction costs related to loans and borrowings	(11.0)	(4.5)	(4.5)
Redemption fees paid	—	—	(3.6)
Repayment of borrowings	(0.7)	(32.4)	(441.3)
Interest paid	(102.0)	(63.5)	(79.1)
Net cash from financing activities	**149.3**	**136.4**	**8.7**
Net decrease from cash and cash equivalents	(15.4)	(24.0)	(11.0)
Cash and cash equivalents at the beginning of the period	**106.9**	**106.9**	**98.1**
Effect of movements in exchange rate on cash held	6.5	5.9	1.8
Cash and cash equivalents at the end of the period	**98.1**	**88.9**	**88.9**

Other Group Financial and Operating Data

	As of and for the Year ended December 31, 2016	As of and for the Nine Months Ended September 30, 2016	2017	As of and for the Twelve Months Ended September 30, 2017
		(unaudited) (in £ millions)		
Other financial, operating and pro forma data:				
Cash generative asset backing:				
ERC(1)	1,834.5	1,728.8	2,027.0	2,027.0
Portfolio purchases(2)	306.5	197.3	161.5	270.7
Number of accounts (in millions)(3)	25.9	24.8	28.0	28.0
Number of owned debt portfolios(4)	1,729	1,620	1,938	1,938
Net adjusted debt(5)	1,281.3	1,235.4	1,407.0	1,407.0
Cash generation:				
Collections on owned portfolios(6)	399.7	291.8	359.4	467.3
Group Adjusted EBITDA(7)	254.5	188.7	226.8	292.6
Cash flow before interest, portfolio purchases, tax expenses and capital expenditures(8)	269.4	155.0	201.5	315.9
Cash flow conversion(9)	105.9%	82.1%	88.8%	108.0%

(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 September 30, 2017 was calculated, without adjustment, by adding our UK Division's ERC (based on a 120-month period) to our DACH Division'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.

(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. The following table sets forth a reconciliation of cash and cash equivalents to net adjusted debt.

(in £ millions)	As of and for the Year ended December 31, 2016	For the nine months ended September 30, 2016	For the nine months ended September 30, 2017	As of and for the Twelve Months Ended September 30, 2017
		(unaudited)		
Cash and cash equivalents	(98.1)	(88.9)	(88.9)	(88.9)
Existing Senior Notes	230.0	230.0	230.0	230.0
Existing Senior Secured Notes	1,074.3	1,077.3	1,252.2	1,252.2
Revolving Credit Facility	75.0	17.0	—	—
Milla Securitization	—	—	13.6	13.6
Net Adjusted Debt	**1,281.3**	**1,235.4**	**1,407.0**	**1,407.0**

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

(7) Group Adjusted EBITDA represents cash collections on acquired portfolios plus other turnover, less collection activity costs and other expenses (which, together, equals servicing costs) and before exceptional items, depreciation, amortization and impairment of non-performing loans. We use Group Adjusted EBITDA as a measure of operating cash flow generation and the liquidity of our business. For additional information, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.'' The following tables provide an analysis of Group Adjusted EBITDA.

The table below sets out the reconciliation of cash collections on acquired portfolios to Group Adjusted EBITDA.

(in £ millions)	For the Year ended December 31, 2016	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2017	For the Twelve Months Ended September 30, 2017
		(unaudited)		
Cash collections on acquired portfolios[(a)]	399.7	291.8	359.4	467.3
Other turnover[(b)]	167.0	118.4	132.1	180.8
Servicing costs[(c)]	(348.6)	(239.2)	(293.6)	(403.0)
Impairment of non-performing loans	8.9	5.0	1.8	5.6
Depreciation, amortization and impairment[(d)]	20.5	9.0	14.7	26.1
Exceptional projects and related professional fees	5.4	4.5	5.7	6.6
Exceptional compensation, redundancy and restructuring costs	2.6	0.5	4.6	6.8
Other[(e)]	(1.2)	(1.3)	2.1	2.3
Group Adjusted EBITDA	**254.5**	**188.7**	**226.8**	**292.6**

(a) ''Cash collections on acquired portfolios'' represents Gross Collections.

(b) Other turnover is defined as service revenue, other revenue and other income.

(c) Servicing costs represent the sum of ''collection activity costs'' and ''other expenses.''

(d) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets. Impairments are recognized where the carrying value of the asset exceeds the future economic benefit.

(e) ''Other'' includes mainly profit on the sale of a subsidiary of the DACH Division and income due from the previous owner of Lowell Holdco GmbH and its subsidiaries in the nine months ended September 30, 2016 and the year ended December 31, 2016. In the nine months ended September 30, 2017 and the twelve months ended September 30, 2017, ''Other'' includes mainly amounts due to the previous owner of Lowell Holdco GmbH and its subsidiaries.

Consistent with prior reporting and provided solely for the convenience of prospective investors, the table below sets out the reconciliation of operating profit to Group Adjusted EBITDA.

	For the Year Ended December 31,	For the Nine Months Ended September 30,		For the Twelve Months Ended September 30,
	2016	2016	2017	2017
(in £ millions)		**(unaudited)**		
Operating profit	109.8	92.5	101.0	118.3
Depreciation, amortization and impairment[(a)]	20.5	9.0	14.7	26.1
Portfolio write-up/Portfolio fair value adjustments/impairment of non-performing loans	(83.1)	(64.3)	(81.2)	(100.0)
Exceptional projects and related professional fees	5.4	4.5	5.7	6.6
Exceptional compensation, redundancy and restructuring costs	2.6	0.5	4.6	6.8
Other[(b)]	(1.2)	(1.3)	2.1	2.3
Portfolio amortization[(c)]	200.4	147.8	179.9	232.4
Group Adjusted EBITDA	**254.5**	**188.7**	**226.8**	**292.6**

(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. Impairments are recognized where the carrying value of the asset exceeds the future economic benefit.

(b) ''Other'' includes mainly profit on the sale of a subsidiary of the DACH Division and income due from the previous owner of Lowell Holdco GmbH and its subsidiaries in the nine months ended September 30, 2016 and the year ended December 31, 2016. In the nine months ended September 30, 2017 and the twelve months ended September 30, 2017, ''Other'' includes mainly amounts due to the previous owner of Lowell Holdco GmbH and its subsidiaries.

(c) Portfolio amortization represents the difference between the gross collections for the period and the income from portfolio investments as stated in the Statement of Comprehensive Income.

(8) Cash flow before interest, portfolio purchases, tax expenses and capital expenditure represents Group Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period. The following table sets forth a reconciliation of increase/(decrease) in cash to cash flow before interest, portfolio purchases, tax expenses and capital expenditure.

	For the Year ended December 31,	For the Nine Months ended September 30,		For the Twelve Months ended September 30,
	2016	2016	2017	2017
		(unaudited) (in £ millions)		
Net increase/(decrease) from cash and cash equivalents	(15.4)	(24.0)	(11.0)	(2.4)
Movement in debt	(262.3)	(204.3)	(96.0)	(153.9)
Portfolio purchases[(a)]	288.3	167.8	214.1	334.6
Debt servicing	101.8	63.2	78.9	117.6
Taxation servicing	2.5	3.2	3.9	3.2
Acquisition of subsidiaries, net of proceeds on sale of subsidiaries	133.6	137.3	—	(3.7)
Capital expenditure	9.8	7.3	3.4	5.9
Transaction costs related to loans and borrowings	11.0	4.5	8.1	14.6
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	**269.4**	**155.0**	**201.5**	**315.9**

(a) Portfolios purchased through the acquisition of Tesch of £18.2 million are shown in the ''Acquisition of subsidiaries, net of proceeds on sale of subsidiaries'' line in this reconciliation for the year ended December 31, 2016 and the twelve months ended September 30, 2017.

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

SUMMARY COMBINED FINANCIAL AND OTHER INFORMATION OF THE SCANDI CARVE-OUT

The following section presents summary historical combined financial data of the Scandi Carve-out as of the dates and for the periods indicated and should be read in conjunction with the sections entitled ''Management's Discussion and Analysis of the Scandi Carve-out's Financial Condition and Results of Operations'' as well as the Scandi Carve-out's Financial Statements. Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the Scandi Carve-out Audited Financial Statements. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the Scandi Carve-out Audited Financial Statements but rather was taken from the Scandi Carve-out Unaudited Financial Statements or the Scandi Carve-out's internal reporting system, or has been calculated based on figures from these sources, as applicable. The information below is not necessarily indicative of the results of future operations.

This section includes certain unaudited financial information for the twelve months ended September 30, 2017. The Scandi Carve-out's LTM Information has been prepared solely for the purposes of this report, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed. It is for illustrative purposes only and is not necessarily representative of the Scandi Carve-out's results of operations for any future period or its financial condition at any future date.

We present below certain non-IFRS financial measures such as Scandi Carve-out Adjusted EBITDA because we believe they are important supplementary measures and that they are widely used by investors comparing performance and liquidity between companies. There can be no assurance that items we have identified for adjustment as exceptional 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 the Scandi Carve-out's operating performance, cash flows or any other measure of performance or liquidity 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 Scandi Carve-out Adjusted EBITDA may differ from ''Consolidated EBITDA''. 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 the Scandi Carve-out's 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.''

In this section, we also present various key operating metrics. We believe that these metrics are helpful in understanding our performance from period to period and facilitate comparison with our peers. These metrics are not measures 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.

Summary Income Statement Data for the Scandi Carve-out

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
	(audited)			(unaudited)		
	(€ in millions)					
Net revenue	**162**	**163**	**168**	**128**	**124**	**164**
Employee benefit expense	(51)	(51)	(52)	(38)	(36)	(49)
Legal fee cost	(15)	(15)	(16)	(12)	(12)	(16)
Phone, postage and packaging	(9)	(8)	(9)	(7)	(7)	(9)
Other operating costs	(32)	(37)	(42)	(29)	(35)	(48)
Depreciation and amortization	(4)	(5)	(7)	(5)	(4)	(6)
Results from operating activities	**51**	**46**	**44**	**37**	**30**	**37**
Finance income	1	0	0	0	0	0
Finance costs	(7)	(12)	(14)	(10)	(12)	(16)
Net finance costs	**(6)**	**(11)**	**(14)**	**(10)**	**(12)**	**(16)**
Profit/(loss) before tax	**45**	**35**	**30**	**27**	**18**	**21**
Income tax expense	(2)	(6)	(3)	(4)	(3)	(2)
Profit/(loss) for the period	**43**	**28**	**26**	**23**	**15**	**19**

Summary Statement of Financial Position Data for the Scandi Carve-out

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	(audited)			(unaudited)
	(€ in millions)			
Fixtures and furniture	1	2	2	2
Intangible assets	19	17	14	15
Goodwill	191	191	191	191
Purchased debt	312	383	369	394
Deferred income tax assets	16	1	7	3
Non-current assets	**540**	**593**	**581**	**605**
Trade receivables	5	5	5	6
Current tax receivable	0	0	1	0
Other short-term receivables	22	53	65	71
Client funds	11	10	10	13
Cash and cash equivalents	0	22	34	19
Current assets	**38**	**90**	**115**	**108**
Total assets	**577**	**683**	**697**	**713**
Total equity	**342**	**384**	**375**	**389**
Other long-term liabilities	38	218	196	231
Deferred income tax liabilities	18	0	3	0
Non-current liabilities	**57**	**218**	**199**	**231**
Trade payables	5	7	8	5
Short-term loan	36	0	35	30
Client liabilities	11	10	10	13
Current tax liabilities	2	1	0	0
Other-short term liabilities	125	63	69	45
Current liabilities	**179**	**81**	**123**	**92**
Total liabilities	**236**	**299**	**322**	**323**
Total equity and liabilities	**577**	**683**	**697**	**713**

Summary Cash Flow Statement Data for the Scandi Carve-out

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(audited)			(unaudited)	
	(€ in millions)				
Cash and cash equivalents at period beginning	**30**	**0**	**22**	**22**	**34**
Net cash generated from operating activities	114	(15)	85	24	27
Net cash used in investing activities	(86)	(114)	(47)	(27)	(73)
Net cash from/(used in) financing activities	(52)	145	(23)	3	29
Net (decrease)/increase in cash and cash equivalents	**(24)**	**16**	**16**	**1**	**(16)**
Currency effect	(6)	5	(3)	(3)	1
Cash and cash equivalents at period end	**0**	**22**	**34**	**20**	**19**

Other Financial Information and Operating Data for the Scandi Carve-out

	As of and for the year ended December 31,			As of and for the nine months ended September 30,		As of and for the twelve months ended September 30, 2017
	2014	2015	2016	2016	2017	
	(unaudited)					
	(€ in millions, unless otherwise indicated)					
Net revenue	162	163	168	128	124	164
Scandi Carve-out Adjusted EBITDA(1)	98	102	101	76	73	98
Gross collections on purchased debt	124	139	143	107	105	141
Total collectible value on third-party debt	3,484	3,252	3,273	3,257	3,486	3,486
Total collectible value on purchased debt	4,604	5,165	5,032	5,089	5,063	5,063
Carrying value of purchased debt	312	383	369	365	394	394
ERC	735	837	796	787	840	840
Purchases of loans and receivables	72	111	43	25	70	88
Average collection of forecasts(%)	106%	107%	106%	107%	106%	105%
Average number of full-time equivalents (FTEs)*	740	783	717	720	688	692

* Excluding former Seller group staff shared between the Scandi Carve-out and the Seller.

(1) The reconciliation of cash collections on acquired portfolios to Scandi Carve-out Adjusted EBITDA is as follows:

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30, 2017
	2014	2015	2016	2016	2017	
	(unaudited)					
	(€ in millions)					
Cash collections on acquired portfolios(a)	124	139	143	107	105	141
Other turnover(b)	79	71	74	54	57	77
Servicing costs(c)	(111)	(117)	(125)	(91)	(93)	(128)
Depreciation, amortization and impairment	4	5	7	5	4	6
Exceptional projects and related professional fees	1	0	0	0	0	0
Exceptional compensation, redundancy and restructuring costs	1	3	2	2	0	1
Scandi Carve-out Adjusted EBITDA	**98**	**102**	**101**	**76**	**73**	**98**

(a) Cash collections on acquired portfolios represents the total principal, interest, collection fees and legal fees received on Scandi Carve-out's owned portfolios.

(b) Other turnover is defined as income deriving from 3PC services as well as DP revenue that is not included in cash collections on acquired portfolios.

(c) Servicing costs refers to the sum of employee benefit expense, legal fee cost, phone, postage and packaging, other operating costs and depreciation and amortisation.

Below is a reconciliation of operating profit to Scandi Carve-out Adjusted EBITDA:

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
				(unaudited)		
				(€ in millions)		
Operating profit[(a)]	51	46	44	37	30	37
Depreciation, amortization and impairment	4	5	7	5	4	6
Portfolio write-up/Portfolio fair value adjustments/ impairment of non-performing loans	(1)	(1)	(5)	(5)	1	1
Exceptional projects and related professional fees	1	0	0	0	0	0
Exceptional compensation, redundancy and restructuring costs	1	3	2	2	0	1
Portfolio amortization	41	48	54	38	38	54
Scandi Carve-out Adjusted EBITDA	**98**	**102**	**101**	**76**	**73**	**98**

(a) Operating profit represents the results from operating activities.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF THE NORWAY CARVE-OUT

The following section presents summary historical consolidated financial data of the Norway Carve-out as of the dates and for the periods indicated and should be read in conjunction with the sections entitled ''Management's Discussion and Analysis of the Norway Carve-out's Financial Condition and Results of Operations,'' as well as the Norway Carve-out Financial Statements. Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the Norway Carve-out Audited Financial Statements. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the Norway Carve-out Audited Financial Statements but rather was taken from the Norway Carve-out Unaudited Financial Statements or the Norway Carve-out's internal reporting system, or has been calculated based on figures from these sources, as applicable. The information below is not necessarily indicative of the results of future operations.

This section includes certain unaudited financial information for the twelve months ended September 30, 2017. The Norway Carve-out's LTM Information has been prepared solely for the purposes of this report, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors. It is for illustrative purposes only and is not necessarily representative of Norway Carve-out's results of operations for any future period or its financial condition at any future date.

We present below certain non-Norwegian GAAP measures and ratios that are not required by or presented in accordance with Norwegian GAAP, including Norway Carve-out Adjusted EBITDA, among others. We present below certain non-Norwegian GAAP financial measures such as Norway Carve-out Adjusted EBITDA because we believe they are important supplementary measures and that they are widely used by investors comparing performance between companies. There can be no assurance that items we have identified for adjustment as exceptional will not recur in the future or that similar items will not be incurred in the future. The non-Norwegian GAAP measures are not measurements of financial performance under Norwegian GAAP and should not be considered as alternatives to other indicators of the Norway Carve-out's operating performance, cash flows or any other measure of performance derived in accordance with Norwegian GAAP. The non-Norwegian GAAP measures as presented in this report may differ from and may not be comparable to similarly titled measures used by other companies. The calculations for the non-Norwegian GAAP 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 the Norway Carve-out's 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.''

In this section, we also present various key operating metrics. We believe that these metrics are helpful in understanding our performance from period to period and facilitate comparison with our peers. These metrics are not measures of financial performance under Norwegian GAAP 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 Norwegian GAAP. In addition, operating metrics contained in the section titled ''—Other Financial Information and Operating Data for the Norway Carve-out'' include the IJDF Norwegian Portfolios except where otherwise indicated.

For informational purposes only, certain financial information of the Norway Carve-out presented in NOK has been converted to euro at the applicable rate as described further in ''Exchange Rates.'' This rate may differ from the exchange rate as of the date hereof and the Issue Date.

Summary Consolidated Income Statement Data for the Norway Carve-out

	For the year ended December 31,			For the nine months ended September 30,		For the nine months ended September 30,	
	2014	2015	2016	2016	2017	2016	2017
		(audited)		(unaudited)		(unaudited)	
		(NOK in millions)				(€ equivalent in millions)	
Sales income	183.8	165.3	167.6	122.0	133.3	13.0	14.4
Income purchased portfolio	—	10.6	15.4	10.8	12.1	1.1	1.3
Other income	20.4	22.9	20.5	15.4	15.9	1.6	1.7
Total income	**204.2**	**198.8**	**203.4**	**148.2**	**161.3**	**15.8**	**17.5**
Wages and salaries	(83.4)	(76.9)	(81.6)	(58.3)	(64.4)	(6.2)	(7.0)
Depreciation of tangible fixed assets and intangible assets	(2.1)	(1.7)	(1.2)	(1.0)	(0.6)	(0.1)	(0.1)
Other operating expenses and administrative expenses	(72.0)	(71.6)	(70.9)	(55.6)	(57.8)	(5.9)	(6.3)
Total operating expenses	**157.5**	**150.2**	**153.6**	**114.8**	**122.8**	**12.2**	**13.3**
Operating profit	**46.7**	**48.6**	**49.8**	**33.4**	**38.5**	**3.6**	**4.2**
Intercompany interest income	2.1	1.5	1.2	0.9	1.9	0.1	0.2
Other interest income	0.6	0.5	0.3	0.1	0.1	0.0	0.0
Intercompany interest expense	(7.9)	(5.8)	(5.8)	(4.4)	(3.7)	(0.5)	(0.4)
Other financial expense	(0.2)	(0.5)	(0.1)	—	—	—	—
Net financial items	**(5.4)**	**(4.2)**	**(4.4)**	**(3.5)**	**(1.7)**	**(0.4)**	**(0.2)**
Result before taxes	**41.3**	**44.4**	**45.4**	**29.9**	**36.8**	**3.2**	**4.0**
Taxes	(0.6)	(12.2)	(11.9)	(7.5)	(8.8)	(0.8)	(1.0)
Result after taxes	**40.7**	**32.2**	**33.5**	**22.4**	**28.0**	**2.4**	**3.0**

Summary Consolidated Balance Sheet Data for the Norway Carve-out

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
		(audited)		(unaudited)	
			(NOK in millions)		
Intangible assets					
Software	1.2	2.0	1.4	1.5	1.0
Deferred tax assets	3.8	2.5	2.8	3.3	2.8
Total intangible assets	**5.0**	**4.6**	**4.2**	**4.8**	**3.8**
Tangible fixed assets					
Operating equipment, fixtures, office machines and the like	0.8	0.7	0.6	0.6	0.6
Total tangible fixed assets	**0.8**	**0.7**	**0.6**	**0.6**	**0.6**
Total intangible and fixed assets	**5.9**	**5.3**	**4.8**	**5.3**	**4.4**
Receivables					
Purchased portfolio of outstanding receivables	—	113.7	104.5	106.7	111.2
Trade receivables	8.5	6.6	6.6	6.7	6.0
Accrued non-invoiced income	10.9	11.1	12.8	11.1	13.4
Other receivables	166.1	105.2	98.9	90.3	114.8
Advance payments for clients	4.4	1.1	0.6	1.1	0.8
Total receivables	**189.9**	**237.7**	**223.4**	**215.8**	**246.2**
Cash					
Cash on hand & in own bank accounts	50.6	6.7	5.9	5.6	3.8
Total cash	**50.6**	**6.7**	**5.9**	**5.6**	**3.8**
Total current assets	**240.5**	**244.4**	**229.3**	**221.4**	**250.0**
Total assets	**246.4**	**249.7**	**234.1**	**226.7**	**254.3**

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
		(audited)		(unaudited)	
			(NOK in millions)		
Restricted equity					
Share capital	0.5	0.5	0.5	0.5	0.5
Share premium	4.7	4.7	4.7	4.7	4.7
Total restricted equity	**5.2**	**5.2**	**5.2**	**5.2**	**5.2**
Unrestricted equity					
Other equity	(1.8)	30.3	63.8	52.8	91.8
Total unrestricted equity	**(1.8)**	**30.3**	**63.8**	**52.8**	**91.8**
Total shareholders' equity	**3.4**	**35.5**	**69.0**	**58.0**	**97.0**
Long-term liabilities					
Pension benefit obligations	6.2	9.1	11.3	11.0	13.9
Intercompany long-term liabilities	165.5	134.0	94.7	99.4	91.8
Total long-term liabilities	**171.7**	**143.2**	**106.0**	**110.4**	**105.7**
Current liabilities					
Accounts payable	10.2	11.1	8.9	11.3	3.8
Current tax liabilities	1.3	10.9	12.1	8.3	8.9
Other public tax liabilities	8.7	8.5	9.6	9.9	10.6
Other current liabilities	51.1	40.5	28.6	28.9	28.3
Total current liabilities	**71.4**	**71.0**	**59.2**	**58.4**	**51.6**
Total liabilities	**243.0**	**214.2**	**165.1**	**168.8**	**157.4**
Total shareholders' equity and liabilities	**246.4**	**249.7**	**234.1**	**226.7**	**254.3**

Summary Consolidated Cash Flow Statement Data for the Norway Carve-out

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
		(audited)		(unaudited)	
			(NOK in millions)		
Net cash flow from operating activities	32.6	108.3	39.3	33.8	18.0
Net cash flow from investment activities	(0.2)	(120.6)	(0.7)	(0.3)	(17.3)
Net cash flow from financing activities	7.5	(31.4)	(39.4)	(34.7)	(2.9)
Net change in cash equivalents during the year	**39.9**	**(43.8)**	**(0.8)**	**(1.2)**	**(2.2)**

Other Financial Information and Operating Data for the Norway Carve-out

	As of and for the year ended December 31			As of and for the nine months ended September 30,		As of and for the nine months ended September 30,	
	2014	2015	2016	2016	2017	2016	2017
				(unaudited)			
	(NOK in millions, unless otherwise indicated)					(€ equivalent in millions)	
Net revenue[1]	204.2	198.8	203.4	148.2	161.3	15.8	17.5
Norway Carve-out Adjusted EBITDA[2]	77.5	88.8	92.6	67.1	60.4	7.2	6.5
Gross collections on purchased debt	41	69	80	60	49	6.4	5.3
Total collectible value on third-party debt	3,512	2,651	2,843	2,806	3,516	299.4	380.8
Total collectible value on purchased debt	493	1,301	1,156	1,195	1,100	127.6	119.1
Carrying value of purchased debt	19	133	121	123	111	13.1	12.0
ERC	52	295	261	270	233	28.8	25.2
Purchases of loans and receivables	26	150	16	13	6	1.4	0.6
Average collection of forecasts (%)	101%	110%	126%	122%	123%	122%	123%
Average number of full-time equivalents (FTEs)	120	115	113	113	116		

(1) Excluding the IJDF Norwegian Portfolios.

(2) The following table reconciles collections on owned portfolios plus other turnover of Norway Carve-out to Adjusted EBITDA for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
	(unaudited)				(unaudited)	
	(NOK in millions)					
Cash collections on acquired portfolios[a]	0.0	20.0	30.9	22.4	32.3	40.9
Other turnover[b]	204.2	183.3	181.9	132.9	139.5	188.5
Servicing costs[c]	(157.5)	(150.2)	(153.6)	(114.8)	(122.8)	(161.6)
Amortization and depreciation of non financial assets[d]	2.1	1.7	1.2	1.0	0.6	0.9
IJDF Norwegian Portfolios net revenue	6.0	2.1	13.7	9.4	3.8	8.0
IJDF Norwegian Portfolios amortization of purchased debt	25.0	26.6	21.4	17.4	6.1	10.1
IJDF Norwegian Portfolios revaluation of purchased debt	(1.9)	5.3	(3.0)	(1.2)	(0.9)	(2.7)
Consultancy fees related to mergers and acquisitions	0.0	0.0	1.6	1.6	0.0	0.0
Severance costs	0.0	0.0	0.0	0.0	1.8	1.8
Gain/(loss) on portfolio sale	0.0	0.0	(1.5)	(1.5)	0.0	0.0
Changes to provisions and reserves	(0.5)	0.0	0.0	0.0	0.0	0.0
Norway Carve-out Adjusted EBITDA	**77.5**	**88.8**	**92.6**	**67.1**	**60.4**	**85.8**

(a) Excluding the IJDF Norwegian Portfolios.

(b) Other turnover is defined as income deriving from 3PC services.

(c) Servicing costs refers to total operating expenses.

(d) Amortization and depreciation of non financial assets refers to depreciation of tangible fixed assets and intangible assets.

The following table reconciles profit/(loss) of Norway Carve-out to Norway Carve-out Adjusted EBITDA for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2014	2015	2016	2016	2017	2017
		(unaudited)		(unaudited)		
			(NOK in millions)			
Result after taxes[a]	40.7	32.2	33.5	22.4	28.0	39.0
Net financial items	5.4	4.2	4.4	3.5	1,7	2.6
Income tax expense	0.6	12.2	11.9	7.5	8.8	13.2
Amortization and depreciation of non-financial assets[b]	2.1	1.7	1.2	1.0	0.6	0.9
Amortization of purchased debt[c]	—	4.6	9.4	7.0	10.6	12.9
Revaluation of purchased debt	—	—	—	—	(0.1)	(0.1)
IJDF Norwegian Portfolios net revenue	6.0	2.1	13.7	9.4	3.8	8.0
IJDF Norwegian Portfolios amortization of purchased debt	25.0	26.6	21.4	17.4	6.1	10.1
IJDF Norwegian Portfolios revaluation of purchased debt	(1.9)	5.3	(3.0)	(1.2)	(0.9)	(2.7)
Consultancy fees related to mergers and acquisitions	—	—	1.6	1.6	—	—
Severance costs	—	—	—	—	1.8	1.8
Gain/(loss) on portfolio sale	—	—	(1.5)	(1.5)	—	—
Changes to provisions and reserves	(0.5)	—	—	—	—	—
Norway Carve-out Adjusted EBITDA	77.5	88.8	92.6	67.1	60.4	85.8

(a) Excluding the IJDF Norwegian Portfolios.

(b) Amortization and depreciation of non-financial assets refers to depreciation of tangible fixed assets and intangible assets.

(c) Amortization of purchased debt refers to depreciation purchased portfolios.

SUMMARY KEY FINANCIAL, *PRO FORMA* AND OTHER OPERATING DATA

The following tables present summary unaudited financial, pro forma and other operating data for each of the Group, the Scandi Carve-out and the Norway Carve-out. The financial, pro forma and other operating data for each of the Group, the Scandi Carve-out and the Norway Carve-out are derived from management accounts and 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. These data are presented for illustrative purposes only.

The combined data have been derived from the combination of the financial, pro forma and other operating data of the UK Division, the DACH Division, the Scandi Carve-out and the Norway Carve-out without adjustment. The Norway Carve-out does not report its financial results using IFRS. The Group's financial results and the Scandi Carve-out Financial Statements have been prepared in accordance with IFRS. Accordingly, the financial results contained within the Norway Carve-out Financial Statements are not directly comparable to the financial results of the Group and contained within the Scandi Carve-out Financial Statements. The combined data are not 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.'' For more information about our non-financial operating data, see ''Presentation of Financial and Other Information—Non-Financial Operating Data.''

The following tables should be read in conjunction with ''Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations,'' ''Management's Discussion and Analysis of the Scandi Carve-out's Financial Condition and Results of Operations'' and ''Management's Discussion and Analysis of the Norway Carve-out's Financial Condition and Results of Operations''. Historical results are not necessarily indicative of future expected results.

Pro Forma and Other Information

	As of and for the Twelve Months ended September 30, 2017
	(in £ millions unless otherwise indicated) (unaudited)
Group ERC[(1)]	2,027.0
Pro Forma Combined Group ERC[(2)]	2,788.9
Pro Forma Combined Group Adjusted EBITDA[(3)]	394.3
Group cash income[(4)]	579.6
Pro forma Combined Group cash income[(5)]	793.4
Pro forma cash and cash equivalents[(6)]	76.0

(1) Group ERC for the twelve months ended September 30, 2017 was calculated by adding our UK Division's ERC (based on a 120-month period) to our DACH Division's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate, and is presented for illustrative purposes only. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in *''Risk Factors.''*

(2) *Pro Forma* Combined Group ERC for the twelve months ended September 30, 2017 was calculated by adding our Group ERC to the Northern European Division's ERC, including the IJDF Norwegian Portfolios, (based on a 180-month period translated into pounds sterling at the applicable rate), and is presented for illustrative purposes only. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in *''Risk Factors.''*

(3) We define *Pro Forma* Combined Group Adjusted EBITDA as Group Adjusted EBITDA further adjusted to include the contribution of Scandi Carve-out Adjusted EBITDA and Norway Carve-out Adjusted EBITDA for the twelve months ended September 30, 2017 as if the Acquisition had been completed on October 1, 2016, as well as certain adjustments. See ''*Summary Consolidated Financial and Other Information of the Group—Pro Forma and Other Information*.'' The Norway Carve-out does not report its financial results using IFRS, and the Scandi Carve-out's and the Norway Carve-out's respective accounting policies and definitions of Adjusted EBITDA and cash income may differ from ours for the period from October 1, 2016 to September 30, 2017. See ''*Risk Factors—Risks Related to Our Business and Industry—We are not providing pro forma financial statements reflecting the impact of the proposed Acquisition on our historical operating results and the pro forma combined information related to the Acquisition that we are providing is subject to a number of limitations and assumptions*.'' *Pro Forma* Combined Group 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 the Combined Group would have been had the Acquisition taken place on October 1, 2016 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 following table presents a reconciliation of Group Adjusted EBITDA to *Pro Forma* Combined Group Adjusted EBITDA:

	As of and for the Twelve Months ended September 30, 2017
	(in £ millions unless otherwise indicated) (unaudited)
Group Adjusted EBITDA[(c)]	292.6
Scandi Carve-out Adjusted EBITDA[(a)(d)]	85.1
Norway Carve-out Adjusted EBITDA[(b)(e)]	8.2
Northern European Division management fees adjustment[(a)(b)(f)]	4.0
Scandi Carve-out depreciation charge[(a)(g)]	2.0
SRG Contracts[(a)(h)]	1.7
DACH Division reorganization savings[(a)(i)]	0.7
***Pro Forma* Combined Group Adjusted EBITDA**	**394.3**

(a) Euro denominated amounts were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(b) NOK denominated amounts were translated into pounds sterling at £0.095 to NOK1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(c) For a reconciliation of Group Adjusted EBITDA to (i) cash collections on acquired portfolios and (ii) operating profit, see ''*Summary Consolidated Financial and Other Information of the Group—Other Group Financial Information and Operating Data*.''

(d) For a reconciliation of Scandi Carve-out Adjusted EBITDA to (i) cash collections on acquired portfolios and (ii) operating profit, see ''*Summary Consolidated Financial and Other Information of the Scandi Carve-out—Other Financial Information and Operating Data for the Scandi Carve-out*.''

(e) For a reconciliation of Norway Carve-out Adjusted EBITDA to (i) net cash (outflow)/inflow from operating activities and (ii) profit/(loss), see ''*Summary Consolidated Financial and Other Information of the Norway Carve-out—Other Financial Information and Operating Data for the Norway Carve-out*.''

(f) Northern European Division management fees adjustment represents the estimated run rate cost savings from management fees based on estimated management fees for the Northern European Division as part of the Combined Group.

(g) Scandi Carve-out depreciation charge relates to an operating cost charge to the Scandi Carve-out by Intrum in relation to depreciation of assets which were formerly owned by Intrum and will be owned by the Scandi Carve-out going forward.

(h) SRG contracts reflects two unprofitable Scandi Carve-out SRG contracts totaling €2.0 million which were terminated in the twelve months ended September 30, 2017.

(i) DACH Division reorganization savings reflects €0.9 million in personnel savings as result of the reorganization of the sales force of ZYK.

(4) We define cash income as total revenue for the period adding back portfolio amortization and portfolio fair value release and deducting portfolio write-up, lawyer service revenue and other revenue.

The following table presents a reconciliation of total revenue to Group cash income.

(in £ millions)	**For the year ended December 31, 2016**	**For the Nine Months ended September 30, 2016**	**For the Nine Months ended September 30, 2017**	**For the Twelve Months Ended September 30, 2017**
		(unaudited)		
Total revenue	454.2	328.2	391.3	517.3
Lawyer service revenue	(77.1)	(59.3)	(43.4)	(61.2)
Portfolio write-up	(95.4)	(71.9)	(84.9)	(108.4)
Portfolio fair value release	3.4	2.6	1.9	2.7
Other revenue	(2.9)	(2.0)	(2.5)	(3.4)
Portfolio amortization[(a)]	200.4	147.8	179.9	232.5
Group Cash income	**482.6**	**345.4**	**442.4**	**579.6**

(a) Portfolio amortization represents the differences between the gross collections and the income from portfolio investments.

(5) We define *pro forma* Combined Group cash income as cash income for each of the Group, the Scandi Carve-out and the Norway Carve-out. There may be material differences between the accounting policies and treatment by each of the Group,

the Scandi Carve-out and the Norway Carve-out, and the cash income of each of the Group, the Scandi Carve-out and the Norway Carve-out may not be directly comparable. The Norway Carve-out does not report its financial results using IFRS, and its accounting policies may differ from ours for the period from October 1, 2016 to September 30, 2017. See ''*Risk Factors—Risks Related to Our Business and Industry—We are not providing pro forma financial statements reflecting the impact of the proposed Acquisition on our historical operating results and the pro forma combined information related to the Acquisition that we are providing is subject to a number of limitations and assumptions*.'' *Pro forma* Combined Group cash income is presented for illustrative purposes only and does not purport to indicate what the performance of our combined business would have been had the Acquisition taken place on October 1, 2016 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 following table presents the components of *pro forma* Combined Group cash income:

	As of and for Twelve months ended September 30, 2017
	(unaudited) (in £ millions)
UK Division cash income[(a)]	358.1
DACH Division cash income[(b)]	221.5
Scandi Carve-out cash income[(c)(d)]	190.6
Norway Carve-out cash income[(e)(f)]	23.2
***Pro forma* Combined Group cash income**	**793.4**

(a) The following table presents a reconciliation of the UK Division's total revenue to UK Division cash income:

(in £ millions)	**For the year ended December 31, 2016**	**For the Nine Months ended September 30, 2016**	**For the Nine Months ended September 30, 2017**	**For the Twelve Months Ended September 30, 2017**
		(unaudited)		
Total revenue	215.7	163.2	203.4	256.0
Portfolio write-up	(63.6)	(52.6)	(67.7)	(78.6)
Portfolio fair value release	3.4	2.6	1.9	2.8
Portfolio amortization[(i)]	150.6	110.8	138.2	178.0
UK Division cash income	**306.1**	**224.0**	**276.0**	**358.1**

(i) Portfolio amortization represents the differences between the gross collections and the income from portfolio investments.

(b) The following table presents a reconciliation of the DACH Division's revenue to DACH Division cash income:

(in £ millions)[(i)]	**For the year ended December 31, 2016**	**For the Nine Months ended September 30, 2016**	**For the Nine Months ended September 30, 2017**	**For the Twelve Months Ended September 30, 2017**
		(unaudited)		
Revenue	238.5	165.0	187.9	261.4
Lawyer service revenue	(77.1)	(59.3)	(43.4)	(61.2)
Portfolio write-up[(ii)]	(31.8)	(19.2)	(17.2)	(29.8)
Other services revenue[(iii)]	(2.9)	(2.0)	(2.5)	(3.3)
Portfolio amortization[(iv)]	49.8	37.0	41.6	54.5
DACH Division cash income	**176.4**	**121.4**	**166.5**	**221.5**

(i) Unless otherwise indicated, euro-denominated amounts for the DACH Division were translated into pounds sterling on a month-by-month basis at the average applicable exchange rate for each month.

(ii) Portfolio write-ups are upward adjustments to carrying values as a result of reassessments of forecast cash flows and are recognized within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognized at the respective reporting date, a provision for impairment is recognized under ''Other operating expenses''.

(iii) Other services revenue represents the sum of ''services and programming revenue,'' ''maintenance revenue and royalties'' and ''other''.

(iv) Portfolio amortization represents the purchased debt portfolio collections for the period less service cost revenue and investment revenue.

(c) Unless otherwise indicated, euro-denominated amounts for the Scandi Carve-out were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(d) The following table presents a reconciliation of the Scandi Carve-out's total revenue to Scandi Carve-out cash income:

(in € millions)	For the year ended December 31, 2016	For the Nine Months ended September 30, 2016	For the Nine Months ended September 30, 2017	For the Twelve Months Ended September 30, 2017
		(unaudited)		
Total revenue	168	128	124	164
Portfolio write-up	(5)	(5)	1	1
Portfolio amortization(i)	54	38	38	54
Scandi Carve-out cash income	**217**	**160**	**162**	**219**

(i) Portfolio amortization represents the differences between the gross collections and the income from portfolio investments.

(e) The following table presents a reconciliation of the Norway Carve-out's total income to Norway Carve-out cash income:

(in NOK millions)	For the year ended December 31, 2016	For the Nine Months ended September 30, 2016	For the Nine Months ended September 30, 2017	For the Twelve Months Ended September 30, 2017
		(unaudited)		
Total income	203	148	161	217
Portfolio amortization(i)	9	7	11	13
Norway Carve-out cash income excluding IJDF Norwegian Portfolio	**213**	**155**	**172**	**230**
IJDF Norwegian Portfolios net revenue	14	9	4	8
IJDF Norwegian Portfolios portfolio write-up	(3)	(1)	(1)	(3)
IJDF Norwegian Portfolios portfolio amortization(i)	21	17	6	10
Norway Carve-out cash income	**245**	**181**	**180**	**244**

(i) Portfolio amortization represents the differences between the gross collections and the income from portfolio investments.

(f) NOK-denominated amounts were translated into pounds sterling at £0.095 to NOK 1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(6) *Pro forma* cash and cash equivalents represents cash and cash equivalents of the Group, as adjusted for the Acquisition (including the expected use of proceeds thereof), and excluding £41.4 million in restricted cash.

Cash income by segment as of and for twelve months ended September 30, 2017

The following table presents a breakdown of cash income by business segment. There may be material differences between the accounting policies and treatment by each of the Group, the Scandi Carve-out and the Norway Carve-out, and the cash income of each of the Group, the Scandi Carve-out and the Norway Carve-out may not be directly comparable. The Norway Carve-out does not report its financial results using IFRS, and its accounting policies may differ from ours for the period from October 1, 2016 to September 30, 2017. See "*Risk Factors—Risks Related to Our Business and Industry—We are not providing pro forma financial statements reflecting the impact proposed Acquisition on our historical operating results and the pro forma combined information that we are providing is subject to a number of limitations and assumptions*." *Pro forma* Combined Group cash income by business segment is presented for illustrative purposes only and does not purport to indicate what the performance of our combined business would have been had the Acquisition taken place on October 1, 2016 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."*

(in £ millions)	Group(1)	Scandi Carve-out(2)	Norway Carve-out(3)	Pro forma Combined Group Total
		(unaudited)		
Purchased debt	467.3	123.6	6.5	597.4
3PC (excluding value-added services)	112.3	52.1	14.7	179.1
Value-added services	—	14.9	2.0	16.9

(1) Unless otherwise indicated, euro-denominated amounts for the DACH Division were translated into pounds sterling on a month-by-month basis at the average applicable exchange rate for each month.

(2) Unless otherwise indicated, euro-denominated amounts for the Scandi Carve-out were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(3) Unless otherwise indicated, NOK-denominated amounts were translated into pounds sterling at £0.095 to NOK 1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

3PC cash income (excluding value-added services) by industry as of and for twelve months ended September 30, 2017

The following table presents a breakdown of 3PC cash income (excluding value-added services) by industry. There may be material differences between the accounting policies and treatment by each of the Group, the Scandi Carve-out and the Norway Carve-out, and the cash income of each of the Group, the Scandi Carve-out and the Norway Carve-out may not be directly comparable. The Norway Carve-out does not report its financial results using IFRS, and its accounting policies may differ from ours for the period from October 1, 2016 to September 30, 2017. See ''*Risk Factors—Risks Related to Our Business and Industry—Certain pro forma financial and other information included herein needs to be carefully considered*.'' *Pro forma* Combined Group cash income by industry is presented for illustrative purposes only and does not purport to indicate what the performance of our combined business would have been had the Acquisition taken place on October 1, 2016 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.''*

(in £ millions)	Group(1)	Scandi Carve-out(1)	Norway Carve-out(2)	Pro forma Combined Group Total
		(unaudited)		
Financial Services	46.9	19.0	3.2	69.2
Retail	7.9	9.5	1.2	18.5
Telecommunications	16.0	8.3	1.0	25.2
Other	41.5	15.4	9.2	66.2

(1) Unless otherwise indicated, euro-denominated amounts were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(2) Unless otherwise indicated, NOK-denominated amounts were translated into pounds sterling at £0.095 to NOK 1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

Purchased debt cash income by division as of and for the twelve months ended September 30, 2017

The following table presents a breakdown of purchased debt cash income by division. There may be material differences between the accounting policies and treatment by each of the Group, the Scandi Carve-out and the Norway Carve-out, and the cash income of each of the Group, the Scandi Carve-out and the Norway Carve-out may not be directly comparable. The Norway Carve-out does not report its financial results using IFRS, and its accounting policies may differ from ours for the period from October 1, 2016 to September 30, 2017. See ''*Risk Factors—Risks Related to Our Business and Industry—Certain pro forma financial and other information included herein needs to be carefully considered*.'' *Pro forma* Combined Group cash income by division is presented for illustrative purposes only and does not purport to indicate what the performance of our combined business would have been had the Acquisition taken place on October 1, 2016 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."*

	As of and for twelve months ended September 30, 2017
	(unaudited) (in £ millions)
UK Division	348.9
DACH Division(1)	118.4
Scandi Carve-out(2)	123.6
Norway Carve-out(3)	6.5

(1) Unless otherwise indicated, euro-denominated amounts for the DACH Division were translated into pounds sterling on a month-by-month basis at the average applicable exchange rate for each month.

(2) Unless otherwise indicated, euro-denominated amounts for the Scandi Carve-out were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(3) Unless otherwise indicated, NOK-denominated amounts were translated into pounds sterling at £0.095 to NOK 1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

Portfolio purchases by industry as of and for twelve months ended September 30, 2017

(in £ millions)	Group(1)	Northern European Division(2)	Pro Forma Combined Group Total
		(unaudited)	
Financial Services	125.8	65.8	191.6
Retail	87.2	3.9	91.1
Telecommunications	47.3	4.9	52.2
Other	10.4	2.9	13.3
Total portfolio purchases	**270.7**	**77.5**	**348.2**

(1) Unless otherwise indicated, euro-denominated amounts for the DACH Division were translated into pounds sterling on a month-by-month basis at the average applicable exchange rate for each month.

(2) Unless otherwise indicated, euro-denominated amounts for the Scandi Carve-out were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017. Unless otherwise indicated, NOK-denominated amounts for the Norway Carve-out were translated into pounds sterling at £0.095 to NOK 1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

Forward flow agreements by region

	As of and for twelve months ended September 30, 2017
	(unaudited) (in £ millions)
UK Division	95.4
DACH Division(1)	33.2
Northern European Division(2)	24.0

(1) Unless otherwise indicated, euro-denominated amounts for the DACH Division were translated into pounds sterling on a month-by-month basis at the average applicable exchange rate for each month.

(2) Including the IJDF Norwegian Portfolios. Unless otherwise indicated, euro-denominated amounts for the Scandi Carve-out amounts were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017. Unless otherwise indicated, NOK-denominated amounts for the Norway Carve-out were translated into pounds sterling at £0.095 to NOK 1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

Selected KPIs

	Group	Scandi Carve-out	Norway Carve-out(3)
		(unaudited)	
Number of NPLs (in millions)	28.0	4.4	0.5
Number of owned debt portfolios	1,938	1,017	52
FTEs	2,967	742	112
ERC by Industry(1)(2)			
—Financial Services (in £ millions)	897.4	529.6	16.8
—Retail (in £ millions)	534.2	39.7	0.2
—Telecommunications (in £ millions)	434.9	33.4	0.1
—Other (in £ millions)	86.3	31.5	2.7

(1) Calculated based upon a 120-month period. Elsewhere in this report, ERC for each of the DACH Division, the Scandi Carve-out and the Norway Carve-out is calculated based upon a 180-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.''

(2) The DACH Division's and the Scandi Carve-out's operating data was converted from euros to pounds sterling. For conversion of the DACH Division's and the Scandi Carve-out's ERC and NPLs as of September 30, 2017, an end-of-period rate of £0.881 to €1.00 as at September 30, 2017 was used.

(3) Including the IJDF Norwegian Portfolios. The Norway Carve-out's operating data was converted from NOK to pounds sterling. For conversion of the Norway Carve-out's ERC and NPLs as of September 30, 2017, an end-of-period rate of 0.094 to NOK 1.00 as at September 30, 2017 was used.

ERC by Vintage (2003 through September 30, 2017)

Calendar Year Acquired[(1)]	UK Division ERC[(2)(3)]	DACH Division ERC[(3)(4)]	Scandi Carve-out ERC[(3)(4)]	Norway Carve-out ERC[(3)(5)]	Pro Forma Combined Group ERC[(6)]
			(unaudited) (in £ millions)		
2003	—	1.4	0.8	—	2.2
2004	1.0	10.2	11.1	0.1	22.3
2005	2.8	2.4	80.1	—	85.3
2006	5.4	19.1	6.0	—	30.5
2007	9.5	74.7	3.7	—	87.9
2008	14.8	3.3	10.6	—	28.7
2009	24.5	83.5	13.1	—	121.1
2010	25.8	17.8	121.7	—	165.3
2011	50.1	6.1	26.5	0.5	83.2
2012	97.7	14.9	35.5	0.2	148.3
2013	136.4	26.2	49.1	0.8	212.5
2014	216.2	34.0	82.8	0.2	333.2
2015	299.3	59.9	128.2	19.2	506.6
2016	371.6	143.5	59.8	0.6	575.5
2017	243.8	31.1	111.0	0.4	386.3
Total ERC	**1,498.8**	**528.2**	**740.1**	**21.8**	**2,788.9**
Total 84-month ERC	**1,270.6**	**382.3**	**532.1**	**15.8**	**2,200.8**
Total 120-month ERC	**1,498.8**	**454.0**	**634.3**	**19.7**	**2,606.8**

(1) Based on the applicable calendar year for the UK Division, DACH Division, the Scandi Carve-out and the Norway Carve-out.

(2) The UK Division calculates its ERC based upon a 120-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*'' The DACH Division calculates its ERC based upon a 180-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.''

(3) The DACH Division, the Scandi Carve-out and the Norway Carve-out calculate their respective ERC based upon a 180-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data.*''

(4) In order to generate *Pro Forma* Group operating data, the DACH Division's and the Scandi Carve-out's operating data was converted from euros to pounds sterling. For conversion of the DACH Division's and the Scandi Carve-out's ERC as of September 30, 2017, an end-of-period rate of £0.881 to €1.00 as at September 30, 2017 was used.

(5) In order to generate *Pro Forma* Group operating data, the Norway Carve-out's operating data was converted from NOK to pounds sterling. For conversion of the Norway Carve-out's ERC as of September 30, 2017, an end-of-period rate of £0.094 to NOK 1.00 as at September 30, 2017 was used.

(6) *Pro Forma* Combined Group ERC was calculated based on the combination of the UK Division's ERC for its purchased debt portfolios, the DACH Division's ERC for its purchased debt portfolios, the Scandi Carve-out's ERC for its purchased debt portfolios and the Norway Carve-out's ERC for its purchased debt portfolios. While the underlying methodologies the UK Division, the DACH Division, the Scandi Carve-out and the Norway Carve-out use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and, as a result, the ERC results for the UK Division, the DACH Division, the Scandi Carve-out and the Norway Carve-out may not be directly comparable. For more information about ERC, see ''Presentation of Financial and Other Information—Non-Financial Operating Data.'' *Pro Forma* Combined Group ERC (as a combined metric) was calculated, without adjustment. *Pro Forma* Combined Group ERC is presented for illustrative

purposes only and 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.''

ERC by Year as of September 30, 2017	UK Division ERC(1)	DACH Division ERC(2)(3)	Scandi Carve-out ERC(3)	Norway Carve-out ERC(4)	Pro forma Combined Group ERC(5)
			(unaudited) (in £ millions)		
0 - 12 months	332.9	95.4	113.7	3.5	545.5
13 - 24 months	251.7	71.6	98.2	2.7	424.1
25 - 36 months	195.0	57.9	84.7	2.3	339.9
37 - 48 months	154.3	48.6	72.8	2.1	277.8
49 - 60 months	128.1	41.5	62.8	1.9	234.3
61 - 72 months	111.3	35.9	53.9	1.8	202.8
73 - 84 months	97.4	31.3	46.1	1.6	176.3
85 - 96 months	85.6	27.4	39.4	1.4	153.8
97 - 108 months	75.6	23.7	33.2	1.3	133.8
109 - 120 months	67.0	20.7	29.6	1.2	118.4
121 - 132 months	—	18.3	26.3	1.0	45.6
133 - 144 months	—	16.3	23.6	0.9	40.7
145 - 156 months	—	14.6	21.1	0.2	35.9
157 - 168 months	—	13.1	18.6	—	31.7
169 - 180 months	—	11.9	16.3	—	28.2
Total ERC	**1,498.8**	**528.2**	**740.1**	**21.8**	**2,788.9**

(1) The UK Division calculates its ERC based upon a 120-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.''

(2) The DACH Division, the Scandi Carve-out and the Norway Carve-out calculate their respective ERC based upon a 180-month period. For more information about the calculation of ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.''

(3) In order to generate *Pro Forma* Combined Group operating data, the DACH Division's and the Scandi Carve-out's operating data was converted from euros to pounds sterling. For conversion of the DACH Division's and the Scandi Carve-out's ERC as of September 30, 2017, an end-of-period rate of £0.881 to €1.00 as at September 30, 2017 was used.

(4) In order to generate *Pro Forma* Combined Group operating data, the Norway Carve-out's operating data was converted from NOK to pounds sterling. For conversion of the Norway Carve-out's ERC as of September 30, 2017, an end-of-period rate of £0.094 to NOK 1.00 as at September 30, 2017 was used.

(5) *Pro Forma* Combined Group ERC was calculated based on the combination of the UK Division's ERC for its purchased debt portfolios, the DACH Division's ERC for its purchased debt portfolios, the Scandi Carve-out's ERC for its purchased debt portfolios and the Norway Carve-out's ERC for its purchased debt portfolios. While the underlying methodologies the UK Division, the DACH Division, the Scandi Carve-out and the Norway Carve-out use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and, as a result, the ERC results for the UK Division, the DACH Division, the Scandi Carve-out and the Norway Carve-out may not be directly comparable. For more information about ERC, see ''*Presentation of Financial and Other Information—Non-Financial Operating Data*.'' *Pro Forma* Combined Group ERC (as a combined metric) was calculated, without adjustment. *Pro Forma* Combined Group ERC is presented for illustrative purposes only and 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.''

Gross Money Multiples by vintage at time of acquisition

Period Acquired[(1)] Portfolio purchases	Gross Money Multiples[(1)] UK Division	DACH Division[(2)]	Scandi Carve-out[(2)]	Norway Carve-out[(3)]
2003	—	2.0x	2.3x	—
2004	2.0x	2.1x	2.9x	2.3x
2005	1.6x	1.8x	2.9x	1.2x
2006	2.1x	3.0x	2.9x	1.2x
2007	2.0x	2.9x	2.4x	1.5x
2008	2.0x	2.3x	2.4x	1.0x
2009	2.0x	3.2x	3.5x	1.1x
2010	2.1x	2.6x	2.8x	1.0x
2011	2.1x	2.2x	3.1x	1.2x
2012	2.0x	2.1x	2.9x	1.2x
2013	2.0x	2.0x	2.3x	1.6x
2014	2.0x	1.8x	2.2x	1.2x
2015	1.9x	2.0x	1.9x	1.9x
2016	1.8x	2.3x	2.0x	1.3x
2017[(4)]	1.9x	3.3x	2.0x	1.0x

(1) Our Gross Money Multiples fluctuate over time depending on the types of portfolios we are able to purchase. Portfolios originated from certain industries (e.g., the insurance sector), may have higher Gross Money Multiples than portfolios originated from other industries (e.g., financial services).

(2) In order to generate the Group operating data, the DACH Division's operating data and the Scandi Carve-out's operating data were converted from euros to pounds sterling using the average exchange rate for operating data from such period as set forth in ''*Exchange Rate Information*.''

(3) In order to generate the Group operating data, the Norway Carve-out's operating data were converted from NOK to pounds sterling using the average exchange rate for operating data from such period as set forth in ''*Exchange Rate Information*.''

(4) For the nine months ended September 30, 2017.

Gross Money Multiples by Vintage as of September 30, 2017

Period Acquired Portfolio purchases[(1)]	Gross Money Multiples[(1)] UK Division	DACH Division[(2)]	Scandi Carve-out[(2)]	Norway Carve-out[(3)]
2003	—	5.5x	5.3x	—
2004	2.0x	4.2x	4.2x	7.8x
2005	1.5x	5.0x	3.2x	1.0x
2006	2.5x	3.8x	3.8x	1.3x
2007	2.1x	4.3x	3.2x	1.6x
2008	2.4x	3.2x	2.8x	1.0x
2009	3.0x	4.8x	4.2x	1.9x
2010	2.7x	4.0x	2.8x	1.2x
2011	2.9x	2.7x	3.4x	2.6x
2012	2.7x	2.1x	3.2x	2.0x
2013	3.0x	3.1x	2.6x	2.6x
2014	2.8x	2.1x	2.4x	1.5x
2015	2.4x	2.4x	1.9x	2.1x
2016	2.2x	2.2x	2.0x	2.3x
2017[(4)]	2.0x	3.3x	2.0x	1.9x
Total	**2.5x**	**3.2x**	**2.9x**	**1.7x**

(1) Our Gross Money Multiples fluctuate over time depending on the types of portfolios we are able to purchase. Portfolios originated from certain industries (e.g., the insurance sector), may have higher Gross Money Multiples than portfolios originated from other industries (e.g., financial services).

(2) In order to generate the Group operating data, the DACH Division's operating data and the Scandi Carve-out's operating data were converted from euros to pounds sterling using the average exchange rate for operating data from such period as set forth in ''*Exchange Rate Information*.''

(3) In order to generate the Group operating data, the Norway Carve-out's operating data were converted from NOK to pounds sterling using the average exchange rate for operating data from such period as set forth in ''*Exchange Rate Information*.''

(4) For the nine months ended September 30, 2017.

Third party debt under management as of September 30, 2017

(in £ millions)	As of September 30, 2017 (unaudited)
UK Division	336.3
DACH Division[1]	9,522.2
Northern European Division[1][2]	3,400.9
Pro forma Combined Group	13,259.4

(1) Unless otherwise indicated, euro-denominated amounts for the DACH Division and the Scandi Carve-out were translated into pounds sterling at an end-of-period rate of £0.881 to €1.00 as at September 30, 2017.

(2) Unless otherwise indicated, NOK-denominated amounts for the Norway Carve-out were translated into pounds sterling at an end-of-period rate of £0.094 to NOK 1.00 as at September 30, 2017.

Portfolio Purchases and 3PC revenue by the Group's, the Scandi Carve-out's and the Norway Carve-out's respective vendors

	Portfolio Purchases[1]			3PC revenue[1]		
	For the twelve months ended September 30, 2017			For the twelve months ended September 30, 2017	For the year ended December 31, 2016	
	Group[2]	Scandi Carve-out[3]	Norway Carve-out[3]	Group	Scandi Carve-out[4]	Norway Carve-out[4]
	(unaudited) (in £ millions)					
Number 1	56.4	30.1	0.2	15.9	2.5	1.8
Number 2	34.6	8.3	0.2	7.7	2.1	1.2
Number 3	28.8	5.8	0.1	6.1	1.3	0.8
Number 4	14.0	5.3	0.1	5.2	1.0	0.5
Number 5	11.5	4.8	0.0	4.6	1.0	0.4
Number 6 - 10	44.3	12.1	0.1	10.9	3.9	1.4
Other	81.1	11.2	0.0	61.9	51.0	7.4

(1) Respective vendors by portfolio purchases differ from respective vendors by 3PC revenue for each of the Group, the Scandi Carve-out and the Norway Carve-out.

(2) Unless otherwise stated, euro-denominated amounts for the DACH Division were translated into pounds sterling at a rate of £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(3) Euro-denominated amounts for portfolio purchases by vendor of the Scandi Carve-out were translated into pounds sterling at £0.871 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017. Unless otherwise noted, NOK-denominated rates for the Norway carve-out were translated into pounds sterling at £0.094 to €1.00, which was the average applicable exchange rate for the twelve months ended September 30, 2017.

(4) Euro-denominated amounts for 3PC revenue by vendor of the Scandi Carve-out were translated into pounds sterling at £0.856 to €1.00, which was the average applicable exchange rate for the year ended December 31, 2016. NOK-denominated amounts for the Norway Carve-out were translated into pounds sterling at £0.092 to €1.00, which was the average applicable exchange rate for the year ended December 31, 2016.

Risks related to our business and industry

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

As a business operating in the UK and EU, we are subject to a variety of national and EU regulations, including laws and regulations regarding data privacy, anti-money laundering and counter terrorist financing, unfair competition, customer treatment, and price fixing. In case of non-compliance, the relevant authorities may, *inter alia*, impose a fine, public censure and remove or restrict an entity's license. 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 Division, our DACH Division and the Northern European Division are also subject to various complex laws and regulations that are more specifically related to the CMS industry.

Regulations affecting our UK Division

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 1974 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 the regulation of consumer credit activities (as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001), including related debt purchase and debt collection activity, from the Office of Fair Trading (the ''**OFT**''). Our entities in the UK that collect debt due to third parties or collect debt that we have purchased under regulated consumer credit agreements were required to apply for and obtain authorization from the FCA for such activities. All required UK Division companies now have such full FCA authorization.

Firms authorized by the FCA must be able to demonstrate that they are ''fit and proper'' to maintain their authorization. In addition, certain individuals within the firm who exercise a ''significant influence'' in the business of the firm or who exercise specified functions (such as the CEO and Money Laundering Reporting Officer) must be approved by the FCA and these individuals must demonstrate that they are also fit, proper and competent to hold the position of an ''approved person.'' The FCA has also stated that the Approved Persons Regime will be replaced by the Senior Managers and Certification Regime (''**SM&CR**'') in order to implement a new accountability framework more focused on senior management accountability with a view that firms should take more responsibility for making sure their employees are fit and proper coupled with the need for better standards of conduct at all levels in banks. The original legislation did not cover all FSMA authorized firms or insurers but the SM&CR regime will extend to all FSMA authorized firms, including the relevant subsidiaries in the UK Division. Although it is not yet known on which date this extension will take place, this is likely to be by the end of 2018 at the earliest.

In addition to its broad fitness and proprietary requirements and the overarching requirements of the FCA's Principles for Business, the FCA has created a sector specific Consumer Credit sourcebook (''**CONC**'') within the FCA Handbook which applies specifically to firms undertaking credit related activities and activities connected to those activities such as ours. CONC sets out detailed standards, in the form of specific rules and guidance.

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 Consumer Credit Act 1974 (the ''**CCA**''), the 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 consumers with prescribed forms of pre-contractual documentation;
- provide consumers with prescribed credit agreement documentation at the outset;
- enable consumers to obtain copies of credit agreement documentation;
- provide consumers with prescribed forms of post-contractual statements and notices;
- provide a ''fair relationship'' between themselves and the consumer; 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 have differing consequences, but include causing agreements or certain terms to be deemed unenforceable without a court order (meaning that in some cases the outstanding debt and interest cannot be recovered). This could affect our ability to recover on the accounts underlying our debt portfolios in the UK 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.

Failure to comply with any of these rules or guidance issued by the FCA may have serious consequences, for example:

- The FCA may take enforcement action against a firm which could result in fines, public censure, the withdrawal of regulatory authorization and/or remediation action for consumers. Any such enforcement action would be publicly known and would involve severe reputational damage. Vendors of debt portfolios and creditors outsourcing collection activity may consider or be required to remove their business from a debt purchaser or collector that is the subject of such enforcement action;
- Firms can be subject to a section 166 notice from the FCA, which may ensue where the FCA has identified issues within the firm regarding non-compliance with the FCA rules and guidance. Pursuant to a section 166 notice, the FCA either commissions, or requires the firm to commission, a ''skilled persons'' report. A ''skilled persons'' report is performed by an independent firm, usually an audit or law firm that is 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, which may decide to take enforcement action in relation to any weaknesses identified. 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 we may be contractually obliged to notify clients should we become subject to such a notice. Clients may then consider, or be required, to remove their business from us, 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 UK in response to enforcement action taken against some of our competitors which highlights certain practices which are of concern to the regulator.

The FCA regards debt collection (and debt purchasing) as a ''high risk'' sector based on the financial position of the consumers involved and issues of customer detriment and hardship are key areas of focus for the regulator.

While we are not currently a subscriber to the Standards of Lending Practice (previously the Lending Code), a number of our clients in the UK are banks, and as such they must ensure that the 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.

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 offence. From October 1, 2014 consumers have also had a right of redress for misleading or aggressive commercial practices.

Consumers who believe they have suffered as a result of our breaching these rules may complain to us first, and if we do not uphold their complaint, may refer the matter to the UK Financial Ombudsman Service (the ''**FOS**''), which acts 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 because, regardless of this outsourcing, we retain responsibility for the treatment of the customer and compliance with the applicable rules and therefore we deploy additional controls to monitor these DCAs. To the extent these third parties violate laws or other regulatory requirements in their collection efforts in the UK, 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.

We currently outsource in the UK to DCAs on a contingent basis. Although they are subject to quality checks to monitor that fair outcomes are being achieved, the DCAs are 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 UK 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. If such change of law or regulations were implemented in relation to the debt purchase and collection industries, this could negatively affect our ability to operate any DCA outsourcing successfully using our current outsourcing model in the UK, which could have an adverse effect on our financial returns and results of operations. We are not currently aware of any such proposal in relation to DCAs or other participants in the debt purchase and collection industries.

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 July 2017, the FCA published a consultation on creditworthiness CP 17/27. The consultation comes in light of its concerns about the risk of potential harm to consumers from poor culture and practice by firms. Whilst the FCA focus is on lenders there will be insights for us in assessing affordability for repayment plans. The FCA will focus on, for example, factors that should be used when designing affordability checks that are appropriate and proportionate in relation to individual lending decisions and the appropriate role of income and expenditure information in lending decisions. The FCA also has expectations around firms' policies and procedures which should focus on outcomes, having regard to the risks of the credit and consumer characteristics. In doing so the FCA proposes changes to rules and guidance which will set out the factors which firms should consider when assessing whether the credit is likely to be affordable for the borrower. Whilst customers in arrears or default are already covered by regulation in CONC, the FCA may set out new expectations for firms which may be read across to our assessment of affordability and use of CRA data. The FCA is expected to release a policy statement following the consultation in the first half of 2018.

In addition, the implementation of the Payment Services Directive (PSD2) in early 2018, whilst primarily relating to banks and credit institutions, may have an impact on us as their credit management provider in for example managing the new expectations on complaint handling and refunds for unauthorized transactions.

In December 2016, the FCA also published the findings of its thematic review into ''Early arrears management in unsecured lending'' (TR16/10). The FCA considers that the ways in which firms engage with consumers in the early stages of arrears are likely to be critical to the ultimate outcome for the consumer.

In October 2015, the subsidiary, Lowell Solicitors Limited, was granted a legal services license by the Solicitor's Regulation Authority (the ''**SRA**'') to undertake debt recovery litigation. Whilst this improves the operational efficiency of our debt recovery litigation, it also brings additional oversight and regulatory compliance requirements by the SRA.

With the move to the FCA as the regulator of consumer credit businesses, the regulatory focus is on requiring lenders (and debt collectors) to exercise ''forbearance'' in relation to consumer debt, to accept only affordable repayment offers and to have regard at all times to the ''treating the customer fairly'' principle underpinning the regulatory approach, in order to achieve fair consumer outcomes. This regulatory focus may have a detrimental impact on the profitability of issuing credit and the supply of debt portfolios for sale as well as increasing the oversight expectation of lenders who sell or outsource. 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 our DACH Division

The CMS 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 our DACH Division's operational flexibility and limit its ability to use its consumer data to price portfolios and create efficient debt collection strategies and regulate the fees, or potential setoffs of fees, charged to the consumer as part of a creditor's default damage (*Verzugsschaden*) for example 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. In our current business model, our DACH Division 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. Income derived from these amounts, including as a result of lawyer service revenue, form a significant portion of the Group's cash income and Group Adjusted EBITDA. 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 particular 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) we and/or external lawyers can pass on to consumers (or a prohibition of such fees) and restrictions on its ability to perform services for external lawyers could also affect the permissibility of our DACH Division's business model. In particular, several of the regulations to which our DACH Division 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, our DACH Division'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, we may provide these companies with up-front payments accounted for as purchased debt, which are made after the receivables have been transferred for service to our DACH Division. In exchange for providing up-front payment, we receive all further collections as a success fee. Such up-front payments only reflect a portion of what a similar debt portfolio may cost in an open market purchase, as our DACH Division 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 unlawful 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.

Our DACH Division'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, our DACH Division's debt collection business could become subject to potentially costly or burdensome licensing requirements under the German Banking Act.

Furthermore, our Group's 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, the subsidiaries SIR, GPP, PCS, IBW, ZYK, GCG, ITT, Tesch Inkasso Forderungsmanagement GmbH, Tesch Inkasso Finance GmbH, Tesch mediafinanz GmbH, Apontas GmbH & Co. KG and Apontas Inkasso GmbH are registered under the German Legal Services Act. If we fail to maintain these licenses, 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.

Regulations affecting the Northern European Division

The Northern European Division is subject to regulations in the jurisdictions in which it operates, including laws and regulations regarding data protection, debt collection, debt purchasing, consumer credits, payment services, enhanced consumer protection and anti-money laundering and terrorist financing at the national and supranational level. As the Northern European Division increases its focus on certain business areas, such as offering credit rescheduling agreements (instalment plans), it may become subject to additional regulatory requirements, including with respect to anti-money laundering and verifying ownership of underlying assets. There can be no assurances that its policies and procedures will prevent breaches of applicable laws and regulations or that its investigations will identify such breaches in a timely manner or at all. Any such delay or failure could have a material adverse effect on its business, results of operations or financial condition. Adverse regulatory developments under the laws and regulations to which it is subject could expose it to a number of risks. In addition, from time to time the Northern European Division identifies weaknesses in its internal policies, procedures and controls. The Northern European Division cannot assure you that in the future it will identify such weaknesses or, where it does, remedy any such weaknesses in a timely manner or at all. Any such delay or failure could have a material adverse effect on its business, results of operations or financial condition.

In a number of the markets in which the Northern European Division operates, including, in particular Norway, the regulation of financial undertakings is in all material respects similar to the rules applicable for banks (including in respect of capital adequacy requirements). As a consequence, these financial undertakings may be subject to amended interpretations or decisions by supervisory authorities or new or amended legislation from the EU applicable to banks, including new or amended capital requirements and liquidity requirements. Such new or amended legislation and/or amended interpretation could, under certain circumstances, have a material adverse effect on the Northern European Division's business, results of operations or financial conditions.

Supervisory authorities in each country in which the Northern European Division operates may determine that it does not fully comply with, is in violation of, or in the past has violated applicable rules, regulations or administrative guidelines. If its policies and procedures are deemed not to be in compliance, or are deemed not to have previously been in compliance, with relevant legal requirements or applicable laws, regulations or administrative guidelines, this could have a material adverse effect on the Northern European Division's business, results of operations or financial condition.

Licensing requirements for debt collection services differ from market to market. Many markets have a licensing requirement and supervision of compliance. In December 2016, the European Court of Justice (Third Chamber) ruled that a debt collection agency which concludes, on behalf of a lender, a rescheduling agreement for an unpaid credit, but which acts as a credit intermediary only in an ancillary capacity, must be regarded as being a credit intermediary and is not subject to the obligation to provide the consumer with pre-contractual information. Following the ruling, some countries in the EU have required debt collection companies that offer instalment plans to hold a consumer credit license so as to be bound by the relevant EU directive. Such license requirements have already been imposed in a few countries. Although large incumbent credit management providers, such as us, tend to be better placed to comply with a high regulatory burden, stricter regulations in general may increase our compliance burden and operating costs. Any temporary or permanent revocation of our debt collection licenses by the licensing authorities in the jurisdictions in which we operate may have a material adverse effect on our business, results of operations or financial condition. Some of the countries in which we operate have also implemented regulations providing limitations on costs for debt collection and duties of disclosure to consumer customers and such limitations on costs may come under increased regulatory focus by national governments.

The credit management industry could be subject to increased scrutiny due to local political factors and developments, which could lead to changes in laws and regulations. The area of consumer credit has recently come under increased regulatory focus by national governments. For instance, in Finland, a cap on the effective annual interest rate for consumer loans with a principal value below €2,000 was introduced in 2013. Such legislation may also be introduced in other jurisdictions and such restrictions can materially affect the consumer credit market since lenders derive a large portion of their profits from credit costs.

Laws and Regulations affecting our Processing of Personal Data

Our databases contain personal data of our consumers, and our ability to obtain, retain and process such data is governed by data protection and privacy regulations and guidance issued by, among others, the European Union under the Data Protection Directive 95/46/EC. Changes to these regulations that affect our business is currently underway. The new EU General Data Protection Regulation (Regulation (EU) 2016/679 (''**GDPR**'')) has been adopted and will become effective as of May 25, 2018. On June 30, 2017, the amended German Federal Data Protection Act (*Bundesdatenschutzgesetz*), which aligns this act with the GDPR was promulgated. The amended German Federal Data Protection Act will come into force as of May 25, 2018 and will completely replace the existing act. The UK Government announced on August 7, 2017 its plans for a new Data Protection Act which will replace the current UK data protection law. The intention is for this Act to be aligned with the GDPR. The UK government has indicated that the UK's decision to leave the EU will not affect the commencement of the GDPR.

The GDPR 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 it applies, the GDPR will strengthen individuals' rights and impose stricter requirements on companies processing personal data. For example, the GDPR might lead to an increase in requests from data subjects based on their enhanced rights such as the right to be forgotten, rights of deletion, and restriction of processing rights. We will also be required to ensure that data minimization is embedded across the organization so that only the appropriate amount of data required for any particular purpose is processed, that we delete any unnecessary datasets, and that we anonymize data wherever possible.

The 'Privacy by Design' concept will mean some reappraising of our IT systems development approach and embedding privacy impact assessments in our development processes. The increased compliance obligations and penalties for processors under the GDPR are likely to result in an increase in the cost of data processing services. The GDPR also provides for significantly increased sanctions and penalties, which will require heightened escalation and notification processes with associated response plans should a serious breach occur. Although we have a comprehensive readiness programme in place, the exact consequences of the GDPR on our business will need to be analyzed over the following months. Based on an initial review, we believe that certain of the Northern European Division's subsidiaries may not be in full compliance with GDPR until after the effective date.

In addition to EU regulations, our operations must comply with national laws and regulations governing the collection, processing and use of data. For example, in the UK, until the GDPR 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 (the ''**ICO**''). The ICO currently has a range of limited sanctions when it discovers a breach of the current UK Data Protection Act, including serving enforcement notices and 'stop now' orders where there has been a breach, requiring organizations to take (or refrain from taking) specified steps in order to ensure they comply with the law, and issuing monetary penalties up to £500,000 for organizations with serious breaches. Contractually we may be obliged to notify clients should we commit a serious data breach as their Data Processor. Clients may have the right to seek indemnity from us in respect of such breaches or may consider or be required to remove their business from us. Our revenue related to such business, along with our reputation, and consequently, our ability to win future business may be adversely affected in those circumstances. Similarly, in Germany, the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) governs such activities. Our 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 the German Federal Data Protection Act.

Under the German regulatory regime, consumers 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 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, penalties and damages, 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 consumer 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 consumers, 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 consumer 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 countries in which we operate, may have a material adverse effect on our financial condition, financial returns and results of operations.

We currently operate mainly in the UK, Germany and Austria with additional operations in Switzerland, Croatia and Slovenia and, upon completion of the Acquisition, we will have operations in Denmark, Finland, Norway, Sweden and Estonia (together ''**our markets**''). Consequently we are exposed to changes in economic or fiscal conditions in each of our markets and we are also exposed to any changes in the global macroeconomic environment affecting economic conditions in our markets. If the global economy suffers a prolonged, material downturn that affects the markets we operate in through, among other things, an increase in the unemployment rate, increased inflation, the implementation of enhanced austerity measures (such as reduction in the relevant government's provisions of public benefits and/or public sector employment), reduced disposable income, impacting interest rates, and the availability of credit, consumers 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 consumers 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 consumers 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.

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 in our debt purchase business. Reduced lending by financial or other credit institutions may also negatively affect consumers 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 our markets 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 consumers, this may also lead to more competitive pricing expectations 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 make required capital investments or finance debt portfolio purchases on financially favorable terms 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.

We derived 66% of our revenue from our debt purchase business (based on total revenue, including lawyer service revenue and other revenue) for the twelve months ended September 30, 2017 and 64% for the year ended December 31, 2016. Our debt purchase business represented 81% of our Group cash income and represented 75% of *pro forma* Combined Group cash income for the twelve months ended September 30, 2017. The availability of debt portfolios for sale at profit-generating prices depends on a number of factors, some of which are outside of our control, including:

- regulation of the consumer credit lending industry;
- lenders changing credit origination strategies;
- lenders tightening lending criteria;
- 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 impacted by a change in accounting policies or practices, the consolidation of creditors or increased sophistication in internal collection efforts;
- concerns that potential reputational risks or required management attention outweigh the return 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;
- 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 originators may make a strategic choice to perform more of their own collections in house 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 cycle and which has had little or no 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 identify 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 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 September 30, 2017, 41% of our UK Division'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 £546.5 million in purchase price consideration and a principal value of £6.2 billion. In the period from September 30, 2003 to September 30, 2017, 43% of our DACH Division's purchased portfolios were acquired pursuant to forward flow agreements, representing €209 million in purchase price consideration and a principal value of €782 million, which excludes any accrued interest and any fees and costs at the time of purchase. In the period from January 1, 2004 to September 30, 2017, 23% of the Northern European Division's purchased portfolios, including the IJDF

Norwegian Portfolios, were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing €188 million in purchase price consideration and a principal value of €529 million. 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 2017, 2018 and 2019. 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 Combined Group's revenue is generated from a limited number of industries. For the twelve months ended September 30, 2017, the Combined Group's cash income from third-party collection services was approximately £112.3 million and split by industry was financial services (42%), telecommunications (14%), retail (7%) and other (37%). For the twelve months ended September 30, 2017, the Combined Group's *pro forma* cash income from third-party collection services would have been approximately £179.1 million and split by industry would have been financial services (39%), telecommunications (14%), retail (10%) and other (37%).

A significant decrease in the amount of debt collection outsourced or the volume of debt available for purchase on acceptable terms from any of our principal clients in these sectors would force us to seek alternative sources of revenue. Clients may elect to change CMS providers if the providers' reputation is harmed by external factors. In addition, our clients may change CMS 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 decision science and consumer 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 clients and we are dependent on a small number of key suppliers.

Although the relative significance of individual clients changes from year to year, a significant percentage of our revenue is generated by contracts with a small number of clients in any given year. For example, in our DACH Division in the twelve months ended September 30, 2017, 80.5% of our portfolio purchases by purchase value came from 10 vendors. In the UK, during the twelve months ended September 30, 2017, 66.3% of our portfolio purchases by purchase value came from five vendors. In the Northern European Division, during the twelve months ended September 30, 2017, 69.3% of its portfolio purchases, including the IJDF Norwegian Portfolios, by purchase value came from five vendors. For the twelve months ended September 30, 2017, our DACH Division's top five third-party collections clients generated 20.0% of our total DACH Division revenue without lawyer service revenue and other service revenues, and 38.2% of our DACH Division third-party collection service revenue without lawyer service revenue. Our DACH Division's top five portfolio purchases vendors by revenue value represented 6%, 3%, 2%, 2% and 0% of total DACH Division revenues without lawyer service revenue and other service revenue, respectively for the same period. Our top five DACH Division third-party collections clients represented 8%, 4%, 3%, 3% and 2% of total revenues, respectively. Whereas, for the twelve months ended September 30, 2017, the UK Division's top five third-party collections clients generated 2.5% of our total UK Division revenue and 69.5% of our UK Division third-party collection service revenue. Our UK Division's top five portfolio purchases vendors by purchase value represented 18%, 9%, 5%, 2% and 2% of total UK revenues, respectively, for the same period. For the year ended December 31, 2016, the Northern European Division's top five third-party collections clients generated 5% of the total Northern European Division revenue and 14% of the Northern European Division third-party collection service revenue. The Northern European Division's for the twelve months ended September 30, 2017, their top five portfolio purchases vendors by purchase value represented 6%, 1%, 1%, 1% and 1% of total Northern European Division revenues, including the IJDF Norwegian Portfolios, respectively, for the same period.

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 clients 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, our DACH Division 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, 2016 and 2017 has terminated a contract, we may lose clients in the future. Furthermore, many of our contracts with our clients do not have a fixed term or renew automatically 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, our UK Division relies on a single supplier 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 consumer profiles*''), and our DACH Division relies heavily upon one supplier for certain software solutions. The Northern European Division will depend on a Transitional Services Agreement with the Seller (the ''**TSA**'') to supply certain critical systems and business functions. After the TSA is terminated or expires, the Northern European Division may source a significant amount of critical services from a single supplier. 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 UK 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). Moreover, such competition, also driven by greater financial resources, less expensive funding or lower return requirements, 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 UK operated by our subsidiary, Fredrickson International Limited, our UK business mainly 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, consumer 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 UK. 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 CMS industry in Germany might further consolidate and our competitors might merge, creating size and scale benefits that we might not be able to match. 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 CMS 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 the Northern European market

Upon completion of the Acquisition, we will operate in Denmark, Finland, Norway, Sweden and Estonia. The Northern European CMS industry is fragmented and consists of competitors with varying profiles. The Northern European Division faces competition from new and existing debt collection providers, other purchasers of portfolios of overdue debt and other overdue receivables and debt originators that manage their own portfolios rather than outsourcing or selling them. This competition includes, but is not limited to, competition on the basis of price. New market entrants 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 the Northern European Division paying higher prices for portfolios that it purchases or charging less for its debt collection services, both of which could decrease its margins and have a material adverse effect on our business, results of operations or financial condition.

Competition in other markets

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 consumers 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 consumers 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 interpretations of contractual terms that may vary by debt originator, which may impact the calculation of consumers' 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 appropriate 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 consumer 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 consumer complaints which could harm our reputation with debt originators, consumers 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 consumer'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 CMS 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 consumer'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, EU, German and Norwegian regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, authorizations, licenses and codes of practice may negatively affect our business*'' and ''—*We are subject to audits conducted by sellers of our debt portfolios and clients 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 consumer'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 consumers 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 UK, through complaints to the UK Financial Ombudsman Service (the ''**FOS**''), and, in Germany, through consumer protection associations (*Verbraucherschutzvereine*) or other similar third party agencies and in the other jurisdictions in which we operate), 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 CMS industry in general or in relation to us or any of our clients in particular; (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 and (iv) the activities of commission driven claims management companies bringing complaints about our activity on behalf of individuals or a cohort of customers. These websites are increasingly providing consumers with letter templates, guidance 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 CMS 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 consumer 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 a small number of contracts, penalties and /or service credits for the failure of service level agreements. 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 consumers 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, consumers 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, these could result in 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 our DACH Division's historical PayProtect service, for which we pay the full face value of the debt. The Northern European Division also provides value-added services which purchase debt at full face value. Debt that we purchase typically consists of loans that consumers 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 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 debt claims that we own are unsecured and an increase in bankruptcy filings involving consumers 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.

We derived 66% of our revenue from our debt purchase business (based on total revenue, including lawyer service revenue and other revenue) for the twelve months ended September 30, 2017 and 64% for the year ended December 31, 2016. On a *pro forma* basis, our Group's cash income would have been 75% from our debt purchase business for the twelve months ended September 30, 2017. 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 consumers. 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 clients 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 clients who place debt with us for contingent collections. In the UK, regulations and contractual provisions 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 UK and in Germany, we may be asked to comply with additional terms and conditions that are unique to particular debt originators in either the UK 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. We may also be subject to audits in the other jurisdictions in which we operate. In addition, to the extent that we are unable to satisfy the requirements of a particular client or where our noncompliance 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 UK, 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 decision science 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 decision science 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 consumer to pay, the time at which the consumer 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 Multiples, 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 decision science. 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 decision science team may not be able to achieve the desired results and may not be able to create the decision science 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 consumers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling.

We proactively work with consumers 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 our part could lead to increased servicing costs as our employees renew contact with consumers and revise pre-existing payment arrangements. Furthermore, a reduction in monthly payments would reduce our cash generation and returns on capital. A change from our original estimates of servicing costs or consumers' 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 consumers who will, or which consumers 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. For more information, see ''*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations—Results of Operations—Description of the Group's Principal IFRS Statement of Financial Position Items*,'' ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations—Results of Operations—Description of our UK Division's Principal IFRS Statement of Financial Position Items*'' and ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations—Description of our DACH Division's Principal Balance Sheet Line Items.*'' 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 consumers, build a consolidated profile of each such consumer'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, accounting standards, such as IFRS 15 and IFRS 9, or on changes in our business profile.

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 income increases or 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. See ''*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations*.''

IFRS 9 (*Financial Instruments*) is effective from January 1, 2018. The current application of the Effective Interest Rate with regards to purchased non-performing assets is thought to be largely in line with IFRS 9; however, additional disclosure requirements, over and above those from IFRS 7, will be required around compliance with applicable regulation and the management of risk. Management will continue to monitor the impact of the three main areas of IFRS 9, these being classification and measurement, impairment, and hedge accounting. IFRS 15 (*Revenue from Contracts with Customers*) is effective from January 1, 2018. IFRS 15 established a five step approach to accounting for revenue from contracts with customers. Although we do not expect the application of these standards to have a material effect on our business, we will continue to monitor the impact and therefore such application may have a material adverse effect on our business, results of operations or 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.

We generally measure our investments based on a projected return, typically up to 120 months, based on the historical data and collection forecast for our UK Division and DACH Division. It takes an average of 24 months for our UK Division and 24 months for our DACH Division to collect the gross cash cost of each of their investments in debt portfolios (after taking into consideration, in the case of our DACH Division, 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 September 30, 2017, 41% of our UK Division'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 £546.5 million in purchase price consideration. In the period from September 30, 2003 to September 30, 2017, 43% of our DACH Division's purchased portfolios were acquired under forward flow agreements, representing €209 million in purchased debt. In the period from January 1, 2004 to September 30, 2017, 23% of the Northern European Division's purchased portfolios, including the IJDF Norwegian Portfolios, were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing €188 million in purchase price consideration. Commitments under such forward flow contracts are typically for approximately one to three years, although in the UK, we have entered into five year forward flow agreements with two creditors. 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 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 clients 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 consumer 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 substantially by one supplier. 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 our data suppliers could affect the intelligence systems upon which we rely. See ''—*We are highly dependent on our intelligence systems and proprietary consumer profiles*'' and ''—*We generate a significant amount of our revenue from a small number of large clients 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, consumers, 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 UK Division's 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 consumer 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.

The Northern European Division will depend on the TSA with the Seller to supply certain critical systems and business functions. The Seller is a main competitor of the Northern European Division. There can be no assurances that the Seller will adequately deliver services under the TSA. After the TSA is terminated or expires, the Northern European Division will depend on third-parties to provide critical services. 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.

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

Our recent acquisitions, the Acquisition 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, IS Inkasso Service, Tesch Group and Apontas. Moreover, we intend to consummate the acquisition of the Targets and their respective subsidiaries, and we have evaluated and may selectively pursue potential acquisitions of other companies in the future.

The continuation of this strategy depends on, *inter alia*, identifying suitable acquisition or investment opportunities and successfully completing such 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 CMS 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 prior acquisitions or the Acquisition will be realized or that we will be able to realize such benefits from any future acquisition. In addition, our acquisitions and future acquisitions may place additional constraints on our resources, including diverting the attention of our management from other business concerns or opportunities. 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, including the Targets, 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, the 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, our DACH Division acquired a 51% interest in ITT and fully acquired DMA, respectively. We acquired DMA as part of a strategy to improve our data analytics department by increasing coverage and usage of external data sources across the Lowell business units in DACH. In November 2016, we acquired the remaining interest in ITT.

In May 2016, we acquired IS Inkasso Service, in September 2016 we acquired Tesch Group and in October 2016 we acquired Apontas. We have made efforts to integrate these new entities into our corporate division; 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 these acquisitions.

We currently operate primarily in the UK, Germany and Austria with a meaningful presence in Switzerland, Croatia and Slovenia. Following the Acquisition, we will also operate in Finland, Denmark, Norway, Sweden and Estonia. 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 consumer profiles.

Certain systems provide information that is critical to our business. In order to operate these systems, develop our proprietary consumer 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 UK 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. See ''*—We are subject to UK, EU, German and Norwegian regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, authorizations, licenses and codes of practice may negatively affect our business—Laws and Regulations affecting our Processing of Personal Data.*''

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 decision science 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 decision science systems.

We rely on our IT infrastructure platform and decision science 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 company may force us to upgrade the IT platform and decision science 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 decision science 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, in Germany we hold 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 decision science.

Any security breach in our IT infrastructure platform and decision science 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 decision science 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 decision science systems. Any of these developments could hinder or prevent us from using our IT infrastructure platform or decision science systems as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

In addition, the Northern European Division depends on certain transitional services from the Seller delivered through the TSA, and the loss of these services could have a material adverse effect. The Northern European Division and the Seller have agreed that certain existing commercial arrangements between certain Intrum affiliates and the Northern European Division (and its affiliates) relating to the provision to the Northern European Division (and its affiliates) of IT, collection, pricing, purchasing and certain accounting, tax and personnel administration support services, are extended during a transitional period following the Completion Date of up to 24 months, either pursuant to existing intragroup services agreements in place as of the Completion Date and/or new transitional services agreements to be entered into on or prior to the Completion Date. These services have been identified by the Northern European Division to be important to assure the operational continuity of the Northern European Division after Completion until the Northern European Division fully integrates with the Group and engages new providers for the provision of these services. A termination of the transitional services agreement or the Northern European Division's failure to find alternative suppliers prior to the expiration of the transitional services agreement 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 consumers 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 consumers 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 consumer 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, consumer 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 consumers, 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 decision science 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 consumers and develop tailored repayment plans, depends on our ability to use consumer data in our decision science systems.

Our ability to obtain, retain, share and otherwise process consumer data is governed by data protection laws, privacy requirements and other regulatory restrictions. For example, in Germany and the UK, 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 consumers 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)). Similar restrictions will be imposed by the EU General Data Protection Regulation, the amended German Federal Data Protection Act and the new Data Protection Act in the UK (see ''—*We are subject to UK, EU, German and Norwegian regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, authorizations, licenses and codes of practice may negatively affect our business—Laws and Regulations affecting our Processing of Personal Data*''). In addition, we are subject to strict data protection requirements in many of the other jurisdictions in which we operate.

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 consumer 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 consumer 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 consumer data from unauthorized use or provide adequate data protection could negatively affect our business.

Failure to protect, monitor and control the use of our consumer data could cause us to lose a competitive advantage. We rely on a combination of contractual provisions and confidentiality procedures to protect our consumer data, and our consumer 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 consumer data. Our consumer 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 consumer 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, consumer 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, consumers 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 consumer account associates (each, a ''**CAA**''). As is typical among companies that rely on call center operations in the UK market, employee turnover among CAAs in our UK Division has been significant. For example, as of September 30, 2017, the average tenure of our CAAs in the UK was 27 months. Increases in the turnover rate among our CAAs at any of our 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, decision science 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 September 30, 2017, the Combined Group had approximately 3,821 FTEs. 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 UK, 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 our UK Division'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 applicable provisions of the Stock Corporation Act (*Aktiengesetz*), we have established a Supervisory Board (*Aufsichtsrat*).

The Northern European Division's employees are unionized and/or represented by works councils in many of the countries in which it operates.

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. See ''*Our Group's Business—Litigation*.'' For example, we are engaged in ongoing appraisal right proceedings in relation to the 2006 merger of Lowell Holdco GmbH and a listed stock corporation ABIT AG, where ABIT AG shareholders were offered a Lowell Holdco GmbH 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, 2016, the Group has recognized provisions of €7.6 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. See ''*Our Group's Business—Litigation*.'' In addition, several former minority shareholders of Lowell Holdco GmbH initiated appraisal proceedings (*Spruchverfahren*) against Lowell Holding GmbH 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 Lowell Holding GmbH as then majority shareholder was inadequate. See ''*Our Group's Business—Litigation*.''

The Northern European Division is currently subject to one tax audit in Sweden. The Swedish tax authorities have claimed that certain portfolios of NPLs should have been written up in 2014. The Northern European Division's Swedish entity has appealed and is now waiting for the decision by the tax authorities. The indicated write up is SEK 25 million and will only be a temporary difference as the higher value will be amortised later. The Northern European Division's Denmark subsidiary has an open issue with the Danish tax authorities relating to the method used to calculate reclaimable VAT for the period 2011 to 2016. The maximum impact to the Northern European Division would be DKK 2 million payable. Depending on the outcome, tax authorities may launch tax audits or investigations relating to subsequent periods.

We may become subject to claims and a number of judicial and administrative proceedings, including consumer credit disputes with consumers, 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 fuelled 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 complaint volumes have been made in the UK 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, business partners who collect claims on our behalf or other counterparties. For example, certain law firm parties with whom we contract for collection services have asserted claims against us relating to our agreed fee structure and, in connection with the winding down of similar relationships with other business partners in Germany in particular, we may face additional claims. See ''*Our Group's Business—Litigation*''. 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 UK, these include individual consumers 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 consumer. Where we are unable to produce account documents in response to a consumer'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 consumer 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 consumer 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 consumer 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 consumer 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 and time 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 consumers to pay. The ability of consumers 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 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.

Due to our financial history, certain of our financial information included herein needs to be carefully considered, as it is not directly comparable to other financial information included herein.

Certain financial information included in this report is not directly comparable. This report includes historical financial information of the Group, Metis Bidco Limited and its consolidated subsidiaries and Lowell Holdco GmbH and its consolidated subsidiaries. Consolidated reporting for the Group has been carried out at the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition Completion Date, and the financial results of the Parent were the product of our DACH Division's operations alone from this date until the Lowell Acquisition Completion Date. Accordingly, the Group Consolidated Financial Statements for 2015 incorporate only the Group's results for the period from June 1, 2015 through December 31, 2015, and these statements incorporate the results of our DACH Division for only the period from June 30, 2015 through December 31, 2015, and of our UK Division for only the period from October 13, 2015 until December 31, 2015. Thus, these results will not be directly comparable to the 2016 Group Consolidated Financial Statements, the Group's future financial statements or any of the other financial statements included in this report.

In addition, Metis Bidco Limited's consolidated financial information is not directly comparable to Lowell Holdco GmbH's consolidated financial information for various reasons, and the historical financial information of Metis Bidco Limited and its consolidated subsidiaries presented in this report for certain years may not be directly comparable to the corresponding information from other years. The UK Division Consolidated Financial Statements were prepared on the basis of a September 30 or December 31 year end and represent 15-month and 12-month periods (as applicable), while the DACH Division Consolidated Financial Statements were prepared on the basis of a December 31 year end and represent 12-month periods. Moreover, the DACH Division Consolidated Financial Statements were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch*). See ''*Presentation of Financial and Other Information—Financial Information—DACH Division*.''

Furthermore, our DACH Division changed its accounting policies with respect to its portfolio assets in 2015 in order to harmonize its approach to that of our UK Division. The DACH Division 2015 Audited Consolidated Financial Statements, including the prior-year comparative presented therein, reflect this change whereas the DACH Division 2014 Audited Consolidated Financial Statements do not. The differences described above could be material to the information contained herein, and the discussions herein of the financial results of Metis Bidco Limited and Lowell Holdco GmbH are necessarily limited by the lack of comparability among their financial information.

With the exception of the acquisitions made in 2016, the 2016 Group Audited Consolidated Financial Statements include Metis Bidco Limited and its consolidated subsidiaries and Lowell Holdco GmbH and its consolidated subsidiaries for the full year. Because the IS Inkasso Service acquisition was completed at the end of May 2016, the Tesch Group acquisition was completed at the end of September 2016 and the Apontas acquisition was completed in mid-October 2016, the 2016 Group Audited Consolidated Financial Statements incorporate the results of IS Inkasso Service, Tesch Group and Apontas only since June 1, 2016, October 1, 2016 and October 1, 2016, respectively.

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 and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes as if they had occurred on January 1, 2015. See ''*Presentation of Financial and Other Information—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 and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes had been completed January 1, 2015 or that may be achieved in the future, and is provided for informational purposes only. Pro forma financial information usually covers only a current interim period and the last completed financial year, at most, whereas the Unaudited *Pro Forma* Condensed Consolidated Financial Information included in this report presents periods beyond the prior period as of the current date.

We also present *Pro Forma* Combined Group Adjusted EBITDA in this report to illustrate the effect of the Acquisition on Group Adjusted EBITDA by adjusting this figure to give *pro forma* effect to the Acquisition as if it had occurred on October 1, 2016 as well as certain adjustments including an adjustment of the Northern European Division's management fees, the Scandi Carve-out's reallocation of an operating charge related to the depreciation of assets formerly owned by Intrum and which will be owned by the Scandi Carve-out going forward, loss-making contracts terminated by the Scandi Carve-out, foreign exchange transactional gains by the Scandi Carve-out and projected savings realized by the DACH Division through the integration of Zyklop Inkasso Deutschland GmbH. The adjustments we used to calculate *Pro Forma* Combined Group Adjusted EBITDA were based upon the Group Adjusted EBITDA of the Northern European Division, as adjusted for acquired debt portfolios, amortization and exceptional items. Adjusted EBITDA as defined by the Northern European Division may differ from the Group's definition of this metric, and such differences could materially affect our *Pro Forma* Combined Group Adjusted EBITDA. In addition, the Norway Carve-out prepares its financial statements in accordance with Norwegian GAAP, rather than IFRS. The Norway Carve-out Adjusted EBITDA and cash income contribution of the Norway Carve-out may have been significantly different if it had been calculated using financial information that was prepared in accordance with IFRS, and there can be no assurance that our *Pro Forma* Adjusted EBITDA was not materially affected by such a difference. See ''*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*.''

We are not providing pro forma financial statements reflecting the impact of the proposed Acquisition on our historical operating results and the pro forma combined information related to the Acquisition that we are providing is subject to a number of limitations and assumptions.

Although this report includes historical financial statements for the Group, the Scandi Carve-out and the Norway Carve-out, it does not include *pro forma* income statements and balance sheets reflecting the estimated *pro forma* impact of the Acquisition on our historical results based on the audited financial statements of the Scandi Carve-out and the Norway Carve-out for the year ended December 31, 2016 and the unaudited interim financial statements for the nine month period ended September 30, 2017 and the comparative period in 2016.

The accounting principles and policies applied by each of the Group, the Scandi Carve-out and the Norway Carve-out are not directly comparable. The Norway Carve-out prepares its financial statements in accordance with Norwegian GAAP, while the Group and the Scandi Carve-out prepare their respective financial statements in accordance with IFRS. Norwegian GAAP differs in certain respects from IFRS.

See ''*Presentation of Financial and Other Information—Financial Information—Norway Carve-out*.'' Moreover, although the financial statements of both the Group and the Scandi Carve-out are prepared in accordance with IFRS, the accounting policies of the two groups may differ in certain respects. As such, the various elements of the financial statements of the Group, the Scandi Carve-out and the Norway Carve-out may be significantly different and an addition of the elements of each group may differ significantly from the result that would have been achieved in the context of *pro forma* financial statements.

Because we are not in a position to provide *pro forma* financial statement information, for the convenience of readers only, we include in this report *Pro Forma* Combined Group Adjusted EBITDA and *pro forma* Combined Group cash income to illustrate the effect of the Acquisition on the Group's Adjusted EBITDA and cash income by adding to these figures the Adjusted EBITDA and cash income, respectively, of each of the Scandi Carve-out and the Norway Carve-out, as if the Acquisition occurred on October 1, 2016. As a result of the differences in accounting principles and policies described above, Adjusted EBITDA and cash income as calculated by each of the Scandi Carve-out and the Norway Carve-out may differ from the Group's calculation of these metrics, and such differences could affect our *Pro Forma* Combined Group Adjusted EBITDA and *pro forma* Combined Group cash income. See ''*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*.''

Furthermore, the *Pro Forma* Combined Group Adjusted EBITDA is based on the Adjusted EBITDA of each of the Group, the Scandi Carve-out and the Norway Carve-out, which exclude certain exceptional or non-recurring items, some of which had a cash impact on the respective businesses. In preparing the *Pro Forma* Combined Group Adjusted EBITDA, we have also made further adjustments based on a number of assumptions, including adjustments to add back the difference between the amount charged to the Scandi Carve-out and the Norway Carve-out by their parent companies for management personnel costs and the estimated amount that will be incurred by the Combined Group post-Acquisition for such management personnel, a depreciation charge taken by the Scandi Carve-out's parent company that was re-charged to the Scandi Carve-out as an operating expense, the losses related to certain onerous contracts terminated by the Scandi Carve-out, the full-period impact of the IJDF Norwegian Portfolios that previously sat within another subsidiary of the Norway Carve-out's parent company and were contributed to the Norway Carve-out in June 2017 and projected savings expected to be realized by the DACH Division.

The *Pro Forma* Combined Group Adjusted EBITDA and *pro forma* Combined Group cash income are presented for illustrative purposes only and do not purport to indicate what the performance of our combined business would have been had the Acquisition taken place on October 1, 2016, nor are they intended to be a projection of future results. Moreover, the Scandi Carve-out and the Norway Carve-out were previously operated by separate parent entities from which they have since separated and as such, their historical financial performance may not be indicative of their financial performance on a stand-alone basis.

The *Pro Forma* Combined Group Adjusted EBITDA and *pro forma* Combined Group cash income were prepared without being reviewed by our auditors, consultants or experts and the adjustments and assumptions used in preparing the metrics may prove to be inaccurate or may be affected by other factors that have not been accounted for. The *Pro Forma* Combined Group Adjusted EBITDA and *pro forma* Combined Group cash income should not be considered in isolation or be used as a substitute for an analysis of the operating results of each of the Group, the Scandi Carve-out and the Norway Carve-out nor should it be considered a substitute for full *pro forma* financial statement information.

As a result of the differences in the historical consolidated financial information of Metis Bidco Limited and Lowell Holdco GmbH, 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:

- The audited consolidated financial statements of the Parent as of December 31, 2015 and for the period from June 1, 2015 (date of incorporation) to December 31, 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in the following, ''**IFRS**'');
- Unaudited and unpublished interim consolidated income statement of Carl Holding GmbH (which, prior to its merger with Lowell Holding GmbH, was the indirect parent holding company of Lowell Holdco GmbH) 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 Lowell Holdco GmbH as of and for the six-month period ended June 30, 2015 and Carl Holding GmbH's accounting records;
- 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 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.

We are exposed to the risk of currency fluctuations.

We have operations throughout Europe and are therefore exposed to financial risks that arise from changes in exchange rates. Currency exchange fluctuations could cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. As a result of these factors, fluctuations in exchange rates could affect our results of operations. For example, we present our consolidated financial reports in pound sterling but the operations of our DACH Division are conducted in euro. In addition, the Northern European Division is active across Denmark, Norway, Sweden, Finland and Estonia and conducts business in several currencies. Our business is therefore sensitive to fluctuations in foreign currency exchange rates, especially euro to pound sterling exchange rates. The presentation of our results of operations may be affected by the translation of foreign currencies into pound sterling for the purpose of our consolidated financial statements. We do not currently hedge any of our foreign exchange risks. Consequently, to the extent that foreign exchange rate exposures are not hedged, fluctuations in currencies may adversely affect our financial results in ways unrelated to our operations. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Although we may enter into certain hedging arrangements in the future, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. In addition, if we were to use any hedging transactions in the future in the form of derivative financial instruments, such transactions may result in market-to-market losses and may prove to be ineffective.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations.

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. See ''*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations*,'' ''*Management's Discussion and Analysis of the UK Division's Financial Condition and Results of Operations*'' and ''*Management's Discussion and Analysis of the DACH Division's Financial Condition and Results of Operations*.''

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 consumers, build a consolidated profile of each such consumer'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 consumers 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 consumers who have variable interest rate obligations or other significant debt that bears floating rate interest. If our consumers 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 on 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 consumers (*i.e.*, the number of accounts matched to a consumer may reach a point at which that consumer 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.

We may enter into interest rate hedges in the future which may be ineffective or may not be implemented correctly.

Although we are subject to the risk of changes in interest rates, we no longer use interest rate swaps to hedge the effect of changes in the interest rate on our profit and loss. We may enter into interest rate hedges in the future, and at such time we may be subject to the risk of changes in interest rates and their impact on our derivative instruments. We may use interest rate swaps to hedge the effect of changes in the interest rate on our profit and loss. We may further hedge parts of our cash-flow risk that arises out of variable interest agreements on the refinancing side. We may 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 (to the extent we are party to relevant instruments), thereby reducing our profit or increasing our loss, but we may also receive higher interest income from our derivative instruments, which would offset (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 (to the extent we are party to relevant instruments), thereby increasing our profit or decreasing our loss, but our interest income from any of our derivative instruments would decline, thus offsetting (to the extent of such decrease in income) any changes to profit and loss due to interest rate movements. At such time as we enter into hedges, we will be 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 may also be 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 (to the extent we are party to such 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 (to the extent we are party to such 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. Moreover, although we may enter into certain hedging arrangements in the future, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms.

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 regulatory, legislative changes, systemic failures in our industry or the industry sectors of our clients and changes in fiscal and monetary policies or the economic environment in our markets. 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. Our UK Division’s tax returns are prepared in accordance with UK tax legislation and prevailing case law. Certain tax positions taken by our UK Division 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 our UK Division’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, our UK Division’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 our UK Division, which is subject to change. This rate is currently 19% as of April 2017. 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. In addition, the Northern European Division may not be able to recoup all loss carry forwards. Certain losses, for example in Denmark and Sweden, may be deemed to be forfeited as a result of the Acquisition. Any additional tax payments could have a material adverse effect on our margins and results of operations and financial condition.

Our DACH Division'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 Lowell Holdco GmbH and (ii) December 31, 2009 in the case of most other DACH Division companies. Ongoing tax audits for the DACH Division, which comprise, for most DACH Division 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, the DACH Division 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 Lowell Holding GmbH, which is currently ongoing.

In November 2017 Tesch Group's tax audit for the financial years 2013 until 2015 were started. The tax audits for the Tesch Group may lead to higher tax assessments in the future. For example, tax groups (*Organschaften*) operated in Germany by entities of the Tesch Group may be challenged in future tax audits. Non-recognition of the Tesch Group's tax groups by the German tax authorities could lead to additional tax liabilities.

In connection with the last tax audit of Tesch, part of the interest on shareholder loans was considered as a constructive dividend by the tax authorities resulting in an additional corporate income tax, trade tax and withholding tax at the level of Tesch Inkasso GmbH (which was subsequently merged into Lowell Financial Services GmbH) of approximately €64,000 and at the level of Tesch of approximately €67,000. This treatment has been challenged by tax appeals and leap-frog actions (*Sprungklagen*). An adverse outcome in the tax appeals and proceedings could lead to additional tax liabilities (including interest) and could have an adverse effect on our financial condition and result of operations.

Further shareholder loans have been granted on similar terms and conditions in the course of Tesch's acquisition of former Tesch Verwaltungs GmbH (now merged into DC Debitoren Management GmbH) and Tesch Inkasso Finance GmbH (formerly Transcom CMS Forderungsmanagement GmbH). Future tax audits may challenge the treatment resulting in an additional corporate income tax, trade tax and withholding tax of up to € 1.2 million to €1.3 million. An adverse outcome from such tax audits and from possible tax appeals and proceedings could have an adverse effect on our financial condition and result of operations.

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.

The loss forfeiture rules applicable in the years from 2008 until and including 2015 were challenged in court and the German Federal Constitutional Court (*Bundesverfassungsgericht*) held in its ruling dated March 29, 2017, that parts of the provisions on the forfeiture of losses infringe the German constitution, i.e. those dealing with transfers of more than 25% up to 50%. Such forfeiture rules will, therefore, be void unless the German legislator drafts and implements new rules until December 31, 2018. The impact of the ruling on the current version of the forfeiture rules and the unchallenged provisions as well as the upcoming legislative changes are, however, unclear.

With respect to the acquisition of Lowell Holdco GmbH by Carl Holding GmbH (which subsequently merged into Lowell Holding GmbH) 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. The DACH Division has filed court rulings and appeals against, *inter alia*, the European Commission. The oral hearing took place on October 18, 2017. On December 20, 2017, the proposal of the Advocate General in a similar case (C-203/16 P *Andres (previously Heitkamp BauHolding) v Commission*) in favor of the restructuring exception was announced. Both cases have, however, not yet been decided by the European Court of Justice. The DACH Division 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 €4.1 million for interest as of September 30, 2017. 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 Lowell Holding GmbH in 2015, we believe that tax loss carry forwards of Carl Holding GmbH (now merged into Lowell Holding GmbH) will be forfeited, but tax loss carry forwards of Lowell Holdco GmbH 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 Lowell Holdco GmbH 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.

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 Lowell Holding GmbH 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.

With respect to the Tesch Group entities we expect that any interests should be fully deductible for tax purposes. However, subject to certain prerequisites, the German interest barrier rules (*Zinsschranke*) might apply and may have 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 our DACH Division is the purchase of portfolios of NPLs. Our DACH Division collects the receivables for its own account, taking the risk of final payment default. Generally, the purchase price for NPLs 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 NPLs (old version of Section 2.4 para. 1 and para. 8 German VAT Guidelines, ‘‘**UStAE**’’). On October 27, 2011, the ECJ decided that acquisitions of NPLs are not subject to VAT (C93/10, 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 NPLs acquisitions as well as on costs incurred in connection with the collection of the receivables, and referred back to the local Tax Court Düsseldorf. Our DACH Division has since withdrawn its initial lawsuit. Consequently the cases are not binding on our DACH Division. 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).

The VAT Guidelines includes the possibility to apply for previous guidance from the German tax authorities with respect to NPLs acquired before July 1, 2016 or, in the case of revolving contracts, before January 1, 2019, i.e., that the purchase of NPLs still qualifies as a VAT-taxable service allowing for the deduction of input VAT for the respective historical periods. As the DACH Division did not entirely treat the purchases of NPLs as subject to VAT according to the MKG jurisprudence, in some cases no VAT was collected and paid to the tax authorities, in the period for the year ended December 31, 2004 to September 30, 2017, the DACH Division built up an accrual of €8.3 million (including interest).

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.

Recent and future changes in Swedish tax legislation can limit or prevent the Scandi Carve-out from making tax deductions for interest.

Sweden has rules for limiting the tax deduction for interest on intragroup loans. Sweden is expected to implement the European Union Anti-Tax-Avoidance Directive, which is part of the European Union Anti-Tax Avoidance Package. This directive contains several legally-binding anti-abuse measures including rules on limited deductibility for net interest expense based on EBIT/EBITDA. The directive is expected to be implemented, in part, at the latest on December 31, 2018. On June 20, 2017, a memorandum (Sw. *Nya skatteregler för företagssektorn*) proposing new interest deduction limitation rules regarding both internal and external interests, was published by the Swedish Ministry of Finance (Sw. *Finansdepartementet*). The proposal contains a general provision limiting the deductibility of net interest expense to 35% of EBIT, and alternatively 25% of EBITDA. The proposal also contains a temporary limitation on the utilization of tax losses carried forward. The current interest deduction limitation rules on intercompany debt would remain, however, with a narrower scope. The rules are proposed to enter into force on July 1, 2018 and are to be applied for the first time in the fiscal year beginning after June 30, 2018. New, more, restrictive interest deduction limitation rules could have a negative effect on our financial position and result if introduced.

Recent changes in Norwegian tax law may limit or prevent the Northern European Division from applying tax deductions arising from certain intragroup loans and we may be impacted by other future changes in Norwegian tax law, regulations and their application, possibly with retroactive effect.

Norwegian tax law imposes rules concerning limitations on interest deductions arising from intercompany loans and certain external loans which could imply limitations on the rights to deduct interest for the Northern European Division’s Norwegian subsidiaries.

Under the rules, interest deductions on intercompany loans are limited to 25% of a specifically defined profit (‘‘**taxable EBITDA**’’). The right to deduct interest is, however, not limited if a company’s total net interest costs are NOK 5 million or lower. The limitation and threshold amount is calculated separately for each company in the group.

Under the interest limitation rules, the intercompany lender (if taxable in Norway) will be taxed for its interest income even though the borrower’s right to deduct interest costs will be limited under the rule.

The interest limitation rules also contain provisions under which external loans will be regarded as internal loans in a number of contexts. If, for instance, a parent company has provided a guarantee for the debt, the borrowing company's external loan is to be reclassified as an internal loan subject to the rules concerning limitations on interest deductions.

The Ministry of Finance has recently in a consultation paper proposed that the interest deduction limitation rules should be extended to include interest paid to an independent (external) lender by a borrower that is part of a group. It proposes that this extended scope (regarding interest paid to external lender for group companies) will apply only if net interest costs exceeds NOK 10 million. Further, an exception is proposed that implies that the borrower nevertheless maintains a right to deduction for interest expenses if the equity ratio of the Norwegian entity, or alternatively the average of all Norwegian entities in the group, is equal to or higher than the equity ratio of the group globally. The extended scope of the interest limitation rule is expected to enter into force in 2019.

There may also be changes in Norwegian tax law imposing withholding tax on interest. The Ministry of Finance has stated that a consultation paper relating to the introduction of withholding tax on interest payments will be submitted. Many tax treaties limit Norway's ability to impose withholding tax on interest. A withholding tax will however, if implemented, take full effect in relation to states with which Norway does not have a tax treaty.

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 UK, Germany and abroad, as well as war and threats of war or actual conflicts involving the UK, 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 UK'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 UK, Germany, Austria, Switzerland and Croatia. Following the British public referendum to leave the EU on June 23, 2016 (''**Brexit**''), the government of the UK has served notice under Article 50 of the Treaty of the European Union, pursuant to which the UK has a two year period to agree to the terms of its withdrawal. The outcome of the referendum and the terms of withdrawal have created significant uncertainty about the future relationship between the UK and the European Union, and has given rise to calls for certain regions within the UK to preserve their place in the European Union by separating from the UK. The result of the UK general election on June 8, 2017 has added to the uncertainty around the terms of the UK's withdrawal from the European Union. Depending on the final terms of Brexit, the UK could lose access to the single European Union market, which could result, among other things, in the disruption of the free movement of goods, services and people between the UK and the European Union, undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the UK and the European Union or other nations as the UK pursues independent trade relations. This could have an impact on the general and economic conditions in the UK, which will directly adversely affect the financial condition of our consumers.

These developments 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 economies and could lead to lower access to European markets in general. Any reduction in our consumers' willingness or ability to pay their debts due to Brexit-related changes in the economic environments of the UK 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 UK 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 UK or the other 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 decision* *science 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 UK 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 UK and Germany, depress economic activity and restrict our access to capital. In particular, our UK Division 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 UK business could jeopardize our ability to continue to operate in a manner consistent with our past practice. See ''—*We are subject to UK, EU, German and Norwegian regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, authorizations, licenses and codes of practice may negatively affect our business—Regulations affecting Our UK Division*.''

If the UK and the European Union are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the UK 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 UK and Germany, they could adversely affect our financial condition, financial returns or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Where financial data in the following tables is labeled ''audited,'' this means that it has been taken from the Group Consolidated Financial Statements. The label ''unaudited'' is used in the following tables to indicate financial data that has not been taken from the Group Consolidated Financial Statements but rather was taken from the Unaudited Group Interim Condensed Consolidated Financial Statements or the Group's internal reporting system, or has been calculated based on figures from these sources, as applicable. The information below is not necessarily indicative of our future results of operations. The following discussion contains forward-looking statements that reflect our plans and estimates and our beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this report particularly in the sections entitled ''Risk Factors'' and ''Forward-Looking Statements.''

The unaudited financial information for the twelve months ended September 30, 2017 included elsewhere in this report is based on the Unaudited Group Interim Condensed Consolidated Financial Statements and is calculated by taking the consolidated interim financial information for the nine-month period ended September 30, 2017 derived from the Unaudited Group Interim Condensed Consolidated Financial Statements and the Group's internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2016 derived from the Group Consolidated Financial Statements and the Group's internal accounting system and subtracting the condensed consolidated interim financial information for the nine-month period ended September 30, 2016 derived from the Group Consolidated Financial Statements and the Group's internal accounting system. 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.

In addition, we present below certain unaudited pro forma condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015. The unaudited pro forma condensed consolidated financial data 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.''

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Group 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. 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 below should be read in conjunction with ''Unaudited Pro Forma Condensed Consolidated Financial Information.''

Illustrative Economics

The following table provides an overview of the Group's illustrative economics as of and for the twelve months ended September 30, 2017:

Key Economics[(1)]	Principal value of purchased debt[(2)]	£23.3 billion
	Total price paid (as % of principal value)[(3)]	7.5%
	Portfolio purchase price[(3)]	£1.7 billion
	Portfolio Investments	£270.7 million
	Revenue	£517.3 million
	Gross collections[(4)]	£2.6 billion
	ERC[(5)]	£2.0 billion
	Gross money multiple (UK Division)[(6)]	2.5x
	Gross money multiple (DACH Division)[(7)]	3.2x

(1) Key economics are presented as of and for the twelve months ended September 30, 2017 unless otherwise stated. The key economic figures for the Group presented in this table represent the combination, without adjustment, of data from the UK and DACH Divisions. To facilitate this combination, the euro-denominated key economic data from our DACH Division was converted to pound sterling conversion using the applicable rate at September 30, 2017. See ''*Presentation of Financial and Other Information—Non-Financial Operating Data*'' and ''*Exchange Rate Information*.''

(2) For the UK Division, this includes purchased debt since the UK Division bought its first portfolio in 2004 through September 30, 2017. For the DACH Division, this includes purchased debt since 2003 through September 30, 2017 and may include accrued interest and fees at the time of the debt portfolios' purchase.

(3) Calculated using the same parameters as the principal value of purchased debt above.

(4) Represents the combination, without adjustment, of Gross Collections on owned portfolios for the UK Division from 2004 through September 2017 and the DACH Division from 2003 through September 2017.

(5) Represents a combination of the UK Division's ERC, which was calculated on a 120-month basis, and the DACH Division's ERC, which was calculated on a 180-month basis.

(6) UK Division Gross Money Multiple is the total expected cash return from purchased debt portfolios calculated as the sum of Gross Collections achieved to date and our UK Division's ERC divided by purchase price.

(7) Total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved from September 30, 2003 through September 30, 2017 and our DACH Division's ERC divided by purchase price.

Significant Factors Affecting Results of Operations

The Group's business and results of operations have been, and are expected to continue to be, affected by certain key factors, including acquisitions, and we expect these key factors to affect our business in the future. Each of these additional factors is discussed in more detail below.

Portfolio purchases

We typically purchase a large number of lower-value portfolios, which enables us to purchase portfolios regularly in order to expand our operations. As a result, the relative significance of individual debt originators changes from year to year. We also seek to adopt a diversified purchase strategy and as a result made portfolio purchases from 25 vendors of debt in the UK Division with a face value of at least £100,000 in the twelve months ended September 30, 2017 and 63 vendors for the DACH Division with a face value of at least €100,000 in the same period.

As of September 30, 2017, our UK Division's Backbook was made up of approximately 24.4 million accounts and 1,583 debt portfolios, 63% of which cost less than £0.5 million, with the 30 largest debt portfolios comprising 22% of Gross ERC. During the twelve months ended September 30, 2017, we received approximately 1.4 million payments per month from UK consumers, with an average internal monthly payment of £20.76 for such period. As of September 30, 2017, the average account balance in our UK debt portfolio was £749. Our UK debt portfolios are also diversified across primarily three different sectors, with 56% originated in the financial services sector, 26% in the retail sector and 17% in the telecommunications sector (as of September 30, 2017 and based on purchase price).

As of September 30, 2017, our DACH Division's Backbook was made up of approximately 3.6 million active accounts and 355 debt portfolios, 55% of which cost less than €0.5 million, with the 30 largest debt portfolios comprising 59% of Gross ERC. Our DACH Division debt portfolios are primarily diversified across four different sectors, with 33% originated in the financial services section, 25% in the retail sector, 16% in the telecommunications sector and 8% in the fitness sector with the remaining 18% in other sectors such as utilities, public services, leisure, tourism as of September 30, 2017 and based on purchase price.

There are two principal models for purchasing portfolios of debt: spot sale agreements and forward flow agreements. In a spot sale, we agree to buy a portfolio of claims that we receive in one transaction upon payment. In our DACH Division, spot sales are mostly conducted through auctions, especially in the financial services sector, while in our UK Division, spot sales are mostly conducted through sealed bids. In a forward flow agreement, we agree to buy claims with predetermined characteristics at a pre-defined price or price range for a given volume from a client on an ongoing basis. See ''*Our Group's Business—Debt Purchase—Debt Portfolio Purchase—Types of Debt Purchase Agreements*.'' In the period from June 1, 2004 to September 30, 2017, 41% of our UK Division'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 £546.5 million in purchase price consideration and a principal value of £6.2 billion. In the period from September 30, 2003 to December 31, 2016, 40% of our DACH Division's purchased portfolios were acquired pursuant to forward flow agreements, representing €180 million in purchase price consideration and a principal value of €706 million, which excludes any accrued interest and any fees and costs at the time of purchase. We believe our ability to secure and renew forward flow agreements is a key driver of our performance as these increase client retention and thereby provide greater earnings visibility.

As of September 30, 2017, our UK Division's cumulative investment in portfolios was £1,346.1 million, its cumulative consumer accounts was approximately 24.4 million and its cumulative aggregate face value of debt was £18.3 billion. As of September 30, 2017, our DACH Division's cumulative investment in portfolios was €489.5 million, its cumulative active consumer accounts was approximately 3.6 million and its cumulative aggregate face value of debt was €5.6 billion.

The table below highlights the historical scale and stability of our purchasing activity by setting forth our acquisitions of purchased debt portfolios, face value of debt purchased and the average price paid by division for the periods indicated.

	For the twelve months ended December 31,			For the nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
			(unaudited)		
	(£ million, unless indicated)				
UK Division					
Acquisitions of purchased debt portfolios[1]	154.3	205.1	228.9	140.4	130.3
Face value of debt purchased during the period[2]	1,824.5	2,343.8	1,586.1	1,020.9	989.0
Total price paid as % of face value[3]	8.5%	8.7%	14.4%	13.7%	13.2%
	(€ million, unless indicated)				
DACH Division					
Acquisitions of purchased debt portfolios[1][4]	27.8	62.3	73.4	49.3	35.7
Face value of debt purchased during the period[2]	111.0	830.5	875.5	570.9	679.7
Total price paid as % of face value[3]	25.0%	7.5%	8.4%	8.6%	5.3%

(1) Acquisitions of purchased debt portfolios represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when we recognize the purchased debt on our consolidated balance sheet.

(2) Face value of the purchased debt acquired during the period relates to the nominal value of receivables and may include any accrued interest, fees and costs at the time of purchase.

(3) The average total price paid for our purchased debt portfolios *per annum* is generally not comparable on a year-to-year basis. This is due to the varying characteristics of the purchased debt portfolios, such as the type, size, quality, industry and maturity profile, each of which can have a direct impact on the pricing of such portfolios. For example, if in a given year, the acquisitions of the purchased debt primarily comprise debt portfolios of fresher claims with a higher probability to pay, then our average total price paid for purchased debt in that period may be higher than a prior or subsequent period, independent of any general market trends in overall pricing.

(4) In the DACH Division, purchases of PayProtect debt include the respective day-one impairments (direct write-downs) for the purpose of our purchased debt business.

Our performance is dependent on our ability to purchase debt portfolios across all sectors that meet our minimum return criteria, which in turn is driven by the volume of debt made available for sale by debt originators and vendors, competitive dynamics and our ability to price portfolios accurately.

The volume of debt portfolios sold each year comes from (i) the book of defaulted debt in that year and (ii) the backlog of debt defaulted in prior years that remains unsold. The pricing of debt portfolios also affects the volume of debt portfolios sold each year, as it determines whether it is more economically attractive for a vendor to sell the debt or to warehouse it for further in-house or outsourced collections.

Competition also affects our ability to purchase portfolios. The majority of portfolios across all sectors are currently offered to the market through spot sales conducted through a competitive tender process, and we estimate, based on the most recently available data, that in the twelve months ended September 30, 2017, we were invited to participate in most of the tenders for non-performing debt in our targeted sectors in the UK and Germany. In recent years, we believe that there has been a trend towards increased concentration of the debt purchase industry around a small core group of purchasers. It is possible that there will be new entrants or companies re-entering the debt purchase market. See ''*Risk Factors—Risks Related to Our Business and Industry—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 typically compete with one or two of these debt purchasers in the last stages of debt auctions. We compete mainly on the basis of price and compliance credentials. Pricing on portfolio purchases for both of our divisions is conducted at the Group level. See ''*Our Group's Business—Debt Purchase.*''

While most of the debt portfolios are sold through competitive tender processes in spot sales, we have many long-standing relationships that have helped improve our portfolio-purchasing ability. For example, 61% of UK purchased portfolios for the year ended December 31, 2016 came from portfolios sold to us by clients with which we held a relationship with in 2010. We also purchase portfolios by entering into forward flow agreements, whereby we agree to purchase all or substantially all of the debt originator's debt sales, generally through a bilateral sale, subject to the debt originator's compliance with pre-agreed criteria. Since inception to period ended September 30, 2017, 41% of the value of our UK Division's debt portfolio purchases and 43% of the value of our DACH Division's debt portfolio purchases came from such forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase. As of September 30, 2017, our UK Division has completed or committed to portfolio purchases for the year ended December 31, 2017 of £155.0 million, which is equivalent to 68% of the total portfolio purchases completed in the year ended December 31, 2016. In the DACH Division, as of the same period, we have completed or committed portfolio purchases for the year ended December 31, 2017 of €8.9 million, which is equivalent to 11% of the total portfolio purchases completed in the year ended December 31, 2016.

The ability to purchase debt portfolios is also dependent on access to financing. Should we lose access to financing, we may not be able to make new acquisitions of debt portfolios. See ''*—Liquidity and Capital Resources*.''

Collections

Our primary sources of revenue are (i) the cash proceeds received from our collection efforts on the consumer accounts in our owned debt portfolios and (ii) fees and cost-reimbursements from our third-party collection services. In the twelve months ended September 30, 2017, 53% of our debt collections came from collections on owned portfolios and the remaining 47% came from third-party collection services. The majority of our paying consumers make their payments through long-term, low-installment plans. These installment plans typically see payments being made through automated and predictable methods such as direct debit.

The amount a consumer pays generally varies depending on the portion of the consumer's disposable income available to rectify his or her financial situation. We believe in offering our consumers the choice of clearing their outstanding balances through practical, affordable and personalized monthly installments in addition to one-off settlements. Our collections performance are therefore assisted by our ability to build, using our internal data intelligence systems, a detailed and dynamic understanding of our consumers' circumstances.

Since the financial year ended 2004, our UK Division has demonstrated collections growth each year. From the financial year ended August 31, 2007 to the twelve months ended September 30, 2017, it has grown its annual gross collections on owned portfolios from £50.8 million to £348.9 million, and despite the changing economic environment, actual collections closely followed the collection forecasts made before the financial crisis. As of September 30, 2017, these portfolios had a 120-month ERC of £1,498.8 million, generating a Gross Money Multiple of 2.5x (calculated based upon UK Division's ERC) on a cumulative basis.

Our DACH Division also, generally, has a strong track record in outperforming its initial collection forecasts on the portfolios purchased. For example, between September 30, 2003, when our DACH Division purchased its first debt portfolio, and September 30, 2017, it achieved Gross Collections of €948.5 million from these purchased portfolios and, as of September 30, 2017, these portfolios had a 180-month ERC of €599.6 million, generating a Gross Money Multiple of 3.2x (calculated based upon DACH Division's ERC) on a cumulative basis.

Management believes the historical resilience of its collections in this period of weak economic conditions was supported by:

- ***Low average payments and account diversification.*** During the twelve months ended September 30, 2017, our UK Division received approximately 1.4 million payments per month from consumers, with an average monthly payment of £20.76 for such period. In the DACH Division in the same period, we received from approximately 0.51 million active pay accounts an average monthly payment of €72. As of September 30, 2017, the average account balance in our UK Division's debt portfolios was £749, the average account balance in our DACH Division's debt portfolios was €886 and the average account balance in our DACH Division's 3PC portfolios was €782. We believe that our low average monthly payments and the fact that our consumers are typically already in financial distress or unemployed have provided some degree of protection against changes in its consumers' disposable income.
- ***Predictable collections from recurring payment methods.*** Of our £348.9 million of UK Division collections on owned portfolios in the twelve months to September 30, 2017, 85% came from existing accounts already owned twelve months earlier. Across our UK Division's Backbook, as of September 30, 2017, the majority of our monthly collections came from recurring payments, such as direct debits and continuous payment authorizations on debit and credit cards. Similarly, of our €135.8 million of DACH Division collections on owned portfolios in the twelve months to September 30, 2017, 82% came from existing portfolios already owned twelve months earlier.
- ***Close performance monitoring and sophisticated data mining capabilities.*** By tracking the financial circumstances of individual consumers, we have been able to proactively adjust consumers' payment plans in a way we believe optimizes returns. Our UK Division's default rate among its paying consumers decreased from 9.1% to 6.1% between September 30, 2014 and September 30, 2017, calculated as the percentage of payment plans which made no payments in the month a payment was due, based on a three-month average. Our DACH Division's default rate decreased from 14.2% to 9.8% between September 30, 2014 and September 30, 2017, calculated as the percentage over a three-month period of collections compared to expected collections, which were derived by the last three months of agreed payments. We believe this approach both helps our consumers meet their obligations and helps us to reach our return targets. However, we may not always be able to adjust in such a way in the future. See ''*Risk Factors—Risks Related to Our Business and Industry—Our need to adapt to consumers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling*.''

In addition, the volume of receivables outsourced to us on behalf of debt originators, and consequently our revenue from third-party collections services is linked to our historical ability to collect on defaulted debt and on our relationships with our third-party collection services clients, particularly in the DACH Division, including our ability to demonstrate strong collection levels. Our third-party collection revenue is generated both by the fees we receive from originators as part of the successful recovery of defaulted debt, as well as the fees and additional interest we receive from consumers, including cost reimbursement, as prescribed by law. Our third-party collection services clients actively manage the outsourcing process. Depending on how well we perform, our clients may release more claims to us or, conversely, if we have performed poorly compared to our peer group, reduce the number of claims that we service. We offer flexible pricing arrangements to our third-party collection services clients that are tailored to the specific circumstances of the client and the relevant claims to be outsourced. We believe that the benefits of our effective claims collection strategy result in long-standing client relationships, evidenced by entering into master servicing agreements to provide collection services on clients' debt and other defaulted receivables that we have not purchased.

Operational efficiency

Implementing an effective and efficient debt collection strategy at all stages of the collection life cycle is a key factor driving our revenue and operating expenses. Our debt collection process is standardized and highly automated, with the goal of maximizing the total amount collected over the life of the debt. We endeavor to foster payment solutions, such as bespoke repayment plans, that provide visibility on the cash collected and minimize default risk for consumers.

Our approach to collections is focused on delivering the highest net return on capital by optimizing costs versus collection potential. Historically, for example, from our UK Division's inception through September 30, 2017, in our UK Division we have only needed to collect from 28% of our consumer accounts in order to achieve our returns. To deliver our targeted returns on investments, we use collection strategies to decide the level of resources to deploy on each account. We conduct extensive empirical analysis on our consumers' ability and willingness to pay, which allows us to develop tailored collection strategies to optimize servicing efficiency and return on capital. For example, the ability to segment our DACH Division accounts, using internally developed scorecards, allows us to locate those accounts which are most able and/or likely to pay and simultaneously will increase our collection rates and optimize our costs.

Year-on-year and other period-on-period trends in our collection cost percentages are not necessarily indicative of our operational efficiency and the return on capital we can achieve on our acquired portfolios, as they are impacted by the varying characteristics of the portfolios we purchase in different years and differences in the timing of portfolio purchases during the year. Specifically, we believe that recent trends in our collection cost ratio have been driven by: (i) the characteristics of the purchased debt portfolio (*i.e.*, the industry or specific contractual arrangement of the debt); (ii) significant improvements in the operational efficiency of our collections team, primarily due to our implementation of a more automated and centralized debt collection function; (iii) changes in the volume of claims and other outstanding debt collected which can vary in any given period based on a number of factors outside of our control, such as the general macroeconomic condition in the UK, Germany, Austria, Switzerland, Croatia and Slovenia; and (iv) in the case of Germany, recent statutory increases to legal fees, which has improved our revenue. See ''—*Economic Conditions*.''

In the DACH Division, we have systematically carried out projects that have had, and that we believe will continue to have, a positive effect on our operations. We have divested a number of non-core activities and smaller businesses during the periods under review, including our operations in Spain. In addition to making strategic divestitures, we have made strategic DACH-region acquisitions to complement our collections processes, such as the acquisition of DMA in 2014, a data solution provider that sources information from more than 15 data information companies via a central platform. The acquisition of DMA has afforded our decision science team a competitive advantage by providing them a multi-sourcing data information tool as well as unique data products leveraging best-of-breed data sources, and our DACH-region business has improved its collection processes by implementing internal initiatives such as our service center, which is a centralized automated hub for managing mail and processing millions of incoming and outgoing letters annually. In addition, we believe we will be able to further enhance our one-stop CMS solution and our geographic footprint through our acquisitions of IS Inkasso Service, the Tesch Group and Apontas, see ''—*Acquisitions*.''

Our Group Adjusted EBITDA increased from £188.7 million for the nine months ended September 30, 2016 to £226.8 million for the nine months ended September 30, 2017. For the twelve months ended September 30, 2017, our Group Adjusted EBITDA was £292.6 million. Our operating profit increased from £92.5 million for the nine months ended September 30, 2016 to £101.0 million for the nine months ended September 30, 2017. Our operating profit was £118.3 million for the twelve months ended September 30, 2017 and £109.8 million for the year ended December 31, 2016. See ''*Presentation of Financial and Other Information—Financial Information*'' and ''*Summary Consolidated Financial and Other Information for the Group—Other Group Financial and Operating Data.*''

In the period from July 31, 2009 to September 30, 2017, our annual collections per consumer representative FTE in our UK Division grew from £367,000 to £781,000. In the period from July 31, 2013 to September 30, 2017 (based on the respective last twelve month period) our gross collections per consumer representative FTE in our DACH Division grew from approximately €700,000 to €876,000, reflecting our ability to collect on our growing asset base over the period with increasing efficiency.

Regulatory considerations

Our results of operations are affected by a number of laws and regulations in the UK and EU. We are subject to regulatory and compliance requirements relating to labor, license requirements, consumer credit, debt collection, default interest calculation, statutes of limitation, data protection, anti-corruption, tax and VAT, handling of client funds and other regulatory regimes. We have detailed policies and procedures in place that are designed to foster compliance with applicable law and to ensure that compliance issues, if any, are identified and appropriately elevated within the organization. Our policy regarding regulatory compliance defines, among other things, governing principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures.

The regulatory environment for debt collection in the UK and EU requires considerable investment in processes, know-how and management. We have invested, and intend to continue to invest, a significant amount of financial and technical resources in order to achieve and maintain compliance with these requirements. From September 30, 2013 to September 30, 2017 in the UK Division, for example, we have increased the number of FTEs in our compliance team from 43 to 97.

In Germany, creditors have a long enforcement period against consumers as the statute of limitations to apply for and obtain enforcement title against consumers is generally three years and once obtained, the enforcement title is valid for 30 years. German law further regulates the fees that are charged by third-party debt collectors and third-party law firms engaged in the collection process. German law regulates whether, and how much, such fees may be passed on to the consumer for collection. Any new laws or regulations that may be adopted, as well as changes to existing laws or regulations, could constrain or prevent our ability to operate in Germany.

For further discussion of the regulations affecting us and the risks posed by these regulations, see "*Risk Factors—Risks Related to Our Business and Industry—We are subject to UK, EU, German and Norwegian regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, authorizations, licenses and codes of practice may negatively affect our business.*"

Seasonality

We see limited seasonal fluctuations in our collections from portfolios, which tend to be lower for months in which there are fewer working days, for example in months with public holidays.

Acquisitions

Historically, we have had a strong track record of selective and accretive expansion in the UK and DACH regions, as demonstrated by our UK Division's acquisition of Interlaken in 2013 and our DACH Division's acquisitions of DMA, ITT and more recent acquisitions of IS Inkasso Service, the Tesch Group and Apontas in 2016. We intend to participate opportunistically in a disciplined manner in the consolidation of the European CMS industry in order to build scale, address untapped consumer 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 have recently made certain strategic acquisitions to expand our geographic presence or enter complementary business activities.

Acquisitions affect our results of operations in several ways. First, our results for the period during which an acquisition takes place are affected by the inclusion of the results of the acquired business in our consolidated results. Because acquired businesses are included in our consolidation perimeter from the date of completion of each relevant acquisition, their full impact is only reflected in our financial statements in the subsequent period. In addition, the results of the acquired businesses after their acquisition may be impacted positively by synergies. For larger strategic acquisitions, we may experience a temporary increase in investments and both operational and personnel expenses as we integrate the acquired business into our network.

Because of changes in our corporate structure following a number of changes in ownership, we carry a significant amount of goodwill on our balance sheet (£1,019.2 million as of September 30, 2017). Goodwill is subject to an impairment test annually and whenever there are indications of impairment. We may record significant charges in our income statement in the event of impairment under IFRS. As a result of our acquisition accounting policies, our acquisition of entities that own debt portfolios may cause us to recognize fair value releases in subsequent financial statements which may affect our results.

Significant Factors Affecting Comparability

The historical financial information for the Group has been prepared by the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition was completed on June 30, 2015 (the ''**GFKL Acquisition Completion Date**''). For the period beginning on the GFKL Acquisition Completion Date until the completion of the Lowell Acquisition on October 13, 2015 (the ''**Lowell Acquisition Completion Date**''), the financial results of the Parent only reflect our DACH Division's operations. Thereafter, the Parent's consolidated financial results reflected both our UK Division's and our DACH Division's operations. As a result, the Group does not have historical financial information for the full year ended December 31, 2015 for the combined group. In order to provide a more comparable period on period comparison for the year ended December 31, 2016 compared to the year ended December 31, 2015, we have included the *pro forma* consolidated financial information of the Parent for the year ended December 31, 2015 as if the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes had occurred on January 1, 2015. The *pro forma* consolidated financial information of the Parent for the year ended December 31, 2015 has been prepared solely for the purpose of this report, and is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors. In addition, the *pro forma* consolidated financial information of the Parent for the year ended December 31, 2015 has been presented for illustrative purposes only and does not purport to represent what our financial results would have actually been had the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes occurred on the date assumed, nor does it purport to project our financial results for any future period or our financial condition at any future date.

Results of Operations

Description of the Group's Principal IFRS Consolidated Statement of Comprehensive Income Items

Below is a summary description of the key elements of the line items of the Unaudited Group Interim Condensed Consolidated Financial Statements for the nine-month period ending September 30, 2017, which were prepared in accordance with IFRS. These line items are also among the financial data related to comprehensive income that appear in the Group Unaudited Condensed Consolidated Financial Information as of and for the nine-month period ending September 30, 2016 and the twelve-month period ending September 30, 2017 and in the Group 2016 Audited Consolidated Financial Statements.

Income from portfolio investments

Income from portfolio investments (the Group's purchased debt portfolios) represents the yield from acquired portfolio investments, net of VAT where applicable. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition (*i.e.*, the price paid to acquire the asset). These estimated future cash receipts are reflective of the conditions within the markets in which the Group operates and range from 84 months to 120 months.

Acquired portfolio investments are purchased at a deep discount and as a result the estimated future cash flows reflect the likely credit losses within each portfolio.

Portfolio write-up

Increases in portfolio carrying values can and do occur should forecasted cash flows be deemed greater than previous estimates and because of the rolling nature of the period considered for estimated future cash receipts. Upward adjustments to carrying values as a result of reassessments to forecasted cash flows are recognized in the portfolio write-up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognized to date, an impairment is recognized in the Statement of Comprehensive Income.

Portfolio fair value release

Portfolio fair value adjustments are made as part of the purchase price allocations when the group acquires other companies. These adjust the value of the portfolios to fair value. The portfolio fair value release represents the unwinding of this fair value uplift. This uplift is being unwound in line with the profile of the gross ERC over an 84 month period from the date of acquisition in keeping with the standard collection curve profile in the UK.

Service revenue

Service revenue represents amounts receivable for tracing and debt collecting services (commissions and fees) provided to third-party clients including collection lawyers, net of VAT where applicable. The revenue is recognized when the service is provided (accrual basis) which in this case is when cash is collected from the consumer on behalf of the Group's client.

Collection activity costs

Collection activity costs represent the direct third-party costs incurred in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognized as the costs are incurred (accruals basis).

Other expenses

Other expenses consist of operating expenses such as staff costs, office rent and other expenses related to the premises, depreciation of property, plant and equipment, and amortization of intangible assets, together with the write-down of non-performing loans, among other expenses.

Interest income

Interest income consists of the interest receivable on our bank accounts, and the fair value measurement of derivatives.

Finance costs

Finance costs consist of interest charges and fees on the Existing Notes and the Revolving Credit Facility, interest accruing on shareholder loan notes issued by our parent undertaking, together with losses on the fair value of financial instruments and foreign exchange losses.

Tax expense

The charge for taxation is based on trading results, and takes account of taxation deferred or accelerated because of timing differences between the treatments of certain items for taxation and accounting purposes, principally the treatment of capital expenditure, for which capital allowances allowable for taxation purposes differs from depreciation for accounting purposes, the timing and utilization of tax losses, and the non-deductibility of an element of the interest accruing on shareholder loans and shares.

Description of the Group's Principal IFRS Statement of Financial Position Items

Below is a summary description of portfolio investments, a key line item of the Unaudited Consolidated Interim Statement of Financial Position of the Group as of September 30, 2017. This line item is also among the financial data related to financial position that appears in Statement of Financial Position within the Group Consolidated Financial Statements for the year ending December 31, 2016.

Portfolio investments

Portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, which is their acquisition price, and are subsequently measured at amortized cost using the EIR method in accordance with IAS 39 (Financial Instruments).

The cash flow that each portfolio investment is expected to generate over the 12 months following the date of the statement of financial position is calculated, and this portion of each portfolio asset's carrying value is classified as current. The remaining portion of this carrying value is classified as non-current.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Consolidated Statement of Financial Position

Portfolio Investments

Portfolio investments increased by £73.4 million, or 8.8%, as of September 30, 2017 as compared to December 31, 2016.

Consolidated Statement of Comprehensive Income

The following table shows our results for the nine-month period ended September 30, 2016 and the nine-month period ended September 30, 2017.

	For the nine months ended September 30,	
	2016	**2017**
£ millions	**(unaudited)**	
Income from portfolio investments	144.0	179.6
Portfolio write-up	71.9	84.9
Portfolio fair value release	(2.6)	(1.9)
Service revenue	112.8	126.3
Other revenue	2.0	2.5
Other income	3.5	3.3
Collection activity costs	(133.4)	(136.4)
Other expenses	(105.8)	(157.2)
Interest income	2.5	2.2
Finance costs	(100.1)	(137.4)
Loss before tax	**(5.1)**	**(34.2)**
Income tax (expense) / credit	(6.0)	(2.3)
Loss for the period	**(11.1)**	**(36.5)**

Income from portfolio investments

Income from portfolio investments increased by £35.6 million, or 24.7%, to £179.6 million for the nine months ended September 30, 2017 from £144.0 million for the nine months ended September 30, 2016, primarily due to a 19.7% increase in portfolio investments to £905.1 million as at September, 30 2017 from £756.0 million as at September 30, 2016.

Portfolio write-up

Portfolio write-up increased by £13.0 million, or 18.1%, to £84.9 million for the nine months ended September 30, 2017 from £71.9 million for the nine months ended September 30, 2016. The increase was primarily due to strong cash collection performance on the UK Division's backbook during the period, driven by an increase in litigation activity and other operational initiatives which led to an increase in portfolio write-ups for the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016.

Portfolio fair value release

Portfolio fair value release decreased by £0.7 million, or 27.0%, to £1.9 million for the nine months ended September 30, 2017 from £2.6 million for the nine months ended September 30, 2016. Portfolio fair value adjustments are made as part of the purchase price allocations when the Group acquires other companies. These adjust the value of the portfolio to fair value. The portfolio fair value release represents the unwinding of the fair value uplift. The decrease is primarily due to the unwinding of the fair value uplift on portfolio valuation of the UK Division at the time of the Lowell Acquisition. There was a greater release in the early years due to the front loaded nature of the ERC curve, which was used as the basis for the release.

Service revenue

Service revenue increased by £13.5 million, or 12.0%, to £126.3 million for the nine months ended September 30, 2017 from £112.8 million for the nine months ended September 30, 2016. The increase was due to the DACH Division increasing the level of activity, including the impact of the Tesch and IS Inkasso Service acquisitions, together with the impact of the pound sterling weakening.

Collection activity costs

Collection activity costs increased by £3.0 million, or 2.2%, to £136.4 million for the nine months ended September 30, 2017 from £133.4 million for the nine months ended September 30, 2016, primarily due to increased collection activity, including those in respect of Tesch and IS Inkasso Service, together with the impact of the pound sterling weakening.

Other expenses

Other expenses increased by £51.4 million, or 48.6%, to £157.2 million for the nine months ended September 30, 2017 from £105.8 million for the nine months ended September 30, 2016. The increase is primarily due to an increase in personnel costs across the Group of £27.9 million as FTEs increased by 646 FTEs to 2,967 FTEs for the nine months ended September 30, 2017. The increase is due to higher capacity across the Group together with the acquisitions of Tesch and IS Inkasso Service. The remaining increase in the Group is due to a variety of infrastructure expenses such as rental and IT charges due to larger group operations in addition to the impact of the pound sterling weakening.

Interest income

Interest income decreased by £0.3 million to £2.2 million for the nine months ended September 30, 2017 from £2.5 million for the nine months ended September 30, 2016, primarily due to a foreign exchange gain of £2.0 million in the nine months ended September 30, 2016 offset by the release of the premium raised on the Former 2021 Euro Notes of €175 million as part of the refinancing undertaken during the period in September 2017.

Finance costs

Finance costs increased by £37.3 million, or 37.3%, to £137.4 million for the nine months ended September 30, 2017 from £100.1 million for the nine months ended September 30, 2016, primarily due to additional interest expense of £12.5 million in the nine months ended September 30, 2017 as a result of the issuance of the Former 2021 Euro Notes of €230 million in September 2016 and the additional Former 2021 Euro Notes of €175 million in April 2017. There was a write off of prepaid costs on the Existing Senior Secured Notes and fees payable on the redemption of the Former 2021 Euro Notes that totaled £10.3 million and £3.6 million respectively. The remaining difference is predominantly due to foreign exchange as a result of the pound sterling weakening and additional interest expense on the shareholder loan with Garfunkelux Holdco 1 S.à r.l.

Income tax expense

Income tax expense decreased by £3.7 million, or 61.7%, to a £2.3 million expense for the nine months ended September 30, 2017 from a £6.0 million expense for the nine months ended September 30, 2016, primarily due to non-deductible interest expenses in the nine months ended September 30, 2016.

Year Ended December 31, 2016 Compared to the Period from June 1, 2015 (Date of Incorporation) to December 31, 2015 and also Compared to the *Pro Forma* Year Ended December 31, 2015

Consolidated Statement of Financial Position

Portfolio Investments

Portfolio investments increased by £215.2 million, or 34.9%, as of December 31, 2016 as compared to December 31, 2015.

Consolidated Statement of Comprehensive Income

Consolidated reporting for the Group has been carried out at the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition was completed on June 30, 2015 (the ''**GFKL Acquisition Completion Date**''). For the period beginning on the GFKL Acquisition Completion Date until the completion of the Lowell Acquisition on October 13, 2015 (the ''**Lowell Acquisition Completion Date**''), the financial results of the Parent only reflect our DACH Division's operations. Thereafter, the Parent's consolidated financial results reflected both our UK Division's and our DACH Division's operations. We present the unaudited *pro forma* condensed consolidated financial information and other data derived from the Unaudited *Pro Forma* Condensed Consolidated Financial Information located elsewhere in this report as of and for the year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015 for comparative purposes. See ''*Presentation of Financial and Other Information*'' and ''*Unaudited Pro Forma Condensed Consolidated Financial Information*'' for information regarding our *pro forma* financial information. The following table shows our actual results from incorporation of the Parent on June 1, 2015 to December 31, 2015, the year ended December 31, 2015 on a *pro forma* basis and the year ended December 31, 2016.

£ millions	For the period from June 1, 2015 (date of incorporation) to December 31, 2015(1) (audited)	For the year ended December 31, Pro Forma 2015(2) (unaudited)	2016 (audited)
Income from portfolio investments	52.5	172.1	199.3
Portfolio write-up	20.7	56.1	95.4
Portfolio fair value release	(0.6)	(3.3)	(3.4)
Service revenue	65.8	138.1	160.0
Other revenue	1.7	2.8	2.9
Other income	1.9	5.1	4.1
Collection activity costs	(68.5)	(152.8)	(181.4)
Other expenses	(73.5)	(151.5)	(167.2)
Interest income	3.3	3.7	0.7
Finance costs	(77.4)	(169.2)	(138.7)
Loss before tax	**(74.0)**	**(99.0)**	**(28.2)**
Income tax expense	5.5	7.1	(3.0)
Loss for the period	**(68.5)**	**(91.8)**	**(31.2)**

(1) Consolidated reporting for the Group has been carried out at the Parent since it was incorporated on June 1, 2015. However, the Parent had no operations, and thus no financial results, until the GFKL Acquisition was completed on June 30, 2015 (the ''**GFKL Acquisition Completion Date**''). For the period beginning on the GFKL Acquisition Completion Date until the completion of the Lowell Acquisition on October 13, 2015 (the ''**Lowell Acquisition Completion Date**''), the financial results of the Parent only reflect our DACH Division's operations. Thereafter, the Parent's consolidated financial results reflected both our UK Division's and our DACH Division's operations.

(2) We present the unaudited *pro forma* condensed consolidated financial information and other data from the Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the year ended December 31, 2015 that give effect to the Lowell Acquisition, the GFKL Acquisition and the issuance of the Existing Sterling Notes and the Existing 2022 Euro Notes in connection therewith as if they had been consummated on January 1, 2015 for comparative purposes. See ''*Presentation of Financial and Other Information*'' for information regarding our *pro forma* financial information.

Income from portfolio investments.

Income from portfolio investments was £199.3 million for the year ended December 31, 2016 compared to £52.5 million for the period ended December 31, 2015. On a *pro forma* basis, income from portfolio investments increased by £27.2 million, or 15.8%, to £199.3 million for the year ended December 31, 2016 from £172.1 million for the *pro forma* year ended December 31, 2015, primarily due to an increase in portfolio investments of £215.2 million, or 34.9%, to £831.7 million.

Portfolio write-up

Portfolio write-up was £95.4 million for the year ended December 31, 2016 compared to £20.7 million for the period ended December 31, 2015. On a *pro forma* basis, portfolio write-up increased by £39.3 million, or 70.1%, to £95.4 million for the year ended December 31, 2016 from £56.1 million for the *pro forma* year ended December 31, 2015, primarily due to strong cash collection on assets owned in the year ended December 31, 2016. This outperformance of actual cash collections compared to forecasted collections resulted in higher ERC, which generated a positive portfolio write-up.

Portfolio fair value release

Portfolio fair value release was £3.4 million for the year ended December 31, 2016 compared to £0.6 million for the period ended December 31, 2015. On a *pro forma* basis, portfolio fair value release increased by £0.1 million, or 3%, to £3.4 million for the year ended December 31, 2016 from £3.3 million for the *pro forma* year ended December 31, 2015.

Service revenue

Service revenue was £160.0 million for the year ended December 31, 2016 compared to £65.8 million for the period ended December 31, 2015. On a *pro forma* basis, service revenue increased by £21.9 million, or 15.9%, to £160.0 million for the year ended December 31, 2016 from £138.1 million for the *pro forma* year ended December 31, 2015, primarily due to an increase in the face value of assets under management, including through the acquisitions of Tesch and IS Inkasso Service, resulting in an increase in the commission received on the accounts managed.

Collection activity costs

Collection activity costs were £181.4 million for the year ended December 31, 2016 compared to £68.5 million for the period ended December 31, 2015. On a *pro forma* basis, collection activity costs increased by £28.6 million, or 18.7%, to £181.4 million for the year ended December 31, 2016 from £152.8 million for the *pro forma* year ended December 31, 2015, primarily due to higher levels of collection activity and increasing levels of portfolios held due to larger Group operations. The increase was predominantly driven by the DACH Division, which saw overall collection costs increase primarily due to increased accounts under management, including the impact of the Tesch and IS Inkasso Service acquisitions. Our UK Division saw an overall collection costs increase primarily due to an increase in volumes of debt purchased. This resulted in collections from debt portfolios increasing by £75.5 million, or 23.3%, to £399.7 million from £324.2 million in the year ended December 31, 2015 for the Group.

Other expenses

Other expenses were £167.2 million for the year ended December 31, 2016 compared to £73.5 million for the period ended December 31, 2015. On a *pro forma* basis, other expenses increased by £15.7 million, or 10.4%, to £167.2 million for the year ended December 31, 2016 from £151.5 million for the *pro forma* year ended December 31, 2015. There was a one off expense of £6.2 million in relation to a trademark impairment for the year ended December 31, 2016 and acquisition costs for Metis Bidco Limited and Lowell Holdco GmbH of £12.2 million and £11.8 million, respectively, during the *pro forma* year ended December 31, 2015. Excluding these, other expenses would have increased by £33.5 million, or 26.3% for the year ended December 31, 2016 primarily due to an increase in the average number of FTE's by 661, or 31.4%, as of the year ended December 31, 2016 compared to the year ended December 31, 2015. This was due the increased scale of the business following the IS Inkasso Service and Tesch acquisitions. The remaining increase is due to infrastructure and operating costs, reflecting the increase in the scale of operations, in addition to the impact of sterling weakening.

Interest income

Interest income was £0.7 million for the year ended December 31, 2016 compared to £3.3 million for the period ended December 31, 2015. On a *pro forma* basis, interest income decreased by £3.0 million to £0.7 million for the year ended December 31, 2016 from £3.7 million for the *pro forma* year ended December 31, 2015, primarily due to a £2.9 million foreign exchange gain in the *pro forma* year ended December 31, 2015. Excluding this foreign exchange gain, interest income would have decreased by £0.1 million.

Finance costs

Finance costs were £138.7 million for the year ended December 31, 2016 compared to £77.4 million for the period ended December 31, 2015. On a *pro forma* basis, finance costs decreased by £30.5 million, or 18.0%, to £138.7 million for the year ended December 31, 2016 from £169.2 million for the *pro forma* year ended December 31, 2015, primarily due to the incurrence of debt redemption fees for our UK Division of £38.2 million and a one-time loss of £1.5 million due to our DACH Division's redemption of existing indebtedness of Carl Holding GmbH during the *pro forma* year ended December 31, 2015. Excluding these redemption fees, finance costs would have increased by £9.2 million for the year ended December 31, 2016, which is primarily due to the issuance of the Former 2021 Euro Notes of €230 million in September 2016 and an increase in the shareholder loan with Garfunkelux Holdco 1 S.à r.l. due to the interest on the loan being accrued and settled at maturity, increasing the interest expense by £2.6 million and £2.4 million, respectively. The remaining difference is predominantly due to foreign exchange movements.

Income tax expense

Income tax expense was a £3.0 million expense for the year ended December 31, 2016 compared to a £5.5 million credit for the period ended December 31, 2015. On a *pro forma* basis, income tax expense decreased by £10.1 million, or 142.3%, to a £3.0 million expense for the year ended December 31, 2016 from a £7.1 million credit for the *pro forma* year ended December 31, 2015, primarily due to the tax impact of a reduction in the loss before tax of £70.8 million and a higher proportion of allowable interest expense for tax purposes.

Liquidity and Capital Resources

Historically, the Group's liquidity requirements consisted mainly of debt and tax servicing requirements, funding of its purchases of debt portfolios and acquisitions, capital expenditure and working capital. The Group's principal sources of liquidity have been funds raised in connection with bond offerings, its net cash generated from operating activities (before debt portfolio purchases), borrowings under the Revolving Credit Facility, securitizations of purchased debt portfolios such as the Milla Securitization, and shareholder loans.

While the Group's collections have historically been predictable throughout the year, its debt purchase activity can vary greatly from one quarter to the next. This is driven by the timing of one-off debt sales by vendors during the year, the timing of which the Group does not control, along with its own desire to purchase a portfolio at a given point in time. This could lead to volatility in the Group's cash balances quarter on quarter.

The Group's ability to generate cash from operations depends on its future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond its control, as well as other factors discussed in the section titled "*Risk Factors*."

We believe that the combined operating cash flows of the Group, together with the cash resources and future borrowings under the Revolving Credit Facility, will be sufficient to fund our debt and tax servicing requirements as they become due, working capital requirements and anticipated debt purchases, although this may not be the case. In particular, future drawings under the Revolving Credit Facility will only be available if, among other things, we meet the financial covenants included in the Amended and Restated RCF Agreement.

Cash Flow from Operating Activities

The following table sets forth the principal components of our cash flows for the nine months ended September 30, 2017, the nine months ended September 30, 2016 and the year ended December 31, 2016. A *pro forma* cash flow statement for the year ended December 31, 2015 was not created and is not included in the table below.

	For the Year ended December 31, 2016	For the nine Months Ended September 30, 2016	2017
	(in £ millions)		
	(audited)	(unaudited)	
Consolidated cash flow statement:			
Net cash used in operating activities	(21.5)	(16.0)	(16.4)
Net cash used in investing activities	(143.2)	(144.4)	(3.2)
Net cash from financing activities	149.3	136.4	8.7
Net decrease from cash and cash equivalents	(15.4)	(24.0)	(10.9)
Cash and cash equivalents at the beginning of the period	106.9	107.0	98.1
Effect of movements in exchange rate on cash held	6.5	5.9	1.8
Cash and cash equivalents at the end of the period	**98.1**	**88.9**	**88.9**

Net cash generated from operating activities

The net cash outflow from operating activities for the nine months ended September 30, 2017, was £16.4 million, as compared to £16.0 million for the nine months ended September 30, 2016.

The net cash outflow from operating activities for the year ended December 31, 2016, was £21.5 million, primarily due to working capital movements and finance costs.

Net cash generated from investing activities

The net cash outflow from investing activities for the nine months ended September 30, 2017, was £3.2 million, as compared to £144.4 million for the nine months ended September 30, 2016. This decrease was primarily due to the acquisition of the Tesch Group and IS Inkasso Service in the nine months ended September 30, 2016 which totaled £120.7 million and £17.1 million respectively. Excluding this, there was a decrease of £3.4 million primarily due to a reduction in tangible and intangible asset purchases in comparison to the nine months ended September 30, 2016.

The net cash outflow from investing activities for the year ended December 31, 2016, was £143.2 million, primarily due to the purchase of IS Inkasso Service, the Tesch Group and Apontas.

Net cash generated from financing activities

The net cash inflow from financing activities for the nine months ended September 30, 2017, was £8.7 million, as compared to £136.4 million inflow for the nine months ended September 30, 2016. This decrease was primarily due to the repayment of the Former 2021 Euro Notes and the Revolving Credit Facility, offset by proceeds from the issuance of €175 million of additional Former 2021 Euro Notes and the Existing 2023 Euro Notes as well as interest payments on Existing Notes.

The net cash inflow from financing activities for the year ended December 31, 2016, was £149.3 million, primarily due to the issuance of the €230 million Floating Rate Senior Secured Notes due 2021 offset by the payment of interest on our Existing Sterling Notes and the Existing 2022 Euro Notes and the drawdown of our Revolving Credit Facility.

Capital Expenditure

The Group's capital expenditure consisted mainly of: (i) IT hardware, (ii) IT software and development, (iii) leasehold improvements, (iv) fixtures and fittings and (v) office equipment. In the twelve months ending September 30, 2017, the Group spent £3.4 million on the purchase of property, plant and equipment and £2.4 million on the purchase of intangible assets, which are primarily software and software development costs. The Group budgeted capital expenditure of £12.9 million for the financial year ending December 31, 2018.

Working Capital

The Group's working capital requirements have historically been low and typically consistent throughout the year. Furthermore, the Group has few supplier contracts, and therefore low and stable current debtors and creditors.

The Group's cash flow conversion for the nine months ended September 30, 2017 has increased to 88.8% compared to 82.1% for the nine months ended September 30, 2016 largely as a result of improvements in working capital.

Qualitative and Quantitative Disclosures About Our Foreign Exchange Rate Risk, Interest Rate Risk, Market Risk and Credit Risk

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. To the extent that foreign exchange rate exposures are not hedged, fluctuations in currencies may adversely or positively affect our financial results in ways unrelated to our operations. Any of these adverse developments could have a material adverse effect on our business, results of operations or financial condition.

We are exposed to changes in interest rates because we finance certain operations through both fixed and variable rate debt instruments. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market-observable inputs, including interest rate yield curves, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty has an obligation to pay us, thus creating a receivable risk. We are also exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We seek to minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

As of September 30, 2017, the Group had financial derivatives in the amount of nil.

Market Risk—Brexit

We believe our exposure to risks related to Brexit in the markets in which we operate takes four primary forms: (i) risks related to changes in laws and regulations, (ii) risks posed by potential volatility in foreign exchange rates, (iii) the risk that the Brexit could result in a deterioration of general economic conditions and (iv) the risk that Brexit could reduce our access to the European market. The legal and regulatory environment post-Brexit is inherently uncertain, yet we believe the regulatory regimes in our markets have achieved a level of maturity and stability that may mitigate this risk.

With respect to the macroeconomic environment of the UK and Europe, if Brexit were to trigger a recession or period of prolonged economic uncertainty, management believes the effect on our business would be mixed. While an economic downturn may reduce our consumers' ability to pay, the sustainability of a majority of our payment plans as well as the countervailing effects of declining interest rates on our consumers' variable rate debt burden may mitigate this effect. Furthermore, a recession may increase the volume of non-performing loans in the market and provide us with more purchasing and contingent placement opportunities. Additionally, our ERCs are generally front-loaded, with approximately 39% of the U.K. Division's collections realized in the first 24 months of the ERC curve (acting as a natural hedge against deteriorating economic conditions). Although Brexit presents an unprecedented set of changes, our performance during the most recent economic downturn leads management to believe that its business is well-positioned. In addition, we do not operate across borders, which reduces our exposure to any adverse consequences relating to market access within the European Union. In terms of the assets owned as at December 31, 2007, our UK Division outperformed its collections forecast as at this date both during the period 2008 - 2010, and thereafter to the current date, demonstrating both the resilience of the business and the accuracy of our ERC forecasting.

For more information on the risks posed by Brexit, see ''*Risk Factors—Risks Related to Our Business and Industry—The results of the UK's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business*.''

Credit risk

Credit risk is the risk of financial loss if a consumer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of consumer credit risk is limited due to the high number of individual consumers and the relatively low value of each of the individual's debts. As of September 30, 2017, the average balance on a consumer account was £749 in our UK Division and in our DACH Divisions debt purchase business €886 and in our DACH Division's third party business €782. We believe that our low average monthly payments and the fact that our consumers are typically already in financial distress or unemployed have provided some degree of protection against changes in its consumers' disposable income.

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Under the terms of our Revolving Credit Facility, amounts drawn thereunder bear interest at a floating rate. Accordingly, if market conditions cause these benchmark interest rates to increase, our interest expense in respect to amounts drawn under our Revolving Credit Facilities would also increase. As of September 30, 2017, the Revolving Credit Facility was undrawn and is expected to be undrawn as of the Issue Date.

Significant Accounting Issues

IFRS 9 *Financial Instruments* is effective from January 1, 2018. The current application of the Effective Interest Rate with regards to purchased non-performing assets is thought to be largely in line with IFRS 9 however additional disclosure requirements, over and above those from IFRS 7, will be required (around compliance with applicable regulation and the management of risk).

IFRS 15 *Revenue from Contracts with Customers* is effective from January 1, 2018. IFRS 15 established a five step approach to accounting for revenue from contracts with customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SCANDI CARVE-OUT'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the results of operations and financial condition of the Scandi Carve-out. The discussion and analysis of the Scandi Carve-out is based on the unaudited combined interim financial statements of the Scandi Carve-out as of and for the nine months ended September 30, 2017 and 2016, prepared in accordance with IAS 34 and the audited combined financial statements of the Scandi Carve-out as of and for the years ended December 31, 2016, 2015 and 2014, in each case, prepared in accordance with IFRS.

You should read this discussion in conjunction with the combined financial statements and the accompanying notes included elsewhere in this report. A summary of the critical accounting estimates that have been applied to the Scandi Carve-out's combined financial statements is set forth below in ''—Significant Accounting Policies.'' You should also review the information in the section ''Presentation of Financial and Other Information.'' This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see ''Forward-Looking Statements'' and ''Risk Factors.''

Key Factors Affecting the Scandi Carve-out's Results of Operations

The business and results of operations, as well as the key operating metrics discussed below, have been, and are expected to continue to be, affected by certain key factors including, in particular, level of debt available for purchase and for third-party collection, purchases of debt portfolios at the right price, competition and pricing, gross collection levels, collection costs and operational efficiency, cost saving measures, seasonality, acquisitions and geographic expansion, economic conditions, foreign currency effects and tax effects. Each of these factors is discussed in more detail below.

Level of Debt Available for Purchase and for Third-Party Collection

The Scandi Carve-out's results of operations are linked to the overall level of loans and other overdue receivables available for purchase and for third-party collection in the markets and industry sectors in which it operates. According to a third-party industry report, the level of sale and outsourcing of loans and other overdue receivables has increased in these markets, particularly in relation to NPLs originated by financial institutions, and we believe that this development will continue. This market growth opportunity is largely driven by three factors: a large build-up of NPLs by financial institutions, an increased propensity to sell NPLs as regulation has put pressure on financial institutions to delever and an increase in the number of financial institutions selling debt and outsourcing collection services as financial institutions have refocused their businesses by exiting non-core operations, such as in-house debt collection. During the periods under review, the Scandi Carve-out benefitted from these industry trends and was able to expand its operations and increase its results of operations. The Scandi Carve-out entered into new collection services contracts and successfully negotiated contract extensions with existing clients. Furthermore, notwithstanding the increase in market competition, the Scandi Carve-out was able to price its purchases in such a way that we believe it has a competitive advantage when bidding, with the end result that its overdue receivables and debt portfolios have increased appreciably.

During the global financial crisis (2008-2010), the credit management market was volatile. Customers' repayment profiles were extended, which led to longer estimated remaining collections (''**ERC**'') horizons. In response to this development, the Scandi Carve-out adopted a cautious approach and decreased its portfolio purchases and shifted its focus to debt collection. Performing both debt collection and debt purchasing has helped the Scandi Carve-out build a flexible and balanced business that we believe is well-suited to capture the increased overall level of use of CMS across Northern Europe. Regardless of whether a financial institution desires to manage its credit management requirements by selling loans and other overdue receivables or by outsourcing its debt collection function, the Scandi Carve-out can offer these services and build a relationship with the client, enabling it to be the preferred choice if and when that client decides to shift or expand our usage of CMS.

Purchases of Debt Portfolios at the Right Price

The Scandi Carve-out's ability to purchase debt portfolios at the right price has been a key driver of its results of operations in the periods under review and is expected to continue to be a key driver going forward. Purchased debt consists mainly of portfolios of loans and other overdue receivables purchased at prices significantly below the nominal total collectible value on the debt, which are recognized at amortized cost. We expect to achieve collections in excess of the portfolio purchase price, and as of September 30, 2017 its ERC was 2.1x of carrying value of purchased debt.

When purchasing portfolios, the Scandi Carve-out engages in an extensive valuation of the portfolio in order to determine what price it should offer the client, see *''The Northern European Division's Business—Operations and Service Offerings—Debt Purchasing—Valuation and Due Diligence.''* Its performance is dependent on its ability to purchase portfolios of loans and other overdue receivables that meet its investment criteria, including prices that generate an appropriate return on purchased debt. After purchasing a portfolio, its performance is further dependent on its ability to generate gross collection levels at or in excess of its expectations for that portfolio.

The global financial crisis reduced the propensity of debt originators to sell overdue receivables as prices decreased and also led to difficulties for debt purchasers in obtaining funding for purchases of portfolios in 2008 and 2009. This impacted not only the pricing of new portfolios, but also existing portfolios that debt purchasers owned at the time and which were typically secured under existing funding arrangements. Consequently, the years surrounding the global financial crisis created challenges for debt purchasers to obtain funding. The Scandi Carve-out was able to adapt quickly to these challenging market conditions. During this time, the Scandi Carve-out was able to mitigate the impact of the adverse market conditions by changing its collection strategies and adopting solution rates (*i.e.*, expected collection relative to the principal amount) with long-term repayment profiles. The lower purchase prices resulted in reduced propensity of debt originators to sell overdue receivables. Instead, they shifted focus to debt collection services. Due to its full service business model, it was able to adapt its business mix and meet this client demand. Pure debt purchasers, who lacked in-house debt collection operations, were unable to react in this manner. Similarly, when the markets started to recover in 2010, and pricing levels became increasingly attractive for sellers, the Scandi Carve-out was able to respond rapidly by increasing portfolio purchases. We believe that its balanced business model allows it to adapt to a changing market environment and the dynamics of supply and that this ability to adapt to shifts in the debt purchase and servicing markets will continue to mitigate the effect such shifts will have on our results of operation moving forward.

From January 1, 2014 to December 31, 2016, the Scandi Carve-out invested €226 million to purchase portfolios of loans and other overdue receivables, including deliveries under forward flow agreements. 2015 was a significant year for the Scandi Carve-out as it invested €111 million, which included the purchase of one major portfolio in Northern Europe, compared with an investment of €43 million in debt purchasing in 2016. As of December 31, 2016, 2015 and 2014 the Scandi Carve-out had ERC of €796 million, €837 million and €735 million, respectively, and, as of September 30, 2017, it had ERC of €840 million. The resulting carrying value of purchased debt in its IFRS consolidated statement of financial position was €369 million, €383 million and €312 million, respectively, as of December 31, 2016, 2015 and 2014, and €394 million and €365 million as of September 30, 2017 and 2016, respectively. The continuing increases in the carrying value of its purchased debt was driven by the Scandi Carve-out's ability to purchase greater volumes of debt portfolios as well as the increased number of debt portfolios available for purchase.

The table below presents information on the debt portfolios that the Scandi Carve-out purchased during the periods under review. In any period, the Scandi Carve-out purchases portfolios that can vary in age, type and ultimate collectability, which results in period-to-period variation in average prices paid and total collectible value on purchased debt.

	For the year ended December 31,		
	2014	**2015**	**2016**
Purchases of portfolios of loans and other overdue receivables: price paid (€ in millions)	72	111	43
Total price paid as % of total collectible value on purchased debt (%)	10	23	24

There are two principal models for purchasing portfolios of loans and other overdue receivables: one-off agreements and forward flow agreements, see ''*Our Group's Business—Debt Portfolio Purchase—Types of Debt Purchase Agreements*.'' As of December 31, 2016, 2015 and 2014, the Scandi Carve-out had invested €25 million, €23 million and €19 million, respectively, in forward flow agreements and for the nine months ended September 30, 2017 and 2016 it had invested €21 million and €19 million, respectively, in forward flow agreements. Forward flow agreements are typically not long-term contracts. Nevertheless, while the terms of its current forward flow agreements provide no medium- to long-term assurance on purchasing levels, most of these contracts are with existing partners with whom the Scandi Carve-out has established relationships, and we expect that many of these contracts will be renewed based on our experience with such contracts in the past.

The Scandi Carve-out's ability to purchase portfolios has historically depended on its internally generated funding resources and its access to financing at the time portfolios become available for purchase. For the periods under review, the Scandi Carve-out funded its purchases of portfolios, working capital needs and other expenditures with cash generated from operating activities and borrowings from former Lindorff Group companies.

Competition and Pricing

Competition and pricing levels in the markets in which the Scandi Carve-out operates affect its ability to successfully and profitably purchase portfolios of loans and other overdue receivables and carry out its debt collection services. The Northern European credit management market is fragmented, consisting of a small number of large players, including the Northern European Division, and a large number of small to mid-size companies with varied profiles. In recent years, we believe that there has been a trend towards increased concentration of the credit management industry with credit management companies, such as Intrum, Hoist Finance and Portfolio Recovery Associates (due to their acquisition of Aktiv Kapital), expanding in scale as core clients, in particular financial institutions, are increasingly placing value on high-quality data assets acquired over an extended period of time, a robust compliance framework, a multi-national presence and long-term relationships with credit management companies. In addition, reputation and ethical behavior are important competitive advantages in order to maintain relationships with current and potential clients, especially financial institutions. The pricing element of debt collection services has become, and continues to be, increasingly competitive across all markets and resulted in decreased pricing levels for such services during the periods under review. The Scandi Carve-out competes against other CMS providers both for new contracts and when renewing its existing contracts. From time to time, the Scandi Carve-out may not be able to renegotiate existing contracts on terms that are favorable to it or at all. In addition, the Scandi Carve-out may occasionally terminate existing contracts where terms are unfavorable to the Scandi Carve-out. By leveraging its size, experience and portfolio acquisition model, we believe the Scandi Carve-out has been able to succeed in this competitive environment across its various jurisdictions.

Portfolios of unsecured consumer NPLs, which is where the Scandi Carve-out has historically focused its debt purchases, have become subject to increasingly competitive pricing as financial institutions have taken a strategic view to divest these types of portfolios. As these portfolios have grown in size and value, this has become an attractive sector and existing market participants, together with new market entrants, have intensified competition and pricing. Furthermore, the increased price levels are largely due, we believe, to the claims sold being ''fresher,'' already paying or in the legal and enforcement stage of collection, as opposed to older, non-paying claims depending on voluntary payments, which is the pattern for portfolios in some of the markets the Scandi Carve-out has entered more recently. The global financial crisis led to less attractive pricing levels for purchases of portfolios in 2008 and 2009, mainly as a result of uncertainty in the market, the reduced propensity of debt originators to sell overdue receivables and difficulties for debt purchasers to obtain funding, but markets started to recover in 2010 and pricing levels have been advantageous during the periods under review. Unlike companies that do not offer debt collection services, the Scandi Carve-out's balanced operations provide an efficient tool in this competitive landscape. Since the Scandi Carve-out generates steady revenue and cash flow from its debt collection services, the Scandi Carve-out can selectively choose which NPL portfolios to bid for and does not have to purchase portfolios we believe are priced too high simply to ensure sufficient cash flow into the operations. See ''*Risk Factors—Risks Related to Our Industry and Business—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.*''

Gross Collection Levels

The Scandi Carve-out primarily generates revenue from: (a) fees and commissions received from claims on which it performs debt collection services, pursuant to contracts that typically contain ''no cure no pay'' payment terms, which means that the Scandi Carve-out is paid only if it is able to successfully collect on a claim; and (b) payments received from customers linked to claims in its purchased debt portfolios. The ability and willingness of a customer to pay depends on several factors, such as the level of disposable income available. We believe that the Scandi Carve-out's business benefits from the quality of the data that it can build about a customer's circumstances and the analysis it can perform on such data in order to confirm the customer's ability or willingness to pay, and ultimately determine the best collections strategy for individual customers.

The Scandi Carve-out has a large and diverse collection of portfolios that have delivered consistent and stable revenue over time. As of and for the year ended December 31, 2016, the Scandi Carve-out received approximately 4.1 million payments, and it had approximately 4.3 million claims in stock.

Gross Collection Levels on Debt Collection Services

Since the Scandi Carve-out's client contracts for debt collection services are typically entered into on a ''no cure no pay'' basis, its debt collection revenue is directly linked to its gross collection levels. The volume of loans and other overdue receivables outsourced to the Scandi Carve-out by its third-party collection clients, and consequently its revenue from debt collection services, is linked to its historic ability to collect on overdue debt and on its relationships with its debt collection clients, including its ability to demonstrate strong gross collection levels. By achieving strong collection levels, the Scandi Carve-out can maximize the amount recovered by its clients, as well as the fees and commissions it receives on a particular claim. Some of its debt collection clients actively manage the outsourcing process by benchmarking its collections performance against that of its competitors on a regular basis. Depending on the outcome of such benchmarking, its clients may release more claims to it or, conversely, if the Scandi Carve-out has performed poorly compared to its peer group, reduce the number of claims that it services. The Scandi Carve-out offers flexible pricing arrangements to its debt collection services clients that are tailored for the specific circumstances of the client and the relevant claims to be outsourced. We believe that the benefits of the Scandi Carve-out's effective claims collection strategy are evident through its many long-standing client relationships where it is seen as a trusted, important and strategic business partner by entering into a master servicing agreement to provide collection services on the client's loans and other overdue receivables that the Scandi Carve-out has not purchased. For more information about the Scandi Carve-out's debt collection services, see ''—*Key Operating Metrics for Debt Collection Services.*''

Gross Collection Levels on Purchased Debt

After the Scandi Carve-out purchases a portfolio, it typically manages the portfolio in-house. Revenue generated from claims in connection with its purchased portfolios is impacted by the gross collection levels that the Scandi Carve-out is able to achieve. We believe that the Scandi Carve-out's ability to convert non-paying claims into paying claims on its purchased portfolios illustrates the degree of accuracy of its analysis conducted through its data assets and analytical capabilities and the effectiveness of its scalable, multi-channel collections approach and we further believe that the Scandi Carve-out operates its forecasts with an appropriate balance between prudent pricing and strong collection performance. From January 1, 2014 to September 30, 2017, the Scandi Carve-out collected 106% of its cash flow forecasts. During 2009 and 2010, following the global financial crisis, the Scandi Carve-out experienced a slight change in market dynamics where there was an increase in its collection costs as more customers were unable to pay back their debts at previous levels. This resulted in the Scandi Carve-out's actual collections being somewhat lower than its projected collections, however, the negative effect on collections of the 2008-2009 crisis proved to be smaller than anticipated, and during the periods under review, actual collections on its owned portfolios have consistently exceeded projected collections based on its pricing model at the time of purchase.

Collection Costs and Operational Efficiency

Optimizing customer contact at each stage of the collection life cycle is the key to the Scandi Carve-out's debt collection strategy. Its debt collection process is standardized and automated, with the goal of maximizing the total amount collected over the life of the debt through sustainable payment plans or affordable settlements achieved through an amicable and solution-oriented collection approach rather than exploiting short-term collection potential. The Scandi Carve-out benefits when purchasing a portfolio since any effects resulting from allocating additional resources and cost to collect to such portfolio is attributed to us, whereas in debt collection the additional resources and cost merely produce a marginal increase in commissions and in many cases require its client to accept a higher commission in order for the Scandi Carve-out to benefit from the additional revenue generated. Debt purchasing does not require its client to take this risk, but the client can realize some of the benefit by receiving an attractive price level.

Certain of the Scandi Carve-out's collection costs in a given period are largely variable because they are primarily driven by collection activity performed in such period. Such costs mainly comprise temporary staff, legal fees (including bailiffs), phone, postage and packaging, customer information services, travel and consulting fees. The Scandi Carve-out's collection cost ratio for debt collection services, calculated as its direct operating expense for its debt collection segment over the total operating revenue for its debt collection segment increased from 58% for the year ended December 31, 2014 to 61% for the year ended December 31, 2016, and decreased from 62% for the nine months ended September 30, 2016 to 60% for the nine months ended September 30, 2017. The slight decrease in the Scandi Carve-out's collection cost ratio for debt collection services from 2016 to 2017 was mainly driven by increased operational efficiency and increased scale as it managed to increase the number of third-party portfolios serviced while controlling its investment in collection resources. The Scandi Carve-out's collection cost ratio for debt purchases, calculated as its direct operating expense for the debt purchasing segment over gross collections decreased from 29% for the year ended December 31, 2014 to 27% for the year ended December 31, 2016. The decrease in this period was mainly due to lower average commission rates, which in turn was partly due to increased collection efficiency in its debt collection department and partly due to a change in the mix of claims. The collection cost ratio for debt purchases remained stable at 26% in the nine months ended September 30, 2016 and 2017.

Costs representing 18% of the Scandi Carve-out's net revenue for the year ended December 31, 2016 were variable, *i.e.*, attributable to phone, postage and packaging, print, temporary staff, legal fee cost, travel and consulting fees (compared to 18% for the year ended December 31, 2015 and 17% for the year ended December 31, 2014). The ratio of variable costs to revenue for the nine months ended September 30, 2017 was 17% (compared to 18% for the nine months ended September 30, 2016). The stability in variable costs as a percentage of revenue during the years ended December 31, 2014 to 2016 was due to a continued focus on cost control and operational excellence. The Scandi Carve-out's fixed costs are limited almost entirely to office accommodation, management fee, permanent staff, data platform, compliance and IT infrastructure expenses, providing it with scalability with a low level of incremental overhead costs. The Scandi Carve-out's fixed costs as a percentage of revenue increased during the years ended December 31, 2014 to 2016 from 48% to 52%.

The table below sets forth the Scandi Carve-out's collection costs and its collection cost ratios for its debt purchasing business the periods under review.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(€ in millions, except %)				
Debt Purchasing					
Gross collections	124	139	143	107	105
Cost to collect(1)	(36)	(39)	(39)	(28)	(28)
Gross collections less cost to collect	**88**	**99**	**104**	**78**	**78**
Collection cost ratio (%)(2)	29	28	27	26	26
Debt collection services					
Total operating revenue(3)	104	98	94	68	69
Cost to collect(1)	(60)	(61)	(57)	(42)	(42)
Total operating revenue less cost to collect	**44**	**37**	**36**	**26**	**28**
Collection cost ratio (%)(4)	58	62	61	62	60

(1) Direct operating expense for the debt purchasing segment and the debt collection segment, respectively.

(2) Cost to collect relative to gross collections.

(3) Includes intergroup commissions.

(4) Cost to collect relative to total operating revenue for the debt collection segment.

Year-on-year trends in the Scandi Carve-out's collection cost ratio are not necessarily indicative of its operational efficiency and the return on capital it can achieve on purchased debt, as they are impacted by the varying characteristics of the portfolios it purchases in different years and differences in the timing of portfolio purchases during the year. Specifically, we believe that recent trends in its collection cost ratio have been driven by: (i) significant improvements in the operational efficiency of its collections team, primarily due to its implementation of more efficient collection methods, such as text messages and other automated processes, and a well-balanced level of operating expenses; and (ii) changes in the volume, mix and timing of portfolio purchases in each year.

Operational efficiency is key to the Scandi Carve-out's business model and a main advantage of its business compared to competitors and financial institutions and other customer companies that handle their debt collection in-house. The Scandi Carve-out begins the debt collection process by segmenting or scoring customers according to the predicted likelihood that they will pay, based on criteria such as past payment history, size and type of debt, customer's age and gender and whether the debt was incurred by a consumer or a business. The Scandi Carve-out thereafter determines which collection method to use for the specific claim, such as calls, letters, text messages, and emails, depending on various factors, including the geographical market, the claim size, the client the Scandi Carve-out is acting on behalf of, the applicable laws and regulations and the individual customer. We believe the Scandi Carve-out is able to lower collection costs due to its large scale and automation of the debt collection process and the Scandi Carve-out is able to increase recovery rates through its data assets and analytical capabilities to optimally tailor debt collection strategies based on past experiences. As a result, we believe that the Scandi Carve-out can optimize collection efficiency over the lifetime of the claim.

The Scandi Carve-out has systematically carried out projects that have had, and that we believe will continue to have, a positive effect on its operations.

Cost Saving Measures

The Scandi Carve-out has improved, and plans to continue improving, its earnings and cash flow by optimizing operating costs within its business through a number of measures, such as staff optimization and reducing employee costs, restructurings and site consolidations, IT optimization, procurement, outsourcing and other operational efficiency initiatives and reducing consultancy fees. In connection with the development and implementation of these cost saving measures, the Scandi Carve-out has incurred exceptional cash expenses, in particular for capital expenditures, staff related expenses and consulting fees in an annual aggregate amount of €0.8 million in the year ended December 31, 2016 and €2.2 million in the year ended December 31, 2015. For the nine months ended September 30, 2017 and 2016, the Scandi Carve-out recorded exceptional expenses relating to these cost saving measures in an aggregate amount of nil and €0.6 million, respectively. We plan to continue reviewing the Scandi Carve-out's operations at all levels to identify potential cost savings and expects to incur additional exceptional cash expenses in connection therewith in future periods.

Seasonality

The timing of the Scandi Carve-out's purchases of portfolios of loans and other overdue receivables is likely to be uneven during a financial year and from year to year due to fluctuating supply and demand within the market, with a corresponding impact on leverage and earnings. The Scandi Carve-out has generally purchased more portfolios, measured by purchase price, in the fourth quarter (when debt originators in general, and financial institutions in particular, often seek to sell assets) compared to each of the first three quarters. For example, in 2016 the Scandi Carve-out purchased 42% of its portfolios in the fourth quarter. However, there may be exceptions in certain years where purchases of major individual portfolios are made in other parts of the year, such as in 2013 and 2014, when the Scandi Carve-out purchased 38% and 56%, respectively, of its portfolios in the second quarter, and its interim results for any given quarter may be impacted by the timing of the closing of a specific portfolio purchase. We believe that the fourth quarter will likely continue to be the most important quarter for financial institutions' management of their financial positions and thus when the Scandi Carve-out's portfolio purchase levels will be highest. The ECB Asset Quality Review, various stress tests and the increased importance of quarterly reporting in the financial calendars of larger institutions, may result in a more even flow of sales throughout the year. The Scandi Carve-out's interim results for a given quarter may also be impacted by seasonal factors, such as whether Easter occurs in the first or second quarter of the year. The seasonality described above impacts the Scandi Carve-out's combined income statement as returns generated through debt collections on its purchased portfolios, and amortization of such portfolios, are recognized in its consolidated income statement as described in more detail in ''*—Recognition of Purchased Portfolios, Revenue Recognition, Estimation of Cash Flow Forecasts and Revaluation of Purchased Portfolios.*''

Debt collection is also highly affected by seasonal factors related to customers, including the number of work days in a given month, the propensity of customers to take holidays at particular times of the year and annual cycles in disposable income. Collections within portfolios tend to have high seasonal variances, while the Scandi Carve-out's costs are more evenly spread out over the year, resulting in high variances of margins and profitability between quarters. The Scandi Carve-out's margins are generally lower in the first quarter, whereas its collections will be seasonally higher in the second and fourth quarters of the year, due to customers' receipt of tax refunds, holiday bonus payments and other factors.

Economic Conditions

The economic and market conditions in the countries in which the Scandi Carve-out operates can have various effects on its operations. For example, adverse economic conditions may lead to higher default rates on claims, which in turn may increase the stock of portfolios available for the Scandi Carve-out to purchase and positively impact its prospects of purchasing portfolios and completing carve-out transactions with attractive returns. Similarly, negative economic developments may increase the amount of loans and other overdue receivables possessed by its debt collection clients, thereby potentially increasing the number of claims outsourced to the Scandi Carve-out for collection. If adverse economic conditions materially reduce the ability of customers to repay their debts, its revenue from both debt collection services and debt purchasing could decrease. Adverse economic conditions could also reduce debt originators' propensity to sell overdue receivables at the prices prevailing in the market, thereby decreasing the volume of portfolios of loans and other overdue receivables available for the Scandi Carve-out to purchase and, thereafter, sales by debt originators could increase as debt originators seek to sell portfolios in order to free up capital, thereby increasing the volume of loans and other overdue receivables available for the Scandi Carve-out to purchase. This trend has been evident in the last eight years; the global financial crisis in 2008 and 2009 led to slowdowns in purchases of portfolios across the markets in which the Scandi Carve-out operates followed by a significant increase during the periods under review as debt originators sought to free up capital. Unfavorable economic conditions may also impact the Scandi Carve-out's ability to obtain funding and thereby its ability to purchase portfolios.

Improved economic conditions are likely to lower default rates on loans, which could negatively impact the growth of the stock of portfolios available for the Scandi Carve-out to purchase, as well as decrease the amount of loans and other overdue receivables possessed by its debt collection clients, which would negatively impact its debt collection services. However, gross collection levels generally improve in the market in times of improved economic performance. Positive economic conditions could also be beneficial as they would enable customers to increase repayments and enable customers who were previously unable to pay their debts to have new payment plans arranged, thus increasing the Scandi Carve-out's revenue from both debt collection services and debt purchasing. Positive economic conditions may also increase the underlying credit stock, driven by higher private consumption and continued low interest rates, in turn driving the amounts of consumer credits.

Foreign Currency Effects

Some of the Scandi Carve-out's subsidiaries transact business and report their financial results in currencies other than the euro, the Scandi Carve-out's combined reporting currency. Accordingly, the Scandi Carve-out's results of operations were subject to currency effects, primarily currency translation exposure during the periods under review. Transaction-related exposure at the Scandi Carve-out's subsidiaries was limited because revenue and costs were largely incurred in their respective operating currencies. For those countries with a reporting currency other than euro, profits and losses were translated into euro at average exchange rates, and assets and liabilities were translated into euro at closing exchange rates. Fluctuations in exchange rates against the euro resulted in period-on-period differences in the Scandi Carve-out's results of operations and can obscure period-on-period comparisons, for example between the quarterly results of two different years. For the year ended December 31, 2016, 2015 and 2014, 48%, 50% and 50%, respectively, of the Scandi Carve-out's revenue was reported by entities whose functional currencies were different than the euro, primarily Swedish kronor and Danish kroner, which accounted for 35% and 13%, respectively, of the Scandi Carve-out's revenue in 2016, 35% and 14%, respectively, of the Scandi Carve-out's revenue in 2015 and 37% and 13%, respectively, of the Scandi Carve-out's revenue in 2014. For the nine months ended September 30, 2017 and 2016, 52% and 50%, respectively, of the Scandi Carve-out's revenue was reported by entities whose functional currencies were different than the euro, primarily Swedish kronor and Danish kroner, which accounted for 35% and 17%, respectively, of the Scandi Carve-out's revenue in the nine months ended September 30, 2017 and 37% and 13%, respectively, of the Scandi Carve-out's revenue in the nine months ended September 30, 2016. the Scandi Carve-out is expanding its operations in existing markets, as well as considering growth opportunities in new markets, mainly where euro is the operating currency and thus we expect the impact of foreign currency translation to be moderate as we grow further.

Tax Effects

The statutory corporate tax rate in Sweden for each of 2016, 2015 and 2014 was 22%. The Scandi Carve-out's effective tax rate in 2016 was 11%. The low effective tax rate, adjusted for issues relating to certain ongoing tax cases, was mainly due to net financing costs including unrealized currency losses in Sweden and recognized tax effect of tax losses carried forward for which the Scandi Carve-out previously had not recognized a deferred tax asset. The Scandi Carve-out's effective tax rate in 2015 and 2014 was 18% and 5%. In addition, the Scandi Carve-out had certain tax losses in 2014 for which no deferred income tax asset was recognized. For additional information on income tax expense, see Note 9 to the audited combined financial statements of the Scandi Carve-out as of and for the year ended December 31, 2016 included elsewhere in this report.

Recognition of Purchased Portfolios, Revenue Recognition, Estimation of Cash Flow Forecasts and Revaluation of Purchased Portfolios

The following sections describe how the IFRS accounting under the amortized cost methodology recognizes the carrying value of purchased debt in the Scandi Carve-out's combined statement of financial position, and the returns generated through debt collections on such portfolios in the Scandi Carve-out's combined income statement. These IFRS measures are derived from a number of other measures that are not defined in IFRS and which involve a higher degree of judgment or complexity, including EIR and ERC, and these are areas where assumptions and estimates are significant to the Scandi Carve-out Financial Statements.

Recognition of Purchased Portfolios

Purchased debt consists mainly of portfolios of loans and other overdue receivables purchased at prices significantly below the nominal total collectible value of such debt and which are recognized according to IAS 39 (or, for any annual periods beginning on or after January 1, 2018, according to IFRS 9) for loans and receivables, *i.e.*, at amortized cost using the effective interest method. According to the effective interest method, the carrying value of each portfolio corresponds to the present value of estimated gross future cash flows discounted by an EIR determined on the date the portfolio was purchased. The initial EIR is based on the relation between purchase cost and the projected future cash flows on the purchase date.

With the projection of future gross cash flows and the purchase price including transaction costs as a basis, each portfolio is assigned an initial EIR that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability at the time of purchase of the portfolio based upon estimated debt collections over the next 180 months that is then used to discount expected cash flows through the life of the portfolio. Portfolios with higher decay are estimated to have collections close to zero over the last few years of the life of the portfolio. If appropriate, the EIR is reassessed and adjusted up to 12 months after the purchase of the portfolio to reflect refinements made to the Scandi Carve-out's estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on the Scandi Carve-out's income from purchased portfolios.

Current cash flow projections are monitored over the course of the year and updated based on, among other things, achieved collection results and agreements reached with customers on instalment plans. Cash flow projections are made at portfolio level. If the cash flow estimates are revised, the carrying amount is recalculated to reflect revised estimated cash flows by computing the present value of estimated future cash flows using the initial effective interest rate. An adjustment in the carrying amount is recognized in net revenue.

Changes over time in the book value can be divided into a time and interest rate component and a component related to changes in estimates of future cash flows. Changes in cash flow forecasts are treated symmetrically, *i.e.*, both increases and decreases in forecast flows affect the portfolios' book value and, as a result, net revenue. The value of a portfolio is gradually amortized during the course of the expected life of the portfolio, leaving a carrying value of €0 at the end of the rolling ERC investment horizon.

From time to time, the Scandi Carve-out also purchases portfolios on a forward flow basis. In a forward flow agreement, the Scandi Carve-out agrees to buy claims at a pre-defined price or price range for a given volume and quality from a client on an ongoing basis. Claims under forward flow agreements can be delivered on weekly, monthly or quarterly basis and the EIR of these claims is calculated per contract and used for each delivery of claims. If experience indicates a change in the attributes of claims under a specific agreement, the Scandi Carve-out may decide to apply a new EIR for future claims. Each delivery under a forward flow agreement is treated as an individual portfolio purchase, using the Scandi Carve-out's own purchase cost and the predetermined EIR. For reporting purposes, all individual deliveries under a forward flow agreement are added to the overall portfolio as an incremental purchase. These claims can therefore be assessed both by delivery and by portfolio. The ability to assess claims by delivery has the advantage that the Scandi Carve-out can monitor performance more closely and react with corrective actions more quickly than would be the case if the Scandi Carve-out could only assess claims by portfolio, in which case the Scandi Carve-out would have to wait until any indication of non-performance would have an impact on the portfolio as a whole.

Recognition of Revenue from Purchased Portfolios

Revenue on portfolios of loans and other overdue receivables is accrued monthly based on each portfolio's EIR. Monthly cash flows that are greater than the cash flow forecast for the same period are recorded as an increase in revenue in the period. Conversely, monthly cash flows that are lower than the cash flow forecast for the same period are recorded as a reduction of revenue in the period. Compensation received from debt originators due to price adjustments made to purchased portfolios are recorded as an adjustment to the book value.

If actual collections on purchased portfolios of loans and receivables differ from forecasted collections, the difference is added to the computed income from purchased portfolios. This means that in cases where collection performance on a purchased portfolio exceeds forecast, the level of amortization will remain unchanged while such collection performance will have a positive effect on income from purchased portfolios and therefore on net revenue.

The following table sets forth a reconciliation of Cash Collections from purchased debt portfolios to total income.

	For the year ended December 31, 2014	For the year ended December 31,		For the nine months ended September 30,	
		2015	2016	2016	2017
		(€ in millions)			
Collections and other revenue on purchased debt	127	140	143	107	106
Amortization and revaluation of purchased debt	(41)	(47)	(48)	(33)	(39)
Net revenue from purchased debt	86	93	94	74	67
Net revenue from debt collection and other services	76	70	74	54	57
Total Income	**162**	**163**	**168**	**128**	**124**

Estimation of Cash Flow Forecasts from Purchased Debt

The estimation of cash flow forecasts (*i.e.*, ERC) is a key uncertainty within the Scandi Carve-out's policies on revenue recognition of purchased debt. The Scandi Carve-out establishes estimates of cash flows that determine the EIR for each purchased portfolio. The estimates are based on the Scandi Carve-out's collection history with respect to portfolios comprising similar attributes and characteristics, such as date of purchase, debt originator, type of receivable, customer payment histories, customer location, and the time since the original charge-off, as well as on the Scandi Carve-out's experience and the existing schedule of repayment plans on the particular portfolio for which it is determining an EIR.

Revaluation of Purchased Debt

At the end of each reporting period, currently every quarter, the Scandi Carve-out evaluates portfolio forecasts to assess whether there is objective evidence that a portfolio should be subject to revaluation. Indications of negative revaluation may include a group of customers experiencing significant financial difficulty, default of interest or principal payments, the probability that customers will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Conversely, there can also be positive revaluation in the event that a portfolio displays objective evidence of expected cash flows above the current forecast.

Key Operating Metrics for Purchased Debt

During the periods under review, the Scandi Carve-out has experienced significant growth in its asset base and cash flow generation, which it believes is the result of: (i) the growing volume of portfolios the Scandi Carve-out has been able to purchase; (ii) its pricing discipline; (iii) the efficiency and sophistication of its debt collection operations; and (iv) carve-out transactions.

The table below sets forth an overview of the Scandi Carve-out's total holdings of purchased debt as of and for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
Number of claims in stock (in thousands)	1,928	2,192	2,204	2,150	2,195
Total collectible value of purchased debt (€ in millions)	4,604	5,165	5,032	5,089	5,063
ERC (€ in millions)	735	837	796	787	840
Carrying value of purchased debt (€ in millions)	312	383	369	365	394
Purchased debt (€ in millions)	72	111	43	25	70
Average collection of forecasts (%)	106	107	106	107	106

Portfolios of Purchased Debt

The table below sets forth the Scandi Carve-out's carrying value of purchased debt per sector in euro and as a percentage of its total carrying value of purchased debt as of and for the periods indicated.

	As of the year ended December 31, 2016		As of the nine months ended September 30, 2017	
Sector	(€ in millions)	(%)	(€ in millions)	(%)
Financial institutions (including both banks and insurance companies)	316	86	342	87
Retail	15	4	14	4
Telecom	25	7	26	7
Other	13	3	12	3
Total	**369**	**100**	**394**	**100**

For an overview of the Scandi Carve-out's carrying value of purchased debt by region and per sector as of December 31, 2015 and 2014, see Note 4 to its audited combined financial statements included elsewhere in this report.

The table below sets forth the Scandi Carve-out's ERC per sector as a percentage of the total ERC of its purchased portfolios as of the periods indicated.

Sector	As of the year ended December 31, 2016 (€ in millions)	(%)	As of the nine months ended September 30, 2017 (€ in millions)	(%)
Financial institutions (including both banks and insurance companies)	654	82	706	84
Retail	45	6	41	5
Telecom	53	7	52	6
Other	43	5	41	5
Total	**796**	**100**	**840**	**100**

The table below sets forth the movement in the Scandi Carve-out's carrying value of purchased debt for the periods indicated.

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(€ in millions)				
Carrying value of purchased debt at the beginning of the period	**291**	**312**	**383**	**383**	**369**
Purchases of portfolios of loans and other overdue receivables during the period	72	111	43	25	70
Divestments and disposals	(0)	(0)	(0)	0	(3)
Amortization	(41)	(48)	(54)	(38)	(38)
Revaluation	1	1	5	5	(1)
Translation differences	(10)	7	(9)	(11)	(2)
Carrying value of purchased debt at the end of the period	**312**	**383**	**369**	**365**	**394**

As described under ''—*Recognition of Purchased Portfolios, Revenue Recognition, Estimation of Cash Flow Forecasts and Revaluation of Purchased Portfolios*,'' the IFRS combined statement of financial position carrying value of purchased debt is based on the Scandi Carve-out's latest ERC forecast for its owned portfolios. As a result, we believe it is important to assess the Scandi Carve-out's purchased portfolios by analyzing the development of its ERC.

The tables below set forth the Scandi Carve-out's ERC by vintage and by year as of September 30, 2017.

ERC by Portfolio Vintage

Vintage[(1)]	ERC
	(€ in thousands)
<2000	0
2000	5
2001	11
2002	148
2003	733
2004	12,634
2005	90,904
2006	6,849
2007	4,231
2008	12,006
2009	14,919
2010	138,085
2011	30,049
2012	40,298
2013	55,690
2014	93,935
2015	145,570
2016	67,869
September 30, 2017	125,975
Total	**839,912**

ERC by Year

Year	ERC
	(€ in thousands)
Three months ended December 31, 2017	36,586
2018	123,974
2019	107,026
2020	92,286
2021	79,227
2022	68,299
2023	58,710
2024	50,153
2025	42,794
2026	36,075
2027	32,601
2028	28,928
2029	26,000
2030	23,167
2031	20,462
Nine months ended September 30, 2032	13,623

(1) Vintage corresponds to the year of acquisition of a purchased portfolio of loans and other overdue receivables by the Scandi Carve-out. Vintages of portfolios of loans and other overdue receivables acquired as part of business acquisitions correspond to the year of acquisition of such business by the Scandi Carve-out.

ERC growth over time is primarily due to portfolio purchases; as the Scandi Carve-out collects on existing portfolios, the ERC on these portfolios will decline. During the periods under review, there have not been any material changes in forecast expectations at the overall portfolio level. The Scandi Carve-out's ERC on purchased portfolios grew from €735 million as of December 31, 2014 to €840 million as of September 30, 2017. The table below sets forth ERC on purchased portfolios as of the periods indicated.

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(€ in millions)				
ERC	735	837	796	787	840

Based on the Scandi Carve-out's models, as of September 30, 2017, it estimates that the aggregate total collectible value of purchased portfolios of €5.1 billion would generate approximately €840 million in gross collections over the next 180 months. The Scandi Carve-out expects to receive 15% of these collections during the period from October 1, 2017 to September 30, 2018 and 29% of these collections during the period from October 1, 2017 to September 30, 2019. These expectations are based on historical data as well as assumptions about future collection rates. There can be no assurances that the Scandi Carve-out will achieve such collections within the specified time periods, if at all.

Returns on Purchased Debt

While returns achieved on an individual portfolio can vary, the Scandi Carve-out has a consistent record of unlevered returns on the Scandi Carve-out's aggregate purchased debt. The Scandi Carve-out has experienced increased gross money multiples as portfolios mature. The table below sets forth certain data related to the Scandi Carve-out's purchased debt by vintage, such as purchase price, collections, ERC and gross money multiple as of September 30, 2017. It demonstrates its ability to continue to extract value from its purchased debt over a long period of time.

Vintage[1]	Purchase Price[2]	Collections to Date	ERC	Total Estimated Collection[3]	Gross Money Multiple[4]
	(€ in millions, unless otherwise indicated)				
<2000	0	16	0	16	32.9
2000	3	31	0	31	9.8
2001	1	5	0	5	10.1
2002	2	16	0	16	10.2
2003	28	146	1	147	5.3
2004	23	81	13	94	4.2
2005	144	366	91	457	3.2
2006	16	53	7	60	3.8
2007	11	33	4	37	3.2
2008	27	65	12	77	2.8
2009	16	52	15	67	4.2
2010	128	223	138	361	2.8
2011	25	53	30	84	3.4
2012	30	54	40	94	3.2
2013	47	68	56	123	2.6
2014	72	75	94	169	2.3
2015	111	61	146	206	1.9
2016	43	19	68	87	2.0
September 30, 2017	67	7	126	133	2.0
Total	**793**	**1,424**	**840**	**2,264**	**2.9**

(1) Vintage corresponds to the year of acquisition of a purchased portfolio of loans and other overdue receivables by the Scandi Carve-out. Vintages of portfolios of loans and other overdue receivables acquired as part of business acquisitions correspond to the year of acquisition of such business by the Scandi Carve-out.

(2) The purchase price of portfolios of loans and other overdue receivables acquired as part of business acquisitions represents the fair value of such portfolios allocated as part of the purchase price accounting of such acquisition.

(3) Total Estimated Collection means the collections to date plus ERC.

(4) Gross Money Multiple means the actual gross collections before collection costs received on a portfolio of loans and other overdue receivables to the date that the multiple is measured, plus the ERC before collection costs from the date of purchase of the portfolio, divided by the total amount paid for the portfolio at the date of purchase.

While the Gross Money Multiple typically increases over time as portfolios mature, the Gross Money Multiple can vary between vintages due to the timing of portfolio purchases and the resulting carrying value of purchased debt in a specific vintage.

Key Operating Metrics for Debt Collection Services

The table below sets forth the total volume of the Scandi Carve-out's third-party debt collection services as of the periods indicated.

	As of December 31,	As of September 30,	
	2016	2016	2017
Number of debt collection claims in stock at end of period (thousands)	2,118	2,133	2,100
Total collectible value on third-party debt at the end of period (€ in billions)	3.3	3.3	3.5

Description of Principal Combined Statement of Financial Position Line Items

The following is a discussion of the Scandi Carve-out's key combined statement of financial position line items.

Purchased Debt

Purchased debt consists mainly of portfolios of loans and other overdue receivables purchased at prices significantly below the nominal total collectible value on purchased debt and which are recognized at amortized cost using the effective interest method. The carrying value of each portfolio corresponds to the present value of estimated gross future cash flows discounted by an EIR. The initial EIR is based on the relation between purchase cost and the projected future cash flows on the date of purchase.

Description of Principal Income Statement Line Items

The following is a discussion of the Scandi Carve-out's key income statement line items.

Net revenue

Net revenue consists mainly of fees from customers, fees and commissions from clients relating to third-party debt collection services and revenue on purchased debt accrued monthly based on each portfolio's EIR. Changes in collection estimates resulting in a change in the carrying value of purchased debt and cash collections in the period in excess of, or below, the forecast for the period are also included here. The effects of the last two elements have been low historically.

Purchases of portfolios increase the Scandi Carve-out's collections, although there may be a time lag between the date of purchase of the portfolio and the increase in collections resulting from the purchase of such portfolio, thus resulting in turnover being realized in a period subsequent to that of the portfolio purchase. Collections on existing portfolios tend to decrease as the portfolios age.

Employee Benefit Expense

Employee benefit expense includes salary and other employee related expenses, such as vacation accruals, social security taxes and pension costs.

Legal Fee Cost

The Scandi Carve-out incurs outlays for bailiff/court fees, summons, legal representation and enforcement authorities, which generally can be charged to and collected from customers. Such outlays are expensed when incurred (even though collections are generated in subsequent periods), except in certain cases where the Scandi Carve-out has agreements with its clients that any expenses that cannot be collected from the customer are instead refunded by the client. In these cases, the amount that is expected to be recovered from the client is recognized as an asset in the statement of financial position.

Phone, Postage and Packaging

Phone, postage and packaging includes costs related to sending collection letters, text messages and other communications in connection with establishing contact with customers in the collection process.

Other Operating Costs

Other operating costs consist primarily of costs related to premises, external IT services, customer information services, travel, management fees and consulting fees.

Depreciation and Amortization

Depreciation and amortization includes the depreciation of tangible fixed assets and amortization of intangible assets for the relevant period, based on the expected economic useful life of the assets.

Finance Income

Finance income includes interest on bank accounts.

Finance Costs

Finance costs consist of interest on the intercompany proceeds loans received from affiliates, loans from financial institutions, net financial exchange gains/(losses) on financing activities, write down of investments in associated companies and other financial expenses.

Income Tax Expense

The tax expense comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Scandi Carve-out operates and generates taxable income. Tax positions are periodically evaluated and positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Results of Operations

Combined Income Statement for the Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016

The table below sets forth the Scandi Carve-out's results of operations and the period on period percentage of change for the periods indicated.

	For the nine months ended September 30, 2016	Change in %	For the nine months ended September 30, 2017
	(€ in millions)		(€ in millions)
Net revenue	128	(3)	124
Total income	**128**	**(3)**	**124**
Employee benefit expense	(38)	(5)	(36)
Legal fee cost	(12)	(1)	(12)
Phone, postage and packaging	(7)	(3)	(7)
Other operating costs	(29)	21	(35)
Depreciation and amortization	(5)	(17)	(4)
Results from operating activities	**37**	**(18)**	**30**
Finance income	0	(7)	0
Finance costs	(10)	18	(12)
Net finance costs	**(10)**	**19**	**(12)**
Profit/(loss) before tax	**27**	**(33)**	**18**
Income tax expense	(4)	(26)	(3)
Profit/(loss) for the period	**23**	**(34)**	**15**

Net Revenue

The Scandi Carve-out's net revenue decreased by €4 million, or 3%, from €128 million in the nine months ended September 30, 2016 to €124 million in the nine months ended September 30, 2017. Excluding the effect of foreign currency translation, the Scandi Carve-out's net revenue decreased by €3 million, or 2%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The decrease was mainly driven by revaluations of Debt Purchasing portfolios, which were positive €5 million in 2016 and negative €1 million in 2017.

The table below sets forth, for each of the periods indicated, the Scandi Carve-out's operating revenue by segment, both in euro and as a percentage of combined revenue, and the percentage increase or decrease in operating revenue by segment from period to period. For a discussion of the Scandi Carve-out's revenue by segment, see "—*Results of Operations on a Segment Basis*."

	For the nine months ended September 30,				Change
	2016		2017		2017/2016
	(unaudited) (€ in millions)	(in % of net revenue)	(unaudited) (€ in millions)	(in % of net revenue)	(%)
Debt collection	68	53	69	56	2
Debt purchasing	74	58	67	54	(10)
Other services	12	9	13	10	6
Eliminations[1]	(26)	(21)	(26)	(21)	(3)
Total	**128**	**100**	**124**	**100**	**(3)**

(1) Eliminations include the inter-segment revenue generated by its debt collection department from commission charged on debt collection services carried out on portfolios the Scandi Carve-out purchases.

Employee Benefit Expense

The Scandi Carve-out's employee benefit expense decreased by €2 million, or 5%, from €38 million in the nine months ended September 30, 2016 to €36 million in the nine months ended September 30, 2017. As a percentage of net revenue, employee benefit expense decreased from 30% in the nine months ended September 30, 2016 to 29% in the nine months ended September 30, 2017. Excluding the effect of foreign currency translation, employee benefit expense decreased by €2 million, or 4%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The decrease was mainly due to savings related to the shared service center (LBS), which we expect will be replaced upon expiration or termination of the TSA, efficiency improvements and staff reductions in Finland.

Legal Fee Cost

The Scandi Carve-out's legal fee cost remained stable at €12 million for the nine months ended September 30, 2016 and 2017. As a percentage of net revenue, legal fee cost remained stable at 9%. Excluding the effect of foreign currency translation, legal fee cost remained stable at €12 million in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Phone, Postage and Packaging

The Scandi Carve-out's phone, postage and packaging expense remained stable at €7 million for the nine months ended September 30, 2016 and 2017. As a percentage of net revenue, phone, postage and packaging expense remained stable at 5% in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2017.

Other Operating Costs

The Scandi Carve-out's other operating costs increased by €6 million, or 21%, from €29 million in the nine months ended September 30, 2016 to €35 million in the nine months ended September 30, 2017. As a percentage of net revenue, other operating costs increased from 23% in the nine months ended September 30, 2016 to 28% in the nine months ended September 30, 2017. Excluding the effect of foreign currency translation, other operating costs increased by €7 million, or 25%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This increase was partly due to increased credit loss on receivables as a result of the growth of the payment business, as well as increased cost related to Seller IT projects allocated to the Scandi Carve-out and the ramp up of the payment business.

Depreciation and Amortization

Depreciation and amortization decreased by €1 million, or 17%, from €5 million in the nine months ended September 30, 2016 to €4 million in the nine months ended September 30, 2017. As a percentage of net revenue, depreciation and amortization decreased from 4% in the nine months ended September 30, 2016 to 3% in the nine months ended September 30, 2017. Excluding the effect of foreign currency translation, depreciation and amortization decreased by €1 million, or 16%, in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The decrease was due to impairment of intangible fixed assets related to software in Finland in 2016 (€1 million).

Net Finance Costs

The Scandi Carve-out's net finance costs increased by €2 million, or 19%, from €10 million in the nine months ended September 30, 2016 to €12 million in the nine months ended September 30, 2017. The main reason for the increase was refinancing cost partly offset by lower interest expenses as a result of more favorable interest rate terms from new funding.

Income Tax Expense

The Scandi Carve-out's income tax expense decreased by €1 million, or 26%, from €4 million in the nine months ended September 30, 2016 to €3 million in the nine months ended September 30, 2017.

Net Profit/(Loss) for the Period

The Scandi Carve-out recognized a net result of €15 million in the nine months ended September 30, 2017 and a net result of €23 million in the nine months ended September 30, 2016.

Combined Income Statement for the Year Ended December 31, 2016 Compared to Combined Income Statement for the Year Ended December 31, 2015

The table below sets forth the results of operations for the Scandi Carve-out and the period on period percentage of change for the periods indicated.

	For the year ended December 31, 2015	Change in %	For the year ended December 31, 2016
	(€ in millions)		(€ in millions)
Net revenue	**163**	**3%**	**168**
Total income	**163**	**3%**	**168**
Employee benefit expense	(51)	0%	(52)
Legal fee cost	(15)	3%	(16)
Phone, postage and packaging	(8)	11%	(9)
Other operating costs	(37)	13%	(42)
Depreciation and amortization	(5)	20%	(7)
Results from operating activities	**46**	**(5)%**	**44**
Finance income	0	4%	0
Finance costs	(12)	26%	(14)
Net finance costs	**(11)**	**27%**	**(14)**
Profit/(loss) before tax	**35**	**(15)%**	**30**
Income tax expense	(6)	(50)%	(3)
Profit/(loss) for the period	**28**	**(7)%**	**26**

The Scandi Carve-out's revenue increased by €5 million, or 3%, from €163 million in the year ended December 31, 2015 to €168 million in the year ended December 31, 2016. Excluding the effect of foreign currency translation, the Scandi Carve-out's revenue increased by €6 million, or 4%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was primarily driven by the growth of payment services business in Finland, as well as higher positive revaluations in debt purchasing in 2016 compared to 2015.

The table below sets forth, for each of the periods indicated, the Scandi Carve-out's operating revenue by segment, both in euro and as a percentage of combined revenue, and the percentage increase or decrease in operating revenue by segment from period to period.

	For the year ended December 31				Change 2016/2015
	2015		2016		
	(€ in millions)	(in % of operating revenue)	(€ in millions)	(in % of operating revenue)	(%)
Debt collection	98	60	94	56	(4)
Debt purchasing	93	57	94	56	1
Other services	9	5	16	10	88
Eliminations(1)	(37)	(22)	(36)	(21)	2
Total	**163**	**100**	**168**	**100**	**3**

(1) Eliminations include the inter-segment operating revenue generated by its debt collection department from commission charged on debt collection services carried out on portfolios it purchases.

Employee Benefit Expense

The Scandi Carve-out's employee benefit expense increased by €1 million, or below 1%, from €51 million in the year ended December 31, 2015 to €52 million in the year ended December 31, 2016. As a percentage of net revenue, employee benefit expense remained stable at 31%. Excluding the effect of foreign currency translation, employee benefit expense increased by €1 million, or 1%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was mainly due to the setup of the shared service center (LBS) in Lithuania, which for a period caused double manning and severance in Sweden and Finland. This increase was partly offset by savings related to a cost efficiency program in Denmark.

Legal Fee Cost

The Scandi Carve-out's legal fee cost increased by €1 million, or by 3%, from €15 million in the year ended December 31, 2015 to €16 million in the year ended December 31, 2016. As a percentage of net revenue, legal fee cost remained stable at 9% . Excluding the effect of foreign currency translation, legal fee cost remained stable at €16 million in the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was mainly due to a general increase in collections activity in which legal action has been taken.

Phone, Postage and Packaging

The Scandi Carve-out's phone, postage and packaging expense increased by €1 million, or by 11%, from €8 million in the year ended December 31, 2015 to €9 million in the year ended December 31, 2016. As a percentage of net revenue, phone, postage and packaging expense remained stable at 5% of net revenue for the years ended December 31, 2015 and 2016. Excluding the effect of foreign currency translation, phone, postage and packaging expense increased by €1 million, or 11%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is a general result of revenue growth.

Other Operating Costs

The Scandi Carve-out's other operating costs increased by €5 million, or 13%, from €37 million in the year ended December 31, 2015 to €42 million in the year ended December 31, 2016. As a percentage of net revenue, other operating costs increased from 23% in the year ended December 31, 2015 to 25% in the year ended December 31, 2016. Excluding the effect of foreign currency translation, other operating costs increased by €5 million, or 14%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was mainly due to increased credit loss accruals, increased charges from the Seller related to the shared service center (LBS) and payment and invoice business, as well as increased IT costs related to the strengthening of the IT organization.

Depreciation and Amortization

Depreciation and amortization increased by €2 million, or 20%, from €5 million in the year ended December 31, 2015 to €7 million in the year ended December 31, 2016. As a percentage of net revenue, depreciation and amortization increased from 3% in the year ended December 31, 2015 to 4% in the year ended December 31, 2016. Excluding the effect of foreign currency translation, depreciation and amortization increased by €1 million, or 20%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was due to impairment of intangible fixed assets related to software in Finland in 2016 (€1 million).

Net Finance Costs

The Scandi Carve-out's net finance costs increased by €3 million, or 27%, from €11 million in the year ended December 31, 2015 to €14 million in the year ended December 31, 2016. The increase was primarily attributable to higher interest expenses due to increased debt as well as commitment fees related to new funding.

Income Tax Expense

The Scandi Carve-out's income tax expense decreased by €3 million, from €6 million in the year ended December 31, 2015 to €3 million in the year ended December 31, 2016. The decrease in income tax expense was partially attributable to recognized tax effect of tax losses carried forward for which the Scandi Carve-out previously had not recognized a deferred tax asset.

Net Profit/(Loss) for the Period

The Scandi Carve-out recognized a net profit of €26 million in the year ended December 31, 2016 and a net profit of €28 million in the year ended December 31, 2015.

Combined Income Statement for the Year Ended December 31, 2015 Compared to Combined Income Statement for the Year Ended December 31, 2014

The table below sets forth the results of operations for the Scandi Carve-out and the period on period percentage of change for the periods indicated.

	For the year ended December 31, 2014	Change in %	For the year ended December 31, 2015
	(€ in millions)		(€ in millions)
Net revenue	162	1%	163
Total income	**162**	**1%**	**163**
Employee benefit expense	(51)	0%	(51)
Legal fee cost	(15)	2%	(15)
Phone, postage and packaging	(9)	(5)%	(8)
Other operating costs	(32)	16%	(37)
Depreciation and amortization	(4)	33%	(5)
Results from operating activities	**51**	**(11)%**	**46**
Finance income	1	(33)%	0
Finance costs	(7)	62%	(12)
Net finance costs	**(6)**	**71%**	**(11)**
Profit/(loss) before tax	**45**	**(22)%**	**35**
Income tax expense	(2)	179%	(6)
Profit/(loss) for the period	**43**	**(33)%**	**28**

The Scandi Carve-out's net revenue increased by €1 million, or 1%, from €162 million in the year ended December 31, 2014 to €163 million in the year ended December 31, 2015. Excluding the effect of foreign currency translation, the Scandi Carve-out's net revenue increased by €3 million, or 2%, in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was driven by investments in portfolios of loans and other overdue receivables that resulted in strong net revenue growth in the Debt Purchasing segment. This increase was partially offset by a loss of a few key clients in

Finland, discounts related to two unprofitable Solution Rate Guarantee contracts in Sweden and a change in legislation in Finland.

The table below sets forth, for each of the periods indicated, the Scandi Carve-out's operating revenue by segment, both in euro and as a percentage of combined operating revenue, and the percentage increase or decrease in operating revenue by segment from period to period. For a discussion on its operating revenue by segment, see ''—*Results of Operations on a Segment Basis.*''

	For the year ended December 31,				Change
	2014		2015		2015/2014
	(€ in millions)	(in % of operating revenue)	(€ in millions)	(in % of operating revenue)	(%)
Debt collection	104	64	98	60	(6)
Debt purchasing	86	53	93	57	8
Other services	6	4	9	5	47
Eliminations[(1)]	(34)	(21)	(37)	(22)	(7)
Total	162	100	163	100	1

(1) Eliminations include the inter-segment operating revenue generated by its debt collection department from commission charged on debt collection services carried out on portfolios the Scandi Carve-out purchases.

Employee Benefit Expense

The Scandi Carve-out's employee benefit expense remained stable at €51 million in the years ended December 31, 2014 and 2015. As a percentage of net revenue, employee benefit expense decreased from 32% in the year ended December 31, 2014 to 31% in the year ended December 31, 2015. Excluding the effect of foreign currency translation, employee benefit expense increased by €1 million, or 1%, in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Legal Fee Cost

The Scandi Carve-out's legal fee cost remained stable at €15 million in the years ended December 31, 2014 and 2015. As a percentage of net revenue, legal fee cost remained stable at 9% . Excluding the effect of foreign currency translation, legal fee cost increased by €1 million, or 3%, in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Phone, Postage and Packaging

The Scandi Carve-out's phone, postage and packaging expense decreased by €1 million, or by 5%, from €9 million in the year ended December 31, 2014 to €8 million in the year ended December 31, 2015 As a percentage of net revenue, phone, postage and packaging expense remained stable at 5%. Excluding the effect of foreign currency translation, phone, postage and packaging expense decreased by €0.4 million, or 4%, in the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was driven by growing use of electronic means of communication with customers, which carry lower costs than traditional means of communication, and increased efficiency, as automation, accurate scoring and other methods to optimize the collection process reduced the number of interactions required with customers before successful collection.

Other Operating Costs

The Scandi Carve-out's other operating costs increased by €5 million, or 16%, from €32 million in the year ended December 31, 2014 to €37 million in the year ended December 31, 2015. As a percentage of net revenue, other operating costs increased from 20% in the year ended December 31, 2014 to 23% in the year ended December 31, 2015. Excluding the effect of foreign currency translation, other operating costs increased by €5 million, or 17%, in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was driven by strengthening of the IT organization, and restructuring costs related to the relocation of the Scandi Carve-out headquarters and consolidation of the collection department in Denmark.

Depreciation and Amortization

Depreciation and amortization increased by €1 million, or 33%, from €4 million in the year ended December 31, 2014 to €5 million in the year ended December 31, 2015. As a percentage of net revenue, depreciation and amortization remained stable at 3%. Excluding the effect of foreign currency translation, depreciation and amortization increased by €1 million, or 35%, in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily due to an investment in an invoice system in Finland in the end of 2014, resulting in higher amortization in 2015.

Net Finance Costs

The Scandi Carve-out's net finance costs increased by €5 million, or 71%, from €6 million in the year ended December 31, 2014 to €11 million in the year ended December 31, 2015. The increase was primarily attributable to higher interest expense due to increased debt related to portfolio acquisitions.

Income Tax Expense

The Scandi Carve-out's income tax expense increased by €4 million, from €2 million in the year ended December 31, 2014 to €6 million in the year ended December 31, 2015. The increase in income tax expense was partially attributable to the lower amount in 2015 of recognized tax effect of tax losses carried forward for which the Scandi Carve-out previously had not recognized, a deferred tax asset, as well as tax expense adjustments in respect of prior years.

Net Profit/(Loss) for the Period

The Scandi Carve-out recognized a net profit of €28 million in the year ended December 31, 2015 and a net profit of €43 million in the year ended December 31, 2014.

Cash Flows

The following table sets forth the principal components of the Scandi Carve-out's cash flows for the years ended December 31, 2016, 2015 and 2014 and the nine months ended September 30, 2017 and 2016.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(audited)			(unaudited)	
	(€ in millions)				
Net cash generated from operating activities	114	(15)	85	24	27
Net cash used in investing activities	(86)	(114)	(47)	(27)	(73)
Net cash from/(used in) financing activities	(52)	145	(23)	3	29
Net (decrease)/increase in cash and cash equivalents	**(24)**	**16**	**16**	**1**	**(16)**
Cash and cash equivalents at period end	**0**	**22**	**34**	**20**	**19**

Net cash generated from operating activities

The Scandi Carve-out's net cash generated from operating activities increased by €3 million from net cash generated from operating activities of €24 million in the nine months ended September 30, 2016 to €27 million in the nine months ended September 30, 2017. The increase in net cash generated from operating activities was due to higher cash income in 2017.

The Scandi Carve-out's net cash generated from operating activities increased by €100 million from net cash generated from operating activities of negative €15 million in the year ended December 31, 2015 to €85 million in the year ended December 31, 2016. This increase was primarily attributable to lower investment in payment product receivables in 2016 compared to 2015 and settlement of short term liabilities to former Lindorff companies in 2015.

The Scandi Carve-out's net cash generated from operating activities decreased by €129 million from net cash generated from operating activities of €114 million in the year ended December 31, 2014 to negative €15 million in the year ended December 31, 2015. This decrease was primarily due to higher investment in payment product receivables in 2015 compared to 2014 and settlement of short term liabilities to former Lindorff companies in 2015.

Net cash used in investing activities

The Scandi Carve-out's net cash used in investing activities increased by €46 million from net cash used in investing activities of €27 million in the nine months ended September 30, 2016 to €73 million in the nine months ended September 30, 2017. The increase in net cash used in investing activities was due primarily to higher levels of investments in portfolios of loans and other overdue receivables in 2017 compared to 2016.

The Scandi Carve-out's net cash used in investing activities decreased by €67 million from net cash used in investing activities of €114 million in the year ended December 31, 2015 to €47 million in the year ended December 31, 2016. The decrease in net cash used in investing activities was due primarily to lower levels of investment in portfolios in 2016 compared with 2015.

The Scandi Carve-out's net cash used in investing activities increased by €28 million from net cash used in investing activities of €86 million in the year ended December 31, 2014 to €114 million in the year ended December 31, 2015. The increase in net cash used in investing activities was due primarily to higher levels of investments in portfolios of loans and other overdue receivables in 2015 compared to 2014.

Net cash from/(used in) financing activities

The Scandi Carve-out's net cash from financing activities increased by €26 million from net cash from financing activities of €3 million in the nine months ended September 30, 2016 to €29 million in the nine months ended September 30, 2017. The increase in net cash from financing activities in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 was primarily due to proceeds of loans from former Lindorff companies.

The Scandi Carve-out's net cash from financing activities decreased by €168 million from net cash from financing activities of €145 million in the year ended December 31, 2015 to negative €23 million in the year ended December 31, 2016. The decrease in net cash from financing activities was primarily related to increased loans from former Lindorff companies in 2015 that was partly repaid in 2016.

The Scandi Carve-out's net cash from financing activities increased by €197 million from net cash from financing activities of negative €52 million in the year ended December 31, 2014 to €145 million in the year ended December 31, 2015. The increase in net cash from financing activities was primarily related to increased loans from former Lindorff companies in 2015, as opposed to settlement of Lindorff loans in 2014.

Capital Expenditure

Historically, the Scandi Carve-out's capital expenditure consisted mainly of: (i) IT hardware; (ii) IT software and development; and (iii) carve-out transactions, for which the part of the purchase price that exceeds the book value of the acquired assets was allocated as an intangible asset (client relationship) and amortized over the stipulated contract period.

The Scandi Carve-out's non-portfolio capital expenditure increased by €4 million, from €2 million in the nine months ended September 30, 2016 to €6 million in the nine months ended September 30, 2017. The increase was mainly related to transferal of IT, payment and invoice assets from the Seller in September 2017.

The Scandi Carve-out's non-portfolio capital expenditure increased with €1 million, from €3 million in the year ended December 31, 2015 to €4 million in the year ended December 31, 2016.

The Scandi Carve-out's non-portfolio capital expenditure decreased by €11 million, from €14 million in the year ended December 31, 2014 to €3 million in the year ended December 31, 2015. The decrease was related to an investment of €11 million in an invoice system in Finland in the end of 2014.

Indebtedness and Certain Other Contractual Obligations

The Scandi Carve-out uses operating assets through operating lease agreements, including leases for its headquarters and other offices. The minimum remaining payments under such leases within the year ended December 31, 2017 total €3 million with €8 million due on these leases in the following four years (January 1, 2018 through December 31, 2021) and €0 million due on these leases thereafter.

Other Financial Obligations: Pension Obligations

For a description of certain pension plans and obligations of the Scandi Carve-out, see Note 2 to the Scandi Carve-out's audited combined financial statements as of and for the year ended December 31, 2016 included elsewhere in this report.

Off Balance Sheet Arrangements

The Scandi Carve-out purchases portfolios of loans and other overdue receivables by way of forward flow agreements whereby it purchases non-performing debt based upon contracts that require the Scandi Carve-out to make multiple purchases from a vendor at a fixed price. The Scandi Carve-out typically enters into forward flow agreements with financial institutions. The Scandi Carve-out invested €25 million, €23 million and €19 million, respectively, in forward flow agreements in the years ended December 31, 2016, 2015 and 2014. The Scandi Carve-out invested €21 million and €19 million, respectively, in forward flow agreements in the nine months ended September 30, 2017 and 2016. See ''*Risk Factors—Risks Related to Our Business and Industry—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*'' and ''*The Northern European Division's Business—Operations and Service Offerings—Debt Purchasing.*''

The Scandi Carve-out is not party to any other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Scandi Carve-out's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

Quantitative and Qualitative Disclosures about Financial Risk Management

See Note 4 to the Scandi Carve-out's audited combined financial statements as of and for the year ended December 31, 2016 included elsewhere in this report for additional information on the Scandi Carve-out's exposure to market risk and the risk of loss that may result from the potential change in exchange rates, interest levels, refinancing and credit risks.

Market Risk

Market and Regulatory Environment

The main market risk is related to general macroeconomic conditions and local rules and statutory regulations in each of the geographical markets in which the Scandi Carve-out operates and which, in turn, affect the customers' ability to pay and the Scandi Carve-out's clients' ability and willingness to sell portfolios of loans and receivables and potential commission from third-party collection.

Foreign Exchange Risk

The Scandi Carve-out operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Swedish kronor compared to the Scandi Carve-out's reporting currency, the euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Scandi Carve-out's strategy is to manage and limit currency risk. Exchange rate risk can be divided into transaction exposure and translation exposure. The Scandi Carve-out has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of its foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Transaction Exposure: In each country, revenue and operating expenses are mainly denominated in local currencies, and thus currency fluctuations have only a limited impact on the Scandi Carve-out's operating earnings in local currency. National operations rarely have receivables and liabilities in foreign currency. Revenue and expenses in national currency are thus hedged in a natural way, which limits transaction exposure. The currency exposure that arises within the operating activities is limited to the extent it pertains to international collection operations. The subsidiaries' projected cash flow exposure is not hedged at present. At the Scandi Carve-out's group level financing, both the debt collection and the debt purchasing operations are funded in the relevant currencies reflecting the underlying expected cash flow.

Translation Exposure: the Scandi Carve-out currently operates in five countries. The results and financial position of the Scandi Carve-out's subsidiaries are reported in the relevant foreign currencies and later translated into euro for inclusion in its combined financial statements. 48% of net revenue was generated in foreign currency for the year ended December 31, 2016. Consequently, fluctuations in euro exchange rates against these currencies affect the Scandi Carve-out's revenue and earnings, as well as equity and other items in its financial statements. The Scandi Carve-out's net revenue is distributed by currency as follows:

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Euro	82	82	87
Danish kroner	21	23	23
Swedish kronor	59	57	59
Total net revenue	**162**	**163**	**168**

If these currencies would have weakened/strengthened by 10% on average against the euro for the year ended December 31, 2016, with all other variable held constant, net revenue would have increased/ decreased by approximately €8 million.

Credit risk

Credit risk is the risk that the Scandi Carve-out's counterparties are unable to fulfil their obligations to it. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from assets, such as cash and cash equivalents, guarantees and derivative financial instruments and deposits with banks and financial institutions, as well as outstanding receivables, purchased loans and receivables and outlays on behalf of clients. For financial assets owned by us, very limited collateral or other credit reinforcements have been received. Therefore, the maximum credit exposure for each class of financial assets corresponds to the carrying amount. There is also a limited risk of loss linked to the Scandi Carve-out's debt collection services, however, this risk is primarily carried by its clients.

To minimize the risks related to purchase of portfolios, caution is exercised in purchase decisions. Purchases are usually made from clients with whom the Scandi Carve-out has maintained long-term relationships and therefore has a thorough understanding of the receivables in question. Purchased loans and receivables are usually purchased at prices significantly below the nominal value of the receivables, and are not collateralized. The Scandi Carve-out retains the entire amount it collects, including interest and fees. For more information about the Scandi Carve-out's purchased debt, see ''—*Purchased Debt.*''

Significant Accounting Policies

See Note 2 to the Scandi Carve-out's audited combined financial statements as of and for the year ended December 31, 2016 included elsewhere in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NORWAY CARVE-OUT'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the results of operations and financial condition of the Norway Carve-out. The discussion and analysis of the Norway Carve-out is based on its unaudited interim financial statements as of and for the nine months ended September 30, 2017 and 2016 and its audited financial statements as of and for the years ended December 31, 2016, 2015 and 2014, in each case, prepared in accordance with Norwegian GAAP.

You should read this discussion in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report. A summary of the critical accounting estimates that have been applied to the Norway Carve-out's financial statements is set forth below in ''—Significant Accounting Policies.'' You should also review the information in the section ''Presentation of Financial and Other Information.'' This discussion also includes forward-looking statements which, although based on assumptions that the Norway Carve-out considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing the Norway Carve-out as a result of various factors, see ''Forward-Looking Statements'' and ''Risk Factors.''

Key Factors Affecting the Norway Carve-out's Results of Operations

The Norway Carve-out's business and results of operations, as well as the key operating metrics discussed below, have been, and are expected to continue to be, affected by certain key factors including, in particular, the volume of clients outsourcing their credit optimization and collection requirements and the level of debt available for purchase, purchases of debt portfolios at the right price, competition and pricing, gross collection levels, collection costs and operational efficiency, cost saving measures, seasonality, acquisitions and geographic expansion, economic conditions, foreign currency effects and tax effects. Each of these factors is discussed in more detail below.

Additionally, prior to June 1, 2017, all of the Norway Carve-out's non-financial services portfolios were held by Intrum Justitia Debt Finance AG, a Swiss-domiciled corporation. These portfolios are referred to in this report as the IJDF Norwegian Portfolios. All IJDF Norwegian Portfolios were acquired by Intrum Justitia Debt Finance AG from Norwegian-domiciled companies. On June 1, 2017, the IJDF Norwegian Portfolios were acquired by the Norway Carve-out. Intrum Justitia AS has been the debt collector for these portfolios both historically and after June 1, 2017, and the cost to collect is charged by Intrum Justitia AS in accordance with Norwegian regulation. Any reference to the IJDF Norwegian Portfolios relate to net revenue, amortization and revaluation recognized prior to June 1, 2017 in Intrum Justitia Debt Finance AG net of collections costs charged by Intrum Justitia AS.

Volume of Clients Outsourcing their Credit Optimization and Collection Requirements and the Level of Debt Available for Purchase

Providing an integrated service offering throughout the credit management chain is key to attracting and retaining clients. The Norway Carve-out believes that onboarding clients at the outset of their transaction processes, through the provision of credit optimization and collection services, has been crucial to its success. The Norway Carve-out's results of operations are linked to the volume of companies seeking to outsource their credit-related offerings, as well as the overall level of loans and other overdue receivables available for purchase and for third-party collection in the markets and industry sectors in which it operates. During the periods under review, the volume of credit optimization and collection services that the Norway Carve-out provides and the volume of loans and other overdue receivables sold has increased. We believe that this increase will continue due to three main factors: (a) an increasing expectation for businesses to offer alternatives to direct, one-off payments and, therefore, an increasing number of businesses looking to offer alternative payment methods to remain competitive in their respective markets; (b) an increased propensity to sell NPLs and other overdue receivables due to regulatory pressure for organizations to delever, combined with a preference for improved and predictable cash flows; and (c) an increase in the number of organizations outsourcing credit optimization and collection services and selling debt as they refocus their businesses by exiting non-core operations, such as in-house debt collection, where there exists an increasing sophistication gap compared with the competencies of credit management providers. During the periods under review, the Norway Carve-out benefited from these trends and was able to expand its operations and improve its results of operations.

Purchases of Debt Portfolios at the Right Price

The Norway Carve-out's ability to purchase portfolios of loans and other overdue receivables at the right price has been a key driver of its results of operations in the periods under review and will continue to be a key driver going forward. Purchased debt consists mainly of portfolios of loans and other overdue receivables purchased at prices significantly below the nominal total collectible value on purchased debt and which are recognized at amortized cost. The Norway Carve-out expects to achieve collections in excess of the portfolio purchase price and as of September 30, 2017, its ERC was 2.1 times its carrying value of purchased debt.

When purchasing portfolios, the Norway Carve-out engages in an extensive valuation of the portfolio in order to determine what price it should offer the client, see ''*The Northern European Division's Business—Operations and Service Offerings—Debt Purchasing.*'' The Norway Carve-out's performance is dependent on its ability to purchase portfolios of loans and other overdue receivables that meet its investment criteria, including prices that generate an appropriate return on purchased debt. After purchasing a portfolio, its performance is further dependent on its ability to generate gross collection levels at, or in excess of, its expectations for that portfolio. For the years ended December 31, 2016, 2015 and 2014, the Norway Carve-out's average annual collection of forecast, including the IJDF Norwegian Portfolios, was 126%, 110% and 101%, respectively.

The global financial crisis reduced the propensity of debt originators to sell overdue receivables to varying degrees, as prices decreased and also led to difficulties for debt purchasers to obtain funding for purchases of portfolios in 2008 and 2009. During this period, collection levels on certain portfolios decreased in some countries, thus reducing overall portfolio performance. This impacted not only the pricing of new portfolios, but also existing portfolios that debt purchasers owned at the time and which were typically secured under existing funding arrangements. The Norway Carve-out was partly shielded from these challenging market conditions due to its balanced offering, particularly its debt collection services. Due to its full service business model, it was able to adapt its business mix and meet this client demand. Pure debt purchasers, who lacked in-house debt collection operations, were unable to react in this manner. Similarly, when the markets started to recover in 2010, and pricing levels became increasingly attractive for sellers, the Norway Carve-out was able to respond rapidly by increasing portfolio purchases. The Norway Carve-out believes that its balanced business model allows it to adapt to a changing market environment and the dynamics of supply.

From January 1, 2014 to December 31, 2016, the Norway Carve-out invested NOK 192 million, including the IJDF Norwegian Portfolios, to purchase portfolios of loans and other overdue receivables, including deliveries under forward flow agreements, which had an aggregate total collectible value of NOK 1,184 million. As of December 31, 2016 and September 30, 2017, 69.4% and 70.7%, respectively, of the total collectible value on purchased debt of the Norway Carve-out's portfolio, including the IJDF Norwegian Portfolios, across its geographic markets consisted of NPLs originated from financial institutions, 0.3% and 0.3%, respectively, from telecommunications clients, 4.4% and 4.5%, respectively, from utility-provider clients and 26.0% and 24.5%, respectively, from other industries. As of December 31, 2016, 2015 and 2014, the Norway Carve-out had ERC of NOK 261 million, NOK 295 million and NOK 52 million, respectively, including the IJDF Norwegian Portfolios, and as of September 30, 2017 and 2016 it had ERC of NOK 233 million and NOK 270 million, respectively, including the IJDF Norwegian Portfolios. The carrying value of purchased debt in the Norway Carve-out's consolidated statement of financial position was NOK 104 million, NOK 114 million and nil, respectively, as of December 31, 2016, 2015 and 2014, and NOK 111 million and NOK 107 million, respectively, as of September 30, 2017 and 2016. Including the IJDF Norwegian Portfolios, the carrying value of purchased debt in the Norway Carve-out was NOK 121 million, NOK 133 million and NOK 19 million, respectively, as of December 31, 2016, 2015 and 2014, and NOK 111 million and NOK 123 million, respectively, as of September 30, 2017 and 2016.

The table below presents information on the portfolios of loans and other overdue receivables that the Norway Carve-out purchased during the periods under review, including the IJDF Norwegian Portfolios.

In any period, it purchases portfolios that can vary in age, type and ultimate collectability, which results in period-to-period variation in the price paid as a percentage of total collectible value on purchased debt.

	For the year ended December 31,		
	2014	2015	2016
Purchases of portfolios of loans and other overdue receivables: price paid (NOK in millions)	26	150	16
Total price paid as % of total collectible value on purchased debt (%)	38%	14%	27%

There are two principal models for purchasing portfolios of loans and other overdue receivables: one-off agreements and forward flow agreements. The majority of portfolios for sale are currently offered to the market through competitive tender processes. In a one-off agreement, the Norway Carve-out agrees to buy a portfolio of claims that it receives in one transaction upon payment. In a forward flow agreement, it agrees to buy claims at a pre-defined price or price range for a given volume and quality from a client on an ongoing basis. Forward flow agreements are beneficial to the Norway Carve-out's business because they offer a predictable and certain flow of claims. For the years ended December 31, 2016, 2015 and 2014, the Norway Carve-out, including the IJDF Norwegian Portfolios, had invested NOK 13 million, NOK 22 million and NOK 23 million, respectively, in forward flow agreements and, and for the nine months ended September 30, 2017 and 2016, it had invested NOK 4 million and NOK 11 million, respectively, in forward flow agreements. Forward flow agreements are typically not long-term contracts. Although the Norway Carve-out's current forward flow agreements, in terms of their nature, provide no medium- to long-term assurance on purchasing levels, most of these contracts are with existing partners with whom it has established relationships and it expects that many of these contracts will be renewed based on its experience with such contracts in the past.

The Norway Carve-out's ability to purchase portfolios is dependent on its internally generated funding resources and its access to financing at the time portfolios become available for purchase. The Norway Carve-out currently funds its purchases of portfolios, working capital needs and other expenditures with cash generated from its operating activities and borrowings and contributions from former Intrum companies.

Competition and pricing levels in the markets in which the Norway Carve-out operates affects its ability to successfully and profitably offer credit optimization, payment, collection and financial services. The European credit management market is fragmented, consisting of several thousand companies with varied profiles. The pricing element of debt purchase and debt collection services has become, and continues to be, increasingly competitive across all markets and resulted in increased pricing levels for such purchases and decreased pricing levels for such services during the periods under review. In recent years, the Norway Carve-out believes that there has been a trend towards increased concentration of the credit management industry with credit management companies, such as Intrum, Hoist Finance and Portfolio Recovery Associates (due to their acquisition of Aktiv Kapital), expanding in scale as core clients, in particular financial institutions, are increasingly placing value on high-quality data assets acquired over an extended period of time, a robust compliance framework, a multinational presence and long-term relationships with credit management companies. In addition, reputation and ethical behavior are important competitive advantages in order to maintain relationships with current and potential clients.

The global financial crisis led to less attractive pricing levels for sellers of portfolios in 2008 and 2009 and in some markets, mainly as a result of reduced ability of customers to repay their debt, reduced propensity of debt originators to sell overdue receivables and difficulties for debt purchasers to obtain funding, but markets started to recover in 2010 and pricing levels have been advantageous during the periods under review. Unlike companies that do not offer debt collection services, the Norway Carve-out's balanced operations provide an efficient tool in this competitive landscape. Since the Norway Carve-out generates steady revenue and cash flow from its credit optimization and collection services, it can selectively choose which portfolios to bid for and does not have to purchase portfolios it believes are priced too high simply to ensure sufficient cash flow into its operations. See ''*Risk Factors—Risks Related to Our Industry and Business—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.*''

Gross Collection Levels

The Norway Carve-out primarily generates revenue from: (a) fees received for credit information and account services; (b) fees and commissions received from claims on which it performs debt collection services, pursuant to contracts that typically contain ''no cure no pay'' payment terms, which means that the Norway Carve-out is paid only if it is able to successfully collect on a claim; and (c) payments received from customers linked to claims in its purchased debt portfolios. The ability and willingness of a customer to pay depends on several factors, such as the availability of funds and asset ownership. The Norway Carve-out believes that its business benefits from the quality of the data that it can assemble regarding a customer's circumstances and the analysis it can perform on such data in order to confirm the customer's employment status and/or asset ownership, assess his/her ability or willingness to pay, and ultimately determine the best collections strategy for individual customers.

The Norway Carve-out has a large and diverse collection of portfolios that have delivered consistent and stable revenue over time.

Gross Collection Levels on CMS

The volume of loans and other overdue receivables outsourced to the Norway Carve-out, and consequently its revenue from debt collection services, is linked to its historical ability to collect on overdue debt and on its relationships with its debt collection clients, including its ability to demonstrate strong gross collection levels. Different types of asset classes and different jurisdictions have different collection profiles and contract types. The Norway Carve-out offers flexible pricing arrangements to its debt collection clients that are tailored for the specific circumstances of the client and the relevant claims to be outsourced. The Norway Carve-out believes that the benefits of its effective claims collection strategy are evident through its many long-standing client relationships where it is seen as a trusted, important and strategic business partner, as evidenced by its entry into master servicing agreements pursuant to which the Norway Carve-out provides collection services on the client's loans and other overdue receivables that it has not purchased. For more information about the Norway Carve-out's debt collection services, see ''—*Key Operating Metrics for CMS*.''

Gross Collection Levels on Purchased Debt

As of September 30, 2017, the Norway Carve-out managed debt with a total collectible value of NOK 4.6 billion, of which NOK 1.1 billion represented purchased portfolios that it owns. The Norway Carve-out purchases these portfolios at significant discounts to total collectible value on purchased debt and typically collects multiples of the purchase price. After the Norway Carve-out purchases a portfolio, it typically manages it in-house. Revenue generated from claims in its purchased portfolios is impacted by the gross collection levels that it is able to achieve.

Collection Costs and Operational Efficiency

Optimizing customer contact at each stage of the collection life cycle is key to the Norway Carve-out's debt collection strategy. Much of the Norway Carve-out's debt collection process is standardized and automated, with the goal of maximizing the total amount collected over the life of the debt through sustainable payment plans or affordable settlements achieved through an amicable and solution-oriented collection approach rather than exploiting short-term collection potential. The Norway Carve-out benefits when purchasing a portfolio since any effects resulting from allocating additional resources and cost to collect is attributed to such portfolio, whereas in debt collection the additional resources and costs merely produce a marginal increase in commissions and in many cases require its client to accept a higher commission in order for the Norway Carve-out to benefit from the additional revenue generated. Debt purchasing does not require the Norway Carve-out's client to take this risk, but the client can realize some of the benefit by receiving an attractive price level.

The table below sets forth the Norway Carve-out's collection costs and its collection cost ratio for the periods under review including the IJDF Norwegian Portfolios.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(NOK in millions, unless stated otherwise)				
Purchased debt portfolios					
Gross collections	41	69	80	60	49
Cost to collect[(1)]	(12)	(20)	(23)	(17)	(17)
Gross collections less cost to collect	29	50	57	44	31
Collection cost ratio (%)[(2)]	29%	28%	29%	28%	35%
3PC					
Total operating revenue[(3)]	177	150	145	108	117
Cost to collect[(1)]	(97)	(80)	(77)	(59)	(66)
Total operating revenue less cost to collect	81	70	68	49	51
Collection cost ratio (%)[(4)]	55%	53%	53%	55%	57%

(1) Direct production costs and other operating costs to collect on the purchased debt portfolios and 3PC services, respectively.

(2) Cost to collect relative to gross collections for the purchased debt portfolios.

(3) Includes intergroup commissions.

(4) Cost to collect relative to total operating revenue for CMS service line.

The Norway Carve-out's collection cost ratio has been stable over the last three years despite increasing gross collections, which is indicative of its operational efficiency and the return on capital it can achieve on purchased debt. The Norway Carve-out's collection cost ratio is impacted by the varying characteristics of the portfolios the Norway Carve-out purchases in different years and the differences in the timing of portfolio purchases during the year. Specifically, the Norway Carve-out believes that recent trends in its collection cost ratio in the purchased debt portfolios have been driven by large uptake in investments in debt portfolios lowering the average blended age of the portfolios. Costs are typically highest when portfolios are new with the higher initial collection costs exerting upwards pressure on cost to collect without immediate accompanying increases in gross collections. In addition, a large portion of recent portfolio purchases have come from financial institutions which have higher average collectible values, meaning that the total amount of cash collected per case increases even if the margin is slightly lower.

Operational efficiency is key to the Norway Carve-out's business model and a main advantage of its business compared to competitors and financial institutions and other customer companies who handle their debt collection in-house. The Norway Carve-out begins the debt collection process by scoring customers, based on historical data, and anticipates their payment habits, their behaviors and the likelihood that they will pay. The Norway Carve-out thereafter determines which collection method to use for the specific claim, such as calls, letters, text messages and emails, depending on various factors, including the geographical market, the claim size, the client the Norway Carve-out is acting on behalf of, the applicable laws and regulations and the individual customer. The Norway Carve-out believes that it is able to optimize collection costs due to its large scale and automation of the debt collection process and increase recovery rates through its data assets and analytical capabilities to optimally tailor debt collection strategies based on past experiences. As a result, the Norway Carve-out believes that it can optimize collection efficiency over the lifetime of the claim.

Seasonality

The timing of the Norway Carve-out's purchases of portfolios of loans and other overdue receivables is likely to be uneven during a financial year and from year to year due to fluctuating supply and demand within the market, with a corresponding impact on leverage and earnings. The Norway Carve-out's interim results for any given quarter may also be impacted by the timing of the closing of a specific portfolio purchase and/or seasonal factors, such as whether Easter occurs in the first or second quarter of the year. The seasonality described above impacts the Norway Carve-out's consolidated income statement as returns generated through debt collections on its purchased portfolios, and amortization of such portfolios, are recognized in the Norway Carve-out's consolidated income statement as described in more detail in ''—*Recognition of Purchased Portfolios, Revenue Recognition, Estimation of Cash Flow Forecasts and Revaluation of Purchased Portfolios*.''

Debt collection is also affected by seasonal factors related to customers, including the number of work days in a given month, the propensity of customers to take holidays at particular times of the year and annual cycles in disposable income. Collections within portfolios may have high seasonal variances, while the Norway Carve-out's costs are more evenly spread out over the year, which may result in high variances of margins and profitability between quarters. The Norway Carve-out's margins are generally lower in the first quarter, whereas its collections will be seasonally higher in the second and fourth quarters of the year, due to customers' receipt of tax refunds, holiday bonus payments and other factors.

Economic Conditions

The economic and market conditions in the countries in which the Norway Carve-out operates can have various effects on its operations. For example, adverse economic conditions may lead to higher default rates on claims, which in turn may increase the stock of portfolios available for the Norway Carve-out to purchase and positively impact its prospects of purchasing portfolios with attractive returns. Similarly, negative economic developments may increase the amount of loans and other overdue receivables possessed by the Norway Carve-out's debt collection clients, thereby potentially increasing the number of claims outsourced to the Norway Carve-out for collection. If adverse economic conditions materially reduce the ability of customers to enter into transactions and/or repay their debts, the Norway Carve-out's revenue from credit optimization services, debt collection services and debt purchasing could decrease. Adverse economic conditions could also reduce debt originators' propensity to sell overdue receivables at the prices prevailing in the market, thereby decreasing the volume of portfolios of loans and other overdue receivables available for the Norway Carve-out to purchase and, thereafter, sales by debt originators could increase as they seek to sell portfolios in order to free up capital, thereby increasing the volume of loans and other overdue receivables available for the Norway Carve-out to purchase. This trend has been evident in the last eight years; the global financial crisis in 2008 and 2009 led to dramatic slowdowns in purchases of portfolios across many of the Norway Carve-out's markets followed by a significant increase during the periods under review as debt originators sought to free up capital. Unfavorable economic conditions may also impact the Norway Carve-out's ability to obtain funding and thereby its ability to purchase portfolios.

Improved economic conditions are likely to lower default rates on loans, which could negatively impact the growth of the stock of portfolios available for the Norway Carve-out to purchase, as well as decrease the amount of loans and other overdue receivables possessed by the Norway Carve-out's debt collection clients, which would negatively impact the Norway Carve-out debt collection services. Conversely, improved economic conditions and decreased levels of unemployment: (a) imply that consumers will have higher income, which implies an increased ability to pay debt due and, therefore, results in a lower cost to collect incurred by the Norway Carve-out; and (b) are likely to drive higher consumption and encourage clients to offer deferred payment to customers, which is likely to improve demand for the Norway Carve-out's credit optimization services.

Tax Effects

The statutory corporate tax rate in Norway for 2016 was 25%, and 27% for 2015. The Norway Carve-out's effective tax rate in 2016 and 2015 was 26.2% and 27.5%, respectively, primarily due to changes in the statutory tax rate between 2015 and 2016. The expected effective tax rate for the Norway Carve-out following the Acquisition has not yet been assessed. For additional information regarding income tax expense, see Note 8 to the Norway Carve-out's Audited Consolidated Financial Statements included elsewhere in this report.

Recognition of Purchased Portfolios, Revenue Recognition, Estimation of Cash Flow Forecasts and Revaluation of Purchased Portfolios

The following sections describe how Norwegian GAAP accounting under the amortized cost methodology recognizes the carrying value of purchased debt in the Norway Carve-out's statement of financial position, and the returns generated through debt collections on such portfolios in its income statement. These Norwegian GAAP measures are derived from a number of other measures that are not defined in Norwegian GAAP and which involve a high degree of judgment or complexity, including EIR and ERC, and these are areas where assumptions and estimates are significant to the Norway Carve-out's Financial Statements.

Recognition of Purchased Portfolios

Purchased debt consists of portfolios of loans and other overdue receivables at prices significantly below the nominal receivable. They are recognized according to the rules for loans and receivables in the Norwegian GAAP accounting standard.

Income from purchased debt is recognized in the income statement as the collected amount less amortization. The collection is often performed by dedicated personnel separated from those who handle collections and debt surveillance on behalf of external clients within the CMS service line. The cost of collection is debited internally at the market price and expensed in the income statement for the purchased debt portfolios as a cost of services sold.

Reporting follows the effective interest method, where the carrying value of each portfolio corresponds to the present value of all projected future cash flows discounted by an initial EIR determined on the date the portfolio was acquired, based on the relation between purchase price cost and the projected future cash flows on the acquisition date. Changes in the carrying value of purchased debt are recognized as amortization for the period and included in the income statement on the revenue line. Compensation received from debt originators due to rejected cases and price adjustments made to purchased portfolios are recorded as an adjustment to the acquisition cost.

In connection with the purchase of each portfolio of receivables, a projection for a period of 180 months is made of the portfolio's cash flows. Cash flows include the loan amount, reminder fees, collection fees and late interest that, based on a probability assessment, are expected to be received from debtors, less forecast collection costs. With this forecast and the purchase price (including transaction costs) as a basis, each portfolio is assigned an initial effective interest rate that is then used to discount cash flows through the life of the portfolio. Cash flow actual performance is compared against projections and monitored on a monthly basis for all portfolios, although adjustments to projections are only made after the first year. Projections are updated based on, among other things, achieved collection results, agreements reached with debtors on installment plans and macroeconomic information. Cash flow projections are made at the portfolio level, since each portfolio of receivables consists of a small number of homogeneous amounts. On the basis of the updated cash flow projections and initial effective interest rate, a new carrying value for the portfolio is calculated in the closing accounts.

The Norway Carve-out's internal application rules allow for the initial EIR to be adjusted in certain cases without a change in the carrying value of the portfolio for minor projection adjustments within a predetermined interval. Changes over time in the book value can be divided into a time and interest rate component (amortizations) and a component related to changes in estimates of future cash flows (revaluations).

The effects of changes in cash flow forecasts are referred to as revaluations and treated symmetrically, i.e., both increases and decreases in forecast flows affect the portfolios' book value and, as a result, earnings. However, the portfolios are never recognized at higher than cost. Although selling portfolios of purchased debt is not included in the Norway Carve-out's business model, when such sales do occur as an exception, the resulting sales price received for the portfolio is reported in the same way as if it had been collected from the debtors. The entire remaining carrying values of the portfolios are then recognized as amortization.

From time to time, the Norway Carve-out also purchases portfolios on a forward flow basis. In a forward flow agreement, the Norway Carve-out agrees to buy claims at a pre-defined price or price range for a given volume and quality from a client on an ongoing basis. Claims under forward flow agreements can be delivered on weekly, monthly or quarterly basis and the EIR of these claims is calculated per batch delivered. Each delivery under a forward flow agreement is treated as an individual portfolio purchase, using its own purchase cost and its own EIR calculation.

Recognition of Revenue from Purchased Portfolios

Revenue on a purchase debt portfolio is calculated as the total of the actual achieved gross collected amounts of the portfolio during each month, less purchased debt amortization and adjusted for positive or negative purchased debt revaluations. As a result of this methodology, revenue for a portfolio will correspond closely to its carrying value multiplied by the EIR that would have been determined if the calculation had been based on gross collections, adjusted for over- or under-performance and for revaluations.

The following table sets forth a reconciliation of cash collections from purchased loan portfolios to net revenue.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
		(audited)		(unaudited)	
Collections on purchased debt	0	20	31	22	32
Amortization of purchased debt	0	(5)	(9)	(7)	(11)
Revaluation of purchased debt	0	0	0	0	0
Revenue from purchased debt	0	15	22	15	22
Other revenues from Financial Services other than revenues from purchased debt(1)	0	0	0	0	0
CMS service line revenue(2)	204	188	188	137	149
Elimination of inter-service line revenue(3)	0	(5)	(6)	(5)	(10)
Total income	204	199	203	148	161

(1) Includes revenues from factoring and payment guarantee services.

(2) Includes collection fees, commissions, debtor fees and subscription income, derived from collection services and other CMS activities provided to third party clients, as well as inter-service line commission charged to the purchased debt portfolios. For further discussion, see Note 3 to the Norway Carve-out's Audited Financial Statements included elsewhere in this report.

(3) Includes elimination of commission and other consideration charged internally by CMS to the purchased debt portfolios.

Estimation of Cash Flow Forecasts from Purchased Debt

The estimation of cash flow forecasts (i.e., ERC) is a key uncertainty within the Norway Carve-out's policies on revenue recognition of purchased debt portfolios. The Norway Carve-out establishes estimates of cash flows that determine the EIR for each purchased portfolio. The estimates are based on the Norway Carve-out's collection history with respect to portfolios comprising similar attributes and characteristics, such as date of purchase, debt originator, type of receivable, customer payment histories, customer location, and the time since the original charge-off, as well as on its experience and the existing schedule of repayment plans on the particular portfolio for which it is determining EIR.

Revaluation of Purchased Debt

In anticipation of the end of each reporting period, currently every quarter, the Norway Carve-out evaluates portfolio forecasts to assess whether there is objective evidence that a portfolio should be subject to revaluation. Indications of positive or negative revaluation mainly include any significant deviation against the currently active forecast for the portfolio, but also take into account an assessment of groups of customers experiencing financial difficulty, default of interest or principal payments, the probability that customers will enter into bankruptcy, debt restructuring or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Conversely, there can also be a positive revaluation in the event that a portfolio displays objective evidence of expected cash flows above the currently active forecast.

Key Operating Metrics for Purchased Debt

During the periods under review, the Norway Carve-out has experienced significant growth in its asset base and cash flow generation, which we believe is the result of: (i) the growing volume of portfolios of loans and other overdue receivables the Norway Carve-out has been able to purchase; (ii) its pricing discipline; (iii) the efficiency and sophistication of its debt collection operations; and (iv) the successful implementation of its strategy regarding the selection, acquisition and integration of certain credit management businesses.

The table below sets forth the movement in the Norway Carve-out's carrying value of purchased debt for the periods indicated.

	As of the year ended December 31,		
	2014[(1)]	2015	2016
	(NOK in millions)		
Acquisition cost, opening balance	—	0	118
Purchased debt acquisitions	—	118	0
Accumulated acquisition cost, closing balance	—	118	118
Opening amortizations and revaluations for the year	—	0	(5)
Amortizations and revaluations for the year	—	(5)	(9)
Accumulated amortizations and revaluations, closing balance	—	(5)	(14)
Carrying value of purchased debt at the end of the period	**—**	**114**	**104**

(1) All purchases of Norwegian debt portfolios in 2014 were conducted through the IJDF Norwegian Portfolios. The table below sets forth a reconciliation of the Norway Carve-out's carrying value of purchased debt, including the IJDF portfolios, for the periods indicated.

	As of the year ended December 31,		
	2014	2015	2016
	(NOK in millions)		
Acquisition cost, opening balance	231	257	407
Purchased debt acquisitions	26	150	16
Accumulated acquisition cost, closing balance	257	407	423
Opening amortizations and revaluations for the year	(216)	(237)	(274)
Amortizations and revaluations for the year	(23)	(36)	(28)
Exchange rate differences	2	0	0
Accumulated amortizations and revaluations, closing balance	(237)	(274)	(302)
Carrying value of purchased debt at the end of the period	**19**	**133**	**121**

The table below sets forth an overview of the Norway Carve-out's total holdings of purchased debt, including the IJDF Norwegian Portfolios, as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(NOK in millions, unless stated otherwise)				
Number of claims in stock (in thousands)	48	68	69	71	72
Total collectible value of purchased debt	493	1,301	1,156	1,195	1,100
ERC	52	295	261	270	233
Carrying value of purchased debt	19	133	121	123	111
Purchases of loans and receivables	26	150	16	13	6
Average collection of forecasts (%)	101%	110%	126%	122%	123%
Portfolios of Purchased Debt	40	44	49	46	52

The table below sets forth the Norway Carve-out's carrying value of purchased debt per sector, including the IJDF Norwegian Portfolios, in NOK and as a percentage of the Norway Carve-out's total carrying value of purchased debt as of and for the periods indicated.

	As of the year ended December 31, 2016		As of the nine months ended September 30, 2017	
Sector	**(NOK in millions)**	**(% of total)**	**(NOK in millions)**	**(% of total)**
Financial institutions (including both banks and insurance companies)	105	86%	98	88%
Retail	1	1%	1	1%
Telecom	0	0%	0	0%
Other	15	13%	12	11%
Total	**121**	**100%**	**111**	**100%**

The table below sets forth the Norway Carve-out's ERC per sector, including the IJDF Norwegian Portfolios, as a percentage of the total ERC of its purchased portfolios as of the periods indicated.

	As of the year ended December 31, 2016		As of the nine months ended September 30, 2017	
Sector	**(NOK in millions)**	**(% of total)**	**(NOK in millions)**	**(% of total)**
Financial institutions (including both banks and insurance companies)	221	85%	202	87%
Retail	3	1%	2	1%
Telecom	1	0%	1	0%
Other	36	14%	28	12%
Total	**261**	**100%**	**233**	**100%**

The tables below set forth the Norway Carve-out's ERC by vintage and by year as of September 30, 2017, including the IJDF Norwegian Portfolios:

ERC by Portfolio Vintage

Vintage[(1)] (NOK in millions)	**ERC**
<2000	0
2000	0
2001	0
2002	0
2003	0
2004	1
2005	0
2006	0
2007	0
2008	0
2009	0
2010	0
2011	5
2012	2
2013	8
2014	3
2015	205
2016	6
September 30, 2017	4
Total	**233**

ERC by Year

Year (NOK in millions)	**ERC**
September 30, 2017	10
2018	34
2019	27
2020	24
2021	22
2022	20
2023	18
2024	17
2025	15
2026	13
2027	12
2028	11
2029	7
2030	2
2031	0

(1) Vintage corresponds to the year of acquisition of a purchased portfolio of loans and other overdue receivables by the Norway Carve-out. Vintages of portfolios of loans and other overdue receivables acquired as part of business acquisitions correspond to the year of acquisition of such business by the Norway Carve-out.

ERC growth over time is primarily due to portfolio purchases; as the Norway Carve-out collects on existing portfolios, the ERC on these portfolios will decline. During the periods under review, there have not been any material changes in forecast expectations at the overall portfolio level. The Norway Carve-out's ERC on purchased portfolios grew from NOK 52 million as of December 31, 2014 to NOK 233 million as of September 30, 2017. The table below sets forth ERC on purchased portfolios as of the periods indicated, including the IJDF Norwegian Portfolios.

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(NOK in millions)				
ERC	52	295	261	270	233

Returns on Purchased Debt

While returns achieved on an individual portfolio can vary, the Norway Carve-out has a consistent record of unlevered returns on its aggregate purchased debt. The Norway Carve-out has experienced increased Gross Money Multiples as portfolios mature. The table below sets forth certain data related to the Norway Carve-out's purchased debt by vintage, including the IJDF Norwegian Portfolios, such as purchase price, collections, ERC and Gross Money Multiple as of December 31, 2016. It demonstrates the Norway Carve-out's ability to continue to extract value from its purchased debt over a long period of time.

Vintage[(1)]	Purchase Price[(2)]	Collections to Date	ERC	Total Estimated Collection[(3)]	Gross Money Multiple[(4)]
	(NOK in millions, unless otherwise indicated)				
<2000	0	0	0	0	0
2000	0	0	0	0	0
2001	0	0	0	0	0
2002	0	0	0	0	0
2003	0	0	0	0	0
2004	2	14	1	15	7.7
2005	71	71	0	71	1.0
2006	46	57	0	57	1.2
2007	19	29	0	29	1.6
2008	32	31	0	31	1.0
2009	2	4	0	4	1.9
2010	6	8	0	8	1.2
2011	16	35	6	42	2.6
2012	19	33	2	35	1.9
2013	19	38	10	48	2.5
2014	26	33	4	37	1.4
2015	150	88	226	314	2.1
2016	16	23	11	34	2.2
Total	**423**	**464**	**261**	**725**	**1.7**

(1) Vintage corresponds to the year of acquisition of a purchased portfolio of loans and other overdue receivables by the Norway Carve-out. Vintages of portfolios of loans and other overdue receivables acquired as part of business acquisitions correspond to the year of acquisition of such business by the Norway Carve-out.

(2) The purchase price of portfolios of loans and other overdue receivables acquired as part of business acquisitions represents the fair value of such portfolios allocated as part of the purchase price accounting of such acquisition.

(3) Total Estimated Collection means the collections to date plus ERC.

(4) Gross Money Multiple means the actual gross collections before collection costs received on a portfolio of loans and other overdue receivables to the date that the multiple is measured, plus the ERC before collection costs from the date of purchase of the portfolio, divided by the total amount paid for the portfolio at the date of purchase.

Key Operating Metrics for CMS

The table below sets forth the total volume of the Norway Carve-out's third-party debt collection services, the predominant component of the Norway Carve-out's CMS service line, as of the periods indicated.

	As of December 31,	As of September 30,	
	2016	2016	2017
Number of debt collection claims in stock at end of period (thousands)	207	217	238
Total collectible value on third-party debt at the end of period (*NOK* in millions)	2,843	2,806	3,516

Description of Principal Statement of Financial Position Line Items

The following is a discussion of the Norway Carve-out's key statement of financial position line items.

Purchased Debt

Purchased debt consists mainly of portfolios of loans and other overdue receivables purchased at prices significantly below the nominal total collectible value on purchased debt and which are recognized at amortized cost using the effective interest method. The carrying value of each portfolio corresponds to the present value of estimated future cash flows discounted by an EIR. The initial EIR is based on the relation between purchase cost and the projected future cash flows on the date of purchase. See ''—*Key Factors Affecting the Norway Carve-out's Results of Operations—Purchases of Debt Portfolios at the Right Price*'' and ''—*Recognition of Purchased Portfolios, Revenue Recognition, Estimation of Cash Flow Forecasts and Revaluation of Purchased Portfolios*.''

Description of Key Line Items in the Principal Income Statement

The following is a discussion of the Norway Carve-out's key income statement line items.

Total income

Total income includes sales income (variable collection commissions, fixed collection fees, debtor fees, subscription income and recovered legal fees), income purchased portfolio (collected amounts less amortization and revaluations) and other income (account services and other services).

Wages and salaries

Wages and salaries includes salary and other employee related expenses, such as vacation accruals, social security taxes and pension costs.

Depreciation of tangible fixed assets and intangible assets

Depreciation of tangible fixed assets includes depreciation of tangible fixed assets and amortization of intangible assets for the relevant period, based on the expected economic useful life of the assets.

Other operating expenses and administrative expenses

Other operating expenses and administrative expenses consist primarily of costs related to premises, external IT services, commissions to external debt collectors, travel, consulting fees, phone and costs related to communication with customers such as postage and text messages. It also consists of outlays for bailiff/court fees, legal representation and enforcement authorities which generally can be charged and collected from customers. Such outlays are expensed when incurred, except in special cases where the Norway Carve-out has an agreement with its clients that any expense that cannot be collected from the customer is instead refunded by the client.

Net financial items

Consists primarily of the Norway Carve-out's net intercompany interest income and intercompany interest expenses on debt owed to Intrum and certain of its subsidiaries, as well as other financial expenses such as bank fees and exchange rate differences allocated to the period.

Taxes

Income taxes consist of current and deferred tax. Current tax is tax that is to be paid or received during the period in question applying the tax rates applicable on the balance sheet date. Deferred tax is calculated according to the balance sheet method based on temporary differences between the carrying value of assets and liabilities and their value for tax purposes.

Results of Operations

Income Statement for the Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016

The table below sets forth the Norway Carve-out's results of operations and the period on period percentage of change for the periods indicated.

	For the nine months ended September 30,		
	2016	**Change in %**	**2017**
		(audited) (NOK in millions)	
Sales income	122.0	9.3%	133.3
Income purchased portfolio	10.8	12.3%	12.1
Other income	15.4	3.2%	15.9
Total income	**148.2**	**8.9%**	**161.3**
Wages and salaries	58.3	10.5%	64.4
Depreciation of tangible fixed assets and intangible assets	1.0	(34.5)%	0.6
Other operating expenses and administrative expenses	55.6	4.0%	57.8
Total operating expenses	**114.8**	**7.0%**	**122.8**
Operating profit	**33.4**	**15.4%**	**38.5**
Intercompany interest income	0.9	111.1%	1.9
Other interest income	0.1	9.1%	0.1
Other financial income	0	0%	0
Intercompany interest expense	(4.4)	(16.9)%	(3.7)
Other financial expense	(0.0)	(22.1)%	(0.0)
Net financial items	**(3.5)**	**(50.5)%**	**(1.7)**
Result before taxes	**29.9**	**23.0%**	**36.8**
Taxes	7.5	18.1%	8.8
Result after taxes	**22.4**	**24.6%**	**28.0**

Total Income

The Norway Carve-out's total income for the nine months ended September 30, 2017 was NOK 161.3 million, which represents a 8.9% increase compared to its total income of NOK 148.2 million for the nine months ended September 30, 2016. The 8.9% increase in total income was primarily due to organic growth coming from new client contracts.

Wages and Salaries

The Norway Carve-out's wages and salaries for the nine months ended September 30, 2017 was NOK 64.4 million, which represents a 10.5% increase compared to its wages and salaries of NOK 58.3 million for the nine months ended September 30, 2016. The increase was primarily attributable to an increased number of FTEs, a change of accounting principle for holiday allowance during the year (NOK 1.5 million) and the timing of other accruals during the year (NOK 1.0 million). As a percentage of total income, wages and salaries increased from 39.3% for the nine months ended September 30, 2016 to 39.9% for the nine months ended September 30, 2017.

Other Operating Expenses and Administrative Expenses

The Norway Carve-out's other operating expenses and administrative expenses for the nine months ended September 30, 2017 were NOK 57.8 million, which represents a 4.0% increase compared to its other operating expenses and administrative expenses of NOK 55.6 million for the nine months ended September 30, 2016. The increase was driven by volume of services provided, as well as expensed legal outlays and communication costs with customers such as postage and text messages. As a percentage of total income, other operating expenses and administrative expenses decreased from 37.5% in the nine months ended September 30, 2016 to 35.8% in the nine months ended September 30, 2017.

Net Financial Items

The Norway Carve-out's net financial items for the nine months ended September 30, 2017 was negative NOK 1.7 million, which represents a 50.5% decrease compared to its net financial items of negative NOK 3.5 million for the nine months ended September 30, 2016. Net interest expense decreased by NOK 1.8 million mainly due to the repayment of internal debt owed to the Norway Carve-out's parent. Other financial items remained unchanged.

Taxes

The Norway Carve-out's tax expense for the nine months ended September 30, 2017 was NOK 8.8 million, which represents a 18.1% increase compared to its tax expense of NOK 7.5 million for the nine months ended September 30, 2016. The tax expense increase correlated with the increase in profit before tax. Tax expense as a percentage of profit before tax was 24% for the nine months ended September 30, 2017 compared to 25% for the nine months ended September 30, 2016. This was due to a change in nominal tax rate.

Result After Taxes

The Norway Carve-out recognized a net earning of NOK 28.0 million in the nine months ended September 30, 2017, which represents a 24.6% increase compared to net earnings of NOK 22.4 million for the nine months ended September 30, 2016.

Income Statement for the Year Ended December 31, 2016 Compared to Income Statement for the Year Ended December 31, 2015

The table below sets forth the results of operations for the Norway Carve-out and the period on period percentage of change for the periods indicated.

	For the year ended December 31,		
	2015	**Change in %**	**2016**
		(audited) **(NOK in millions)**	
Sales income	165.3	1.4%	167.6
Income purchased portfolio	10.6	45.4%	15.4
Other income	22.9	(10.7)%	20.5
Total income	**198.8**	**2.3%**	**203.4**
Wages and salaries	76.9	6.0%	81.6
Depreciation of tangible fixed assets and intangible assets	1.7	(30.6)%	1.2
Other operating expenses and administrative expenses	71.6	(1.0)%	70.9
Total operating expenses	**150.2**	**2.3%**	**153.6**
Operating profit	**48.6**	**2.5%**	**49.8**
Intercompany interest income	1.5	(23.6)%	1.2
Other interest income	0.5	(44.6)%	0.3
Other financial income	0.0	—	0.0
Intercompany interest expense	(5.8)	(0.1)%	(5.8)
Other financial expense	(0.5)	(86.3)%	(0.1)
Net financial items	**(4.2)**	**4.9%**	**(4.4)**
Result before taxes	**44.4**	**2.3%**	**45.4**
Taxes	12.2	(2.6)%	11.9
Result after taxes	**32.2**	**4.1%**	**33.5**

Total Income

The Norway Carve-out's total income increased by NOK 4.6 million, or 2.3%, from NOK 198.8 million in the year ended December 31, 2015 to NOK 203.4 million in the year ended December 31, 2016. The increase was primarily attributable to organic growth coming from purchases of loans and other overdue receivables.

Wages and Salaries

The Norway Carve-out's wages and salaries increased by NOK 4.7 million, or 6.0%, from NOK 76.9 million in the year ended December 31, 2015 to NOK 81.6 million in the year ended December 31, 2016. The increase was mainly driven by a greater volume of demand for the Norway Carve-out's CMS service line, primarily driven by servicing requirements for its own debt, which had a direct corresponding impact on collection-related costs. As a percentage of total income, wages and salaries increased from 38.7% in the year ended December 31, 2015 to 40.1% in the year ended December 2016.

Other Operating Expenses and Administrative Expenses

The Norway Carve-out's other operating expenses and administrative expenses decreased by NOK 0.7 million, or 1.0%, from NOK 71.6 million in the year ended December 31, 2015 to NOK 70.9 million in the year ended December 31, 2016. The decrease was mainly driven by lower expensed legal outlays. As a percentage of total income, other operating expenses and administrative expenses decreased from 36.0% in the year ended December 31, 2015 to 34.8% in the year ended December 31, 2016.

Net Financial Items

The Norway Carve-out's net financial items increased from negative NOK 4.2 million in the year ended December 31, 2015 to negative NOK 4.4 million in the year ended December 31, 2016.

Taxes

The Norway Carve-out's tax expense for the year ended December 31, 2016 was NOK 11.9 million, which represents a 2.6% decrease compared to its tax expense of NOK 12.2 million for the year ended December 31, 2015. The tax expense decrease correlated with the decrease in profit before tax. Tax expense as a percentage of profit before tax was 26.2% for the year ended December 31, 2016 compared to 27.5% for the year ended December 31, 2015. This was mainly due to change in nominal tax rate to 25% in the year ended December 31, 2016 from 27% in the year ended December 31, 2015, in addition to permanent differences recognized for the year ended December 31, 2016.

Result After Taxes

The Norway Carve-out recognized net earnings of NOK 33.5 million in the year ended December 31, 2016, which represents a 4.1% increase compared to net earnings of NOK 32.2 million in the year ended December 31, 2015.

Income Statement for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

The table below sets forth the Norway Carve-out's results of operations and the period on period percentage of change for the periods indicated.

	For the year ended December 31,		
	2014	**Change in %**	**2015**
		(audited) (NOK in millions)	
Sales income	183.8	(10.1)%	165.3
Income purchased portfolio	0.0	n.m.	10.6
Other income	20.4	12.4%	22.9
Total income	**204.2**	**(2.7)%**	**198.8**
Wages and salaries	83.4	(7.7)%	76.9
Depreciation of tangible fixed assets and intangible assets	2.1	(17.7)%	1.7
Other operating expenses and administrative expenses	72.0	(0.6)%	71.6
Total operating expenses	**157.5**	**(4.6)%**	**150.2**
Operating profit	**46.7**	**(3.9)%**	**48.6**
Intercompany interest income	2.1	(27.0)%	1.5
Other interest income	0.6	(12.2)%	0.5
Other financial income	0.0	—	0.0
Intercompany interest expense	(7.9)	(27.0)%	(5.8)
Other financial expense	(0.2)	142.2%	(0.5)
Net financial items	**(5.4)**	**(22.9)%**	**(4.2)**
Result before taxes	**41.3**	**(7.4)%**	**44.4**
Taxes	0.6	1788.7%	12.2
Result after taxes	**40.7**	**(20.9)%**	**32.2**

Total income

The Norway Carve-out's total income decreased by NOK 5.4 million, or 2.7%, from NOK 204.2 million in the year ended December 31, 2014 to NOK 198.8 million in the year ended December 31, 2015, due primarily due to the loss of four client contracts.

Wages and Salaries

The Norway Carve-out's wages and salaries decreased by NOK 6.5 million, or 7.7%, from NOK 83.4 million in the year ended December 31, 2014 to NOK 76.9 million in the year ended December 31, 2015. The decrease was due primarily to lower employee expenses after a reduction of staff. As a percentage of total income, wages and salaries decreased from 40.8% in the year ended December 31, 2014 to 38.7% in the year ended December 31, 2015.

Other Operating Expenses and Administrative Expenses

The Norway Carve-out's other operating expenses and administrative expenses decreased by NOK 0.4 million, or 0.6%, from NOK 72.0 million in the year ended December 31, 2014 to NOK 71.6 million in the year ended December 31, 2015. As a percentage of total income, other operating expenses and administrative expenses increased from 35.3% in the year ended December 31, 2014 to 36.0% in the year ended December 31, 2015.

Net Financial Items

The Norway Carve-out's net financial items decreased by NOK 1.2 million, or 22.9%, from negative NOK 5.4 million in the year ended December 31, 2014 to negative NOK 4.2 million in the year ended December 31, 2015. The decrease was mainly due to repayment of internal debt owed to the Norway Carve-out's parent.

Taxes

The Norway Carve-out's tax expense increased by NOK 11.6 million, or 1788.7%, from NOK 0.6 million in the year ended December 31, 2014 to NOK 12.2 million in the year ended December 31, 2015. The tax expense increased due to utilization of carry forward losses in year ended December 31, 2014.

Result After Taxes

The Norway Carve-out recognized net earnings of NOK 32.2 million in the year ended December 31, 2015 and net earnings of NOK 40.7 million in the year ended December 31, 2014.

Cash Flows

The following table sets forth the principal components of the Norway Carve-out's cash flows for the years ended December 31, 2016, 2015 and 2014 and the nine months ended September 30, 2017 and 2016.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	**2015**	**2016**	**2016**	**2017**
		(audited)		**(unaudited)**	
			(NOK in millions)		
Net cash flow from operating activities	32.6	108.3	39.3	33.8	18.0
Net cash flow from investment activities	(0.2)	(120.6)	(0.7)	(0.3)	(17.3)
Net cash flow from financing activities	7.5	(31.4)	(39.4)	(34.7)	(2.9)
Net change in cash equivalents during the year	**39.9**	**(43.8)**	**(0.8)**	**(1.2)**	**(2.2)**

Net cash generated from operating activities

The Norway Carve-out's net cash generated from operating activities decreased by NOK 15.8 million, from NOK 33.8 million in the nine months ended September 30, 2016 to NOK 18.0 million in the nine months ended September 30, 2017. The decrease in net cash generated from operating activities was due to a reduction in cash flow from working capital. Net cash from operating activities, adjusted for revaluations and amortization, developed positively to NOK 49.7 million for the nine months ended September 30, 2017, compared to NOK 41.4 million for the nine months ended September 30, 2016, an increase of NOK 8.3 million, which was primarily driven by the purchase of the IJDF Norway Portfolios in June 2017.

The Norway Carve-out's net cash generated from operating activities decreased by NOK 69.0 million from NOK 108.3 million in the year ended December 31, 2015 to NOK 39.3 million in the year ended December 31, 2016. This was primarily due to a reduction in cash flow from working capital. Net cash from operating activities, adjusted for revaluations and amortization, developed positively to NOK 60.4 million for the year ended December 31, 2016, compared to NOK 54.8 million for the year ended December 31, 2015, an increase of NOK 5.6 million, which was primarily driven by the full year effect of the purchase of two financial portfolios in the Norwegian entity Intrum Justitia Finans AS during 2015.

The Norway Carve-out's net cash generated from operating activities increased by NOK 75.7 million from NOK 32.6 million in the year ended December 31, 2014 to NOK 108.3 million in the year ended December 31, 2015. This was mainly due to improved operating earnings excluding depreciation and amortization as well as improved cash flow from working capital, partially offset by increased negative cash flow from taxes paid. Net cash from operating activities, adjusted for revaluations and amortization, developed positively to NOK 54.8 million for the year ended December 31, 2015, compared to NOK 48.8 million for the year ended December 31, 2014, an increase of NOK 6 million, which was primarily driven by the effect of the purchase of two financial portfolios in the Norwegian entity Intrum Justitia Finans AS during 2015.

Net cash used in investment activities

The Norway Carve-out's net cash used in investment activities increased by NOK 17.0 million from NOK 0.3 million for the nine months ended September 30, 2016 to NOK 17.3 million for the nine months ended September 30, 2017. The increase was mainly due to decreased disbursements for investments in purchased debt, which amounted to NOK 17.2 million for the nine months ended September 30, 2017, compared to NOK 0.0 million for the nine months ended September 30, 2016, which increase was primarily attributable to the investment in the IJDF Norwegian Portfolios.

The Norway Carve-out's net cash used in investment activities decreased by NOK 119.9 million from NOK 120.6 million in the year ended December 31, 2015 to NOK 0.7 million in the year ended December 31, 2016. This was mainly due to the purchase of two portfolios in the year ended December 31, 2015.

The Norway Carve-out's net cash used in investment activities increased by NOK 120.4 million from NOK 0.2 million in the year ended December 31, 2014 to NOK 120.6 million in the year ended December 31, 2015. The increase was primarily due to increased disbursements for investments in purchased debt, which amounted to NOK 118.2 million for the year ended December 31, 2015, compared to NOK 0.0 million for the year ended December 31, 2014.

Net cash from/(used in) financing activities

The Norway Carve-out's net cash used in financing activities decreased by NOK 31.8 million from NOK 34.7 million in the nine months ended September 30, 2016 to NOK 2.9 million in the nine months ended September 30, 2017. The decrease in net cash from financing activities was primarily attributable to repayment of internal debt in the nine months ended September 30, 2016.

The Norway Carve-out's net cash used in financing activities increased by NOK 8 million from NOK 31.4 million in the year ended December 31, 2015 to NOK 39.4 million in the year ended December 31, 2016. The increase in net cash used in financing activities was primarily related to repayment of internal debt.

The Norway Carve-out's net cash from financing activities decreased by NOK 38.9 million from net cash from financing activities of NOK 7.5 million in the year ended December 31, 2014 to net cash used in financing activities of negative NOK 31.4 million in the year ended December 31, 2015. The decrease in net cash from financing activities was primarily due to increased repayment of internal debt in the year ended December 31, 2015.

Capital Expenditure

The Norway Carve-out's capital expenditure consists mainly of: IT, both software and capitalized development expenses (treated as intangible fixed assets) and hardware (treated as tangible fixed assets) plus investments in equipment and fixtures and fittings. The Norway Carve-out's capital expenditure amounted to NOK 0.1 million in the nine months ended September 30, 2017 compared to the capital expenditure for the nine months ended September 30, 2016 of NOK 0.3 million.

The Norway Carve-out's capital expenditure decreased by NOK 1.8 million, from NOK 2.4 million in the year ended December 31, 2015 to NOK 0.5 million in the year ended December 31, 2016, due primarily to investment in IT software and development. The Norway Carve-out's capital expenditure increased by NOK 2.3 million, from NOK 0.1 million in the year ended December 31, 2014 to NOK 2.4 million in the year ended December 31, 2015, due primarily to higher levels of investment in IT software.

Other Financial Obligations: Pension Obligations

For a description of certain pension plans and obligations, see Note 3 to the Norway Carve-out's audited financial statements as of and for the year ended December 31, 2016 included elsewhere in this report.

Off Balance Sheet Arrangements

The Norway Carve-out purchases portfolios of loans and other overdue receivables by way of forward flow agreements, including through the IJDF Norwegian Portfolios, whereby it purchases non-performing debt based upon contracts that require the Norway Carve-out to make multiple purchases from a vendor at an agreed price. The Norway Carve-out invested NOK 13 million, NOK 22 million and NOK 23 million, respectively, in forward flow agreements in the years ended December 31, 2016, 2015 and 2014. The Norway Carve-out invested NOK 4 million and NOK 11 million, respectively, in forward flow agreements in the nine months ended September 30, 2017 and 2016.

The Norway Carve-out is not party to any other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Norway Carve-out's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

Quantitative and Qualitative Disclosures about Financial Risk Management

Market Risk

Market and Regulatory Environment

The main market risk is related to, but not limited to, general macroeconomic conditions and rules and statutory regulations in Norway which affect the customers' ability to pay and the Norway Carve-out's clients' ability and willingness to sell portfolios of loans and receivables and potential commission from third-party collection. See ''*Risk Factors*'' for a discussion of these and other factors.

Liquidity Risk

Liquidity risk is the risk that the Norway Carve-out incurs higher-than-expected costs to ensure its ability to fulfill its short and long-term payment obligations to external parties. Until the Acquisition, this objective is currently fulfilled by intercompany loans with the Norway Carve-out's parent, as has historically been the case.

Interest Rate Risk

Interest rate risk is the risk of negative effects on interest income and expenses due to movements in interest rates. For the Norway Carve-out, interest rate risks relate primarily to the cost of interest-bearing debt and the debt rate is tied to the market rate. The Norway Carve-out's strong cash flow generating business allows the Norway Carve-out to repay its debt or invest in operations, and hence the Norway Carve-out can manage debt size and consequently its total interest cost.

Credit risk

Credit risk is the risk that the Norway Carve-out's counterparties are unable to fulfill their obligations to the Norway Carve-out. The local operating entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from assets, such as cash and cash equivalents, guarantees and derivative financial instruments and deposits with banks and financial institutions, as well as outstanding receivables, purchased debt and outlays on behalf of clients. For financial assets owned by the Norway Carve-out, very limited collateral or other credit reinforcements have been received. Therefore, the maximum credit exposure for each class of financial assets corresponds to the carrying amount. There is also a limited risk of loss linked to the Norway Carve-out's debt collection services, however, this risk is primarily carried by the Norway Carve-out's clients.

To minimize the risks related to purchase of portfolios, caution is exercised in purchase decisions. Purchases are usually made from clients with whom the Norway Carve-out has maintained long-term relationships and therefore has a thorough understanding of the receivables in question. Purchased debt is usually purchased at prices significantly below the nominal value of the receivables, and are not collateralized. The Norway Carve-out retains the entire amount it collects, including interest and fees. For more information on the Norway Carve-out's purchased debt, see ''—*Purchased Debt*.''

Significant Accounting Policies

See Note 1 to the Norway Carve-out's audited financial statements as of and for the year ended December 31, 2016 included elsewhere in this report.

INDUSTRY AND MARKET DATA

Certain information set forth in this section has been derived from external sources, including several market studies prepared by third-party consultancy firms. These external sources 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 are not guaranteed. While we believe that these external sources are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Therefore, the following data, in particular regarding market sizes, past growth rates and competitive positions, should be viewed with caution and may differ from market and competitive data contained in other analyses or calculations of competitors. Additional factors that should be considered in assessing the market and competitive data set forth in this section are described elsewhere in this report, including, in particular, in the section entitled ''Risk Factors.''

Introduction to the CMS Industry

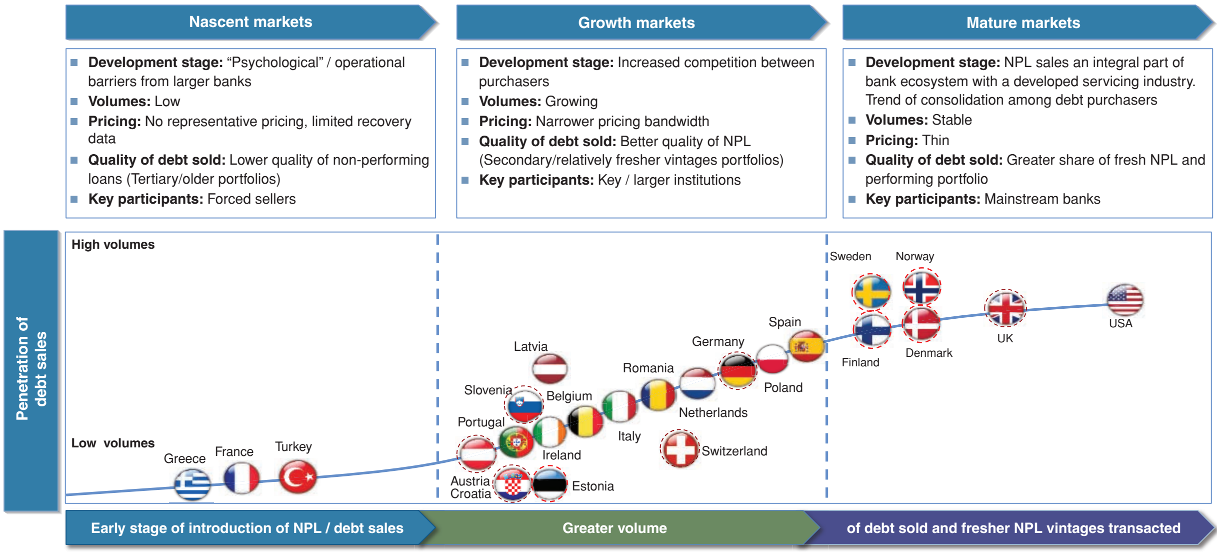
Debt is created when a debt originator extends credit to a person, who in turn becomes a customer of that debt originator. Such arrangements include financial institutions extending loans or trade sector companies issuing invoices for services rendered or goods delivered (*e.g.*, retail and telecommunications companies or public-sector entities, among others). Debtors default on their payment obligations when they do not repay the debt according to the terms on which it was extended, which results in the debt becoming overdue. Defaulted debt is an inherent feature of unsecured lending. Debt originators typically expect a certain percentage of consumers to default and, accordingly, manage their pricing to a target default level. Defaulted debt may be collected by the debt originator itself, by a law firm on behalf of the debt originator or by a Credit Management Services (CMS) company, such as the Group.

Debt, whether it is overdue or not, may be collected by either the originator itself or by a third-party to whom the originator has either sold the debt or merely outsourced its collection. For many debt originators, the management of defaulted debt is a low priority or non-core activity because volumes of defaulted debt are small relative to the overall scale of lending and debt originators do not generally invest much capital in their respective collection systems. Accordingly, outsourcing the collection of defaulted debt to a CMS company is an attractive option for many debt originators. Depending on the debt originators' preferences and objectives, a CMS company either manages the defaulted debt on behalf of the debt originator according to a servicing agreement, or purchases the defaulted debt from the debt originator, thereby taking legal ownership of the debt and acquiring the right to collect on it for its own account. The Group purchases defaulted debt and manages defaulted debt on behalf of third-party debt originators.

After the Acquisition, our geographical footprint will comprise some of the largest consumer credit markets in Europe, including the UK, Germany and Northern Europe, with a leading presence in Austria as well. The following chart illustrates the relative maturity profile of the CMS industry in our markets as compared to the CMS industry in other key international markets. As the chart indicates, both the UK and Northern Europe, given the large scale of their economies and overall levels of indebtedness, and Germany, Austria and Estonia, given attractive growth profiles, provide opportunities for greater debt collection outsourcing and debt portfolio sales. Our presence in Croatia and Slovenia marks the Group's entry into the CEE region where we have a positive outlook having recently seen significant activity in terms of debt sales.

Illustrative Relative Development of Key Debt Recovery Markets

Typical stages of development of debt purchase markets



Source: Management Estimate.

Credit Lifecycle

CMS is an established part of the credit lifecycle in UK, Germany and Northern Europe. There are a number of stages in the debt lifecycle and CMS companies offer several services to clients throughout the cycle. The debt recovery cycles in the UK, German and Northern European markets are broadly similar in their components. However, the relative importance of third-party collection versus debt purchase and the timing of third parties' involvement in the recovery cycle tend to differ between these markets. While, in the UK, a portfolio is often sold following at least one DCA placement, in Germany, debt sale and third-party collection are often viewed as alternatives to recovering on defaulted debt and in Northern Europe, the CMS market is highly mature with, on average, a significantly higher volume of debt outsourced to be managed on third-party basis compared to the rest of Europe (~60% in Northern Europe compared to ~45% in Europe).

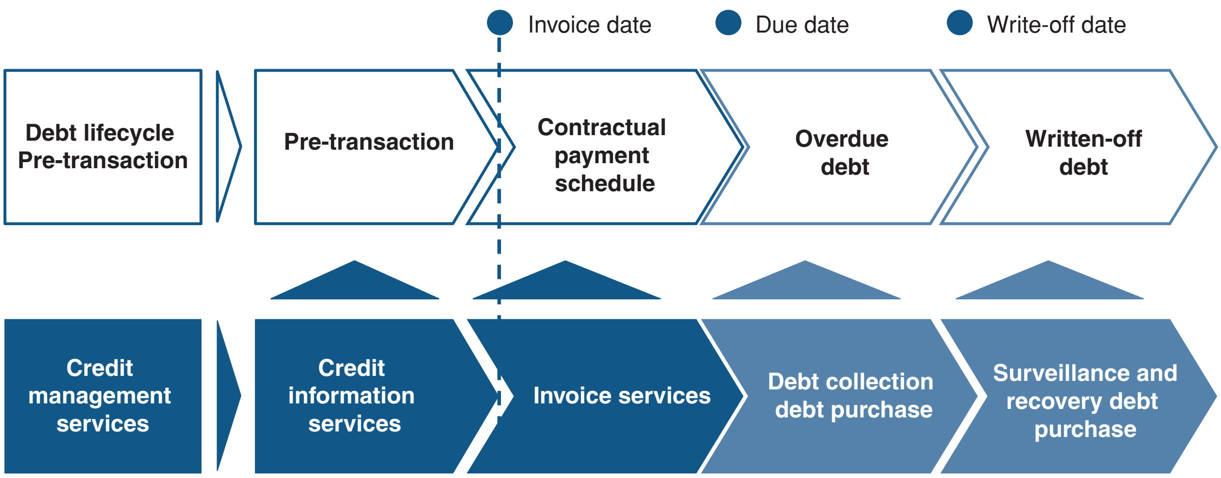
The debt recovery cycle encompasses the following steps:

- **Origination of debt.** A consumer obtains credit from a debt originator. The financial services sector has historically been one of the largest sources of credit for consumers, but short- or long-term consumer credit is also a core component of business models across many other sectors, including telecommunications, retail, utilities and e-commerce.
- **Default.** A consumer defaults on his or her payment obligations. For example, the consumer may fail to make a series of scheduled payments. This may happen because of a change in the consumer's circumstances (*e.g.*, the loss of a job) or because the consumer entered into debt arrangements that prove unmanageable.
- **In-house recovery.** The debt originator uses its internal resources to attempt to recover the defaulted debt. Debt originators typically have standard procedures that apply when a consumer account falls into arrears, which include the use of internal recovery strategies and in-house debt collection activity to attempt to rehabilitate consumer accounts. Regularly, debt originators either fail to make contact with the consumer or are unable to reach an acceptable agreement on a payment.
- **Engagement of CMS.** Defaulted debt portfolios are serviced by third parties for a fee. The legal ownership and balance-sheet exposure remain with the debt originators. CMS companies provide debt collection services to debt originators for overdue debt. Litigation techniques are often used when the consumer's ability to pay has been demonstrated but the consumer is unwilling to pay.
- **Debt sale.** Defaulted debt portfolios are sold to third parties at a significant discount to the principal value of the debt. The legal ownership and balance-sheet exposure are thereby transferred to the debt purchasers.

- **Other CMS.** In UK, Germany and Northern Europe, CMS companies are increasingly active throughout the recovery process. End-to-end recovery management provides growth opportunities for such companies, for instance, in early-stage recovery (*e.g.*, prior to the consumer's default). Before debt originators extend credit to consumers, CMS companies can also provide credit scoring and other forms of credit information services, such as data extraction and modelling. CMS companies also provide payment processing services, including invoice administration, subsidiary ledger accounting, invoice printing, payment reminders and consumer checks related to the ability to make purchases on account. These services can be provided either before or after debt is defaulted and, in certain cases, before the debt originator-customer relationship is first created (*i.e.*, before a consumer purchase takes place).

The chart below gives an overview of the debt recovery cycle.

Typical Debt Lifecycle and Credit Management Services



CMS Business Models

The primary sub-segments of the CMS industry are addressed below:

Debt Purchasing

Debt purchasing entails the sale of financial debt by a debt originator to a specialist debt purchaser or investor who acquires the right to collect the debt for its own account and retain the cash collected. The purchaser then typically seeks to reinvest this cash, net of collection costs, in acquisitions of new portfolios. Originators may sell portfolios of performing or non-performing loans to CMS companies for a number of reasons relating to operational and economic efficiency. Selling non-performing loans enables originators to, among other things, increase liquidity, strengthen their balance sheets, liberate internal resources to focus on core competencies and reduce back office costs associated with their in-house collection infrastructure. Debt originators generally choose to sell performing loans for similar reasons, though this can also be due to a decision to withdraw from a particular product or geography which is no longer profitable or core to their future strategy.

Methods of Debt Sale

Debt originators may structure their sales of debt portfolios in one of the following ways:

- *Off-market sales / bilateral agreements:* Financial institutions generally use off-market transactions to simplify the sale process, where the transaction size does not justify running a competitive process or for the sale of complex portfolios. In off-market sales, the vendor originator considers just one party for the sale (typically a well-reputed and trusted partner with which it has a long-standing relationship), and if the price offered by the buyer is considered appropriate, the vendor originator sells the debt portfolio to the buyer without inviting any other bidders.
- *Limited auction:* For the sale of portfolios with a relatively high level of complexity, vendor originators will often typically invite a few bidders to a tender process, which involves a greater level of more manual loan file due diligence.

- *Broad auction:* For the sale of some classes of debt, vendor originators will often initiate widely competitive tender processes, including five to six bidders or more. The relevant portfolios are generally priced by bidders using statistical models, and are often broken down into segments, with each segment being sold to the highest bidder. Such auctions become more difficult when portfolios are more complex and data quality is poor, including in less mature markets.
- *Forward flow agreements:* These involve agreements to sell several similar debt portfolios over a period of time at a predetermined price and for a specified quality of debt, avoiding fluctuations caused by changes in macroeconomic conditions and outcomes of precedent auctions. In general, we are protected against downside risk in debt quality through provisions in the forward flow agreements. In the case of our UK forward flow agreements, there is flexibility to modify pricing upon a detailed review of the portfolios. Similarly, in the case of our German forward flow agreements, we are protected through put back mechanisms and certain representations and warranties from the seller, and typically in the case of the Northern European Division's forward flow agreements, through the ability to re-negotiate, re-price (in combination with a termination right of the counterparty) and terminate in case of a change in the counterparty's credit decision policy or credit issuing process.

Debt Servicing

Debt servicing is a service provided by a CMS company that collects financial debt on behalf of a third global party (typically the debt originator). Servicers generally receive a fee related either to the face value of the debt portfolios they manage or the collections generated, depending on the nature of the managed portfolio. CMS companies may provide debt collection services to debt originators for either performing or non-performing debt. Collections of non-performing debt can be particularly burdensome for debt originators because it can be time consuming and costly, especially when compared to specialists who have the key competencies, experience and are appropriately structured to do so more efficiently. Additionally, debt originators may choose to outsource the collection of some of their accounts to a CMS company in order to benchmark their internal debt recovery performance against that of a third global party. Collection of performing debt may be outsourced because of a desire to reduce back office or IT costs (to turn fixed overhead costs into variable costs) or to benefit from economies of scale that can be offered by CMS companies.

Methods of Debt Servicing

The terms and the fee structure of a servicing agreement typically depend on whether it concerns the servicing of non-performing or performing loans and type of debt, whether consumer or corporate, secured or unsecured etc.

NPL service agreements: Debt servicing agreements for outsourced NPLs typically have a defined minimum term with tacit renewal and at least a three-month termination notice by either party. Service agreements for non-performing loans can take a wide variety of forms with specific guidelines regarding reporting obligations, thresholds for debt forgiveness and guidelines regarding incurrence of costs. Service agreements for non-performing loans also tend to have customary confidentiality, compliance and data privacy clauses, as well as an audit clause and limitation of financial responsibility for the servicer.

Performing debt service agreements: Debt servicing agreements for performing debt typically have a stated term commensurate with the remaining life of the portfolio but can be terminated with an advance notice. Performing debt servicing agreements typically include either a flat fee per month and/or per loan which varies depending upon the size, duration and nature of the debt, or a variable fee based on assets under management, which also varies depending upon the size, duration and nature of the claims. Service agreements for performing debt tend to have customary confidentiality, compliance and data privacy clauses, as well as a service level agreement and an audit clause that permits the bank to monitor the quality of the provider's services. Typically, these agreements also limit the financial responsibility for the servicer.

CMS companies have also sought to increasingly target a wider breadth of credit active customers earlier in the value chain, through the provision of an enhanced range of value-added services before loans and receivables are overdue. These services typically include:

- Invoicing: The client can outsource its accounts receivable process, including collection activity. This is a particularly reliable and cost efficient solution for clients with high invoicing volumes
- Payment: This enables retailers and other consumer companies to make real time credit decision at the time of purchase, and gives them the ability to offer customers payment through invoice or part payment solution. The CMS company manages the entire credit process, from scoring and credit decision to processing and distributing invoices
- Information services: This typically includes credit analysis, data extraction and modelling as well as selection and scoring of potential customers. These solutions help clients mitigate potential losses from new customers with reliable and efficient information on their credit worthiness

Overview of Key Market Sectors

There are different ways to classify the defaulted consumer debt available for purchase or servicing. For example, such debt may be classified by its quality. Key drivers of the quality of debt, and therefore its price, include its age, its average balance and the level of difficulty in contacting its consumer base. Accordingly, CMS companies may, for instance, classify consumer debt by its stage in the debt-recovery cycle. Credit card asset classes, for example, typically vary from fresh write-offs (*i.e.*, accounts that have generally not been placed with DCAs at the time of sale) to accounts that have remained defaulted for a longer period of time prior to being outsourced, and CMS companies may focus on one or more of such classes. Furthermore debts may be classified by the industry they originate from in order to leverage the predictive power of industry specific consumer behavior.

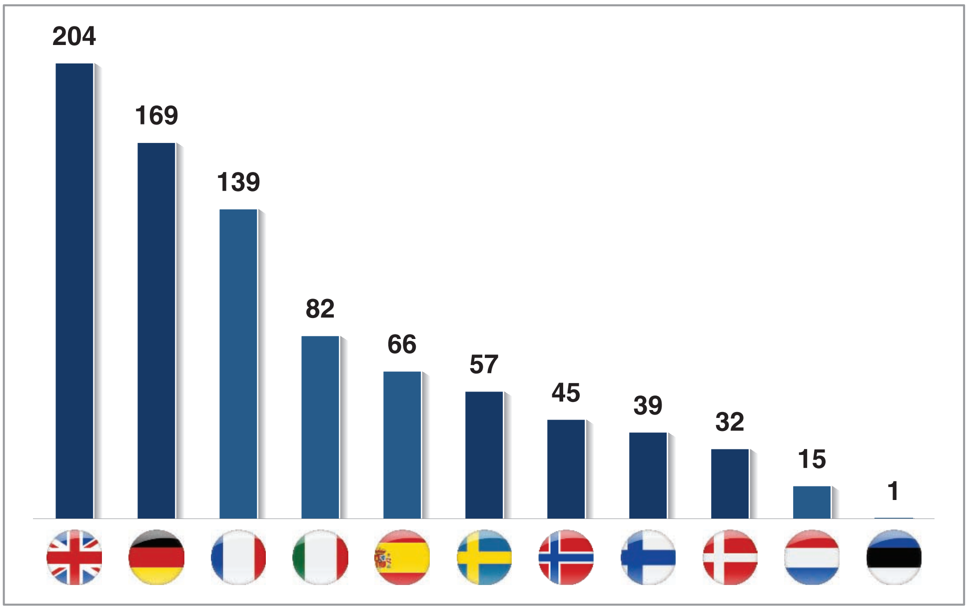
Consumer debt may also be classified by market sector as below:

Financial services	**Financial institutions**	▪ The sector includes financial institutions other than insurance providers
	Insurance	▪ Defaulted debt in the insurance sector is usually created due to a customer's failure to keep up with instalment payments on insurance premiums or charges for short term rates in connection with the cancellation of a policy
Retail	**E-commerce**	▪ E-commerce debt is created through balances due from online purchases of goods and services on direct debit and on account. Outsourcing of debt collection in the e-commerce sector is expected to increase, predominantly driven by the rapid underlying market growth, in addition to the high average default rates and high level of outsourcing of debt collection by small and medium players. Defaulted debt from e-commerce is increasingly controlled by specialized payment service providers which charge a fee to merchants for hedging especially consumer payments and who engage with CMS players themselves. Consolidation among aforementioned specialized payment service providers may offer the opportunity for larger servicing or debt purchasing agreements
	Retail	▪ Debt in the retail sector is typically generated when customers order on account such that goods are received and an invoice is issued prior to payment. Retail debt usually relates to large purchases, such as appliances, furniture and clothing, rather than everyday items
Telco	**Telecommunications**	▪ Defaulted debt in the telecommunications sector is typically from balances due from post-paid mobile, fixed line, broadband contracts and subsidised devices ▪ Telecommunications debt portfolios typically have lower balances than debt in most other sectors (approximately £250 to £500). In light of the low balances of telecommunications debt portfolios, collection efforts must typically be few in number and low in cost in order to be economically viable
Other	**Fitness**	▪ Defaulted debt in the fitness sector consists of unpaid gym contracts. If the contract is paid in instalments and the customer defaults, the customer may be liable to pay for the full length of the contract
	Utilities	▪ Defaulted debt in the utilities sector consists of unpaid heating, water, gas and electricity bills
	Public sector	▪ Unpaid self assessment income tax, local authority council tax, public transport fines and unpaid television licenses are examples of public sector defaulted debt

Size and Attractions of the UK, German and Northern European CMS Markets

The UK, Germany and Northern Europe are amongst the largest European producers of annual NPL volumes across industries, driven by the size of their respective economies and consumer credit markets. The UK with £204 billion in consumer credit outstanding, Germany with £169 billion in consumer credit outstanding and Northern Europe (including Estonia) in aggregate, with £174 billion in consumer credit outstanding are amongst the largest consumer credit markets in Europe as of September 2017. (Source: Bank of England, European Central Bank and Euromonitor International).

Consumer Credit Outstanding by Country (£ billion, September 2017)



Source: Bank of England, European Central Bank and Euromonitor International.

Note: Data for Sweden, Norway, Finland and Denmark as of December 2016.

UK

The CMS market was established in the UK in the late 1990s following the success of more established markets in the United States and Scandinavia, and has grown considerably since then. This market was initially developed as a method for debt originators to manage defaulted loans and to accelerate capital release for defaulted debt, the value of which had already been significantly written down. The market commenced with small-scale transactions by CMS companies that generally had access to small funding lines.

The UK debt purchase market underwent significant growth from 2000 to 2008, fueled by a rapid rise in outstanding consumer debt together with increasing default rates. The onset of the financial crisis in 2008 resulted in a substantial withdrawal of funding supply from the debt purchasers operating in the sector and an increased cost of funding for those debt purchasers that remained active. Reduced funding supply, coupled with a difficult collections environment in which debt purchasers were no longer able to agree settlements with borrowers, resulted in the exit of many debt purchasers from the market. Since 2010, however, the UK debt purchase market has experienced a recovery and is now one of the largest defaulted consumer debt markets in Europe.

Today, the debt purchase and collection industry has become an integral component of the debt recovery process in the UK and helps UK debt originators manage the asset quality in their loan portfolios. This has become particularly important as capital and liquidity requirements imposed by regulators and investors increase. Increasingly, CMS companies have also become an important tool for non-financial debt originators, such as telecommunications and retail companies (as described below), to outsource the management of their bad debt and focus on their core businesses.

Attractions of the UK CMS Market

- **Increasing concentration.** In recent years, we believe that there has been a trend towards increased concentration of the UK CMS industry around a small core group of leading CMS companies and debt purchasers. Industry consolidation has been further supported by the tightening supply of credit globally during the financial crisis, with only the most experienced and reputable market participants being able to secure the necessary financing to support an active debt collection and debt acquisition program during that period. All the large participants in the UK debt purchase market have recently raised debt through high-yield bond issuances, which gives them more stable medium-term financing as compared to other smaller participants, thereby facilitating further industry consolidation.

- **Increasing tendency to sell.** Moreover, management expect that the propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process will continue. Debt originators increasingly tend to outsource the recovery of defaulted debt on account of their lack of internal resources, the desire to focus internal resources on core activities, the increased compliance cost and regulatory risk associated with increased regulation and the generally better cost structure of CMS companies. CMS companies offer a wide range of services, providing debt originators with a comprehensive solution for the management of delinquent debt that extracts higher value from their NPLs.
- **Emerging market sectors.** In the UK, the utilities, insurance and public sectors have historically accounted for a relatively small proportion of debt purchase and debt collection revenue as compared to the financial services, telecommunications and retail sectors. We believe these sectors represent new sources of supply for UK CMS companies.

Germany

The German CMS industry matured from 2003-2007 after an economic downturn in the early 2000s when banks sold and outsourced the collection of a large amount of overdue debt. Activity decreased during the financial crisis from 2008-2010 before recovering in 2011. We believe that German debt originators across various sectors have a high propensity to outsource early in the credit cycle (i.e. after the due date, but before the debt becomes overdue by 45 days or, in the financial services sector generally, by 90 days), due to the limited presence of in house collection operations at German debt originators.

Attractions of the German CMS Market

- **Stable and strong economy with a strong growth outlook.** Germany has been experiencing strong and positive real GDP growth since 2010, and low unemployment relative to other European economies. The stability and strength of the economy support increased investments and borrowing.
- **Supportive environment for outsourced CMS.** Due to the limited in-house resources of many debt originators in Germany, CMS companies benefit from a large supply of outsourced debt. The trend is expected to continue due to the cost cutting pressure on German banks. Furthermore, the number of potential debt collectors chosen by a specific company tends to be small (which we believe to be one to three collectors, on average) for third-party collections and services, providing an opportunity to build partnership-like relationships with debt originators early in the recovery cycle.
- **Wide range of revenue opportunities and longer time to work on debt.** Debt is outsourced relatively early through BPO services prior to its due date, and outsourced collections and debt sales generally start 45 days after the respective due dates of the obligations. This ''fresh'' debt typically is of higher quality and has higher collection expectations, because less work has been applied to the assets to obtain consumer payments. Furthermore, it is possible to engage in long-term monitoring to identify potential solvency changes of consumers for up to 30 years (and, in some cases, for a longer period) in line with the applicable statute of limitations. Earlier access to debt and longer-term monitoring provide wider opportunities to capture fees and allow for more time to recover debt.
- **Cultural attitudes towards debt repayment.** German consumers tend to use debt for payments to a substantially lesser degree than consumers in other European countries, preferring to instead use cash and debit cards. The low comparative usage of credit in Germany could be driven by the additional fees charged to defaulted consumers, as well as by cultural attitudes towards indebtedness. As a result, consumers who do incur debt are generally more likely to want to repay it when able to do so.
- **Specific fee and CMS remuneration structure.** Different to other markets, German legislation and established industry practice offers a fee structure that allows CMS companies to charge delayed payment fees to consumers rather than charging commissions to the debt originators. The fact that the debt originators themselves are not allowed to charge these fees but DCAs/CMS companies are is further fueling third party collections.

Northern Europe

The debt collection industry in the Northern European countries matured following the financial crisis in the 1990s, when debt collection companies grew their businesses and supported clients in their workout of large, overdue debt portfolios.

We believe that, based on a third-party market study, the stock of NPLs originated by financial institutions in the Northern European countries amounted to approximately €5 billion at the end of 2016. Furthermore, according to the third-party market study, stable NPL ratios and continued growth in total loans outstanding, owing to a growing economy and historically low interest rates, are expected to lead to a gradual increase in the NPL stock. Additionally, in the Northern European markets, a significant proportion of products and services are sold with payment in the future (e.g. invoices, short term facilities, etc.)—creating a growing stock of consumer trade receivables by retail and telecommunications companies, utilities and companies in many other industries. This large stock also creates a consistent supply of defaulted unsecured trade debt outstanding that was estimated to be €4 billion at the end of 2016.

Attractive trends in the Northern European CMS Market include the following:

- **Enhanced rate of outsourcing and increasing importance of Debt Purchasing.** This trend is expected to be underpinned by two primary factors:
  - Regulatory factors for financial institutions (e.g. the implementation of IFRS 9) are expected to increase the levels of outsourcing and sale of debt portfolios. Particularly, the desire to reduce the proportion of NPLs on their balance sheet and improve their capital ratios can be expected to lead to an increasing shift toward the sale of debt portfolios. We also expect an increased willingness amongst banks to re-evaluate their value chain and focus on their core business as they attempt to manage costs.
  - The emergence of niche consumer banks in the data rich Northern European markets, we believe, will also lead to a greater amount of outsourcing as such firms, which generally lack in-house collection capabilities, seek to partner with CMS companies that have proven collection capabilities.
- **Increasing sophistication of clients leading to greater demand for CMS companies that offer solutions across the value chain.** As clients become increasingly sophisticated, we expect there to be an enhanced demand for solutions across the CMS value chain, in particular driven by the following factors:
  - An increasing need for financial institutions to meet the highest ethical and compliance standards across all of their business processes (and increasingly, including outsourced processes) will lead to a growing need for trusted partners who are chosen based on factors such as compliance, treatment of customers, quality of collections, track record of experience, and breadth of product offerings, in addition to pricing.
  - An increasing propensity amongst trade clients to have CMS embedded in their processes and IT landscape, in order to have greater granularity and visibility into 3PC collections and also gather greater intelligence on consumer behavior.

Attractions of the Austrian CMS Market

In terms of the amount of defaulted consumer debt per capita and the percentage of debt collection currently outsourced to DCAs, Austria is significantly smaller than Germany and the UK. We believe there is a significant potential to benefit from higher outsourcing rates in Austria in the future. Also, since there are indications of a large pent-up NPL sale volume on the balance sheets of Austrian banks, as well as a relatively low penetration of debt purchasers in the Austrian market, we believe there is a potential for market participants to deploy their capital on debt purchases in the Austrian market at attractive returns.

Attractions of the Croatian CMS Market

The Croatian market has one of highest NPL levels in the CEE region. The NPLs in Croatia have been increasing since the 2008 global crisis. In 2017, the government implemented legislation which sought to lower these high NPL levels including introducing a one-off tax-deductibility for write-offs. Such initiatives could boost the NPL sale activity in the market.

Attractions of the Slovenian CMS Market

The Slovenian banking sector has considerably brought down the level of NPLs in the system since 2012 but still they remain at much higher levels compared to rest of Europe. One of the major ways in which banks dispose NPLs is by transferring them to the Slovenian Bank Asset Management Company (''**BAMC**''), which is a government owned entity which operates under the objective of restructuring the assets and selling them when the market has again recovered. The Slovenian CMS market (largely consisting of the banking sector) remains attractive to CMS companies given the transaction activity would further increase once the BAMC is dissolved by the government in the future.

Competitive Dynamics

In recent years, we believe that there has been a trend towards increased concentration of the CMS industry around a small core group of companies. See ''—*Barriers to Entry*.''

The UK Market

Industry consolidation has been supported by the tightening supply of credit globally during the financial crisis, with only experienced and high-quality debt purchasers in the market being able to secure competitive financing to support an active debt-acquisition program both during the crisis and thereafter. Recently however, several international players from the Scandinavian and the U.S. markets (*e.g.*, Hoist, Intrum and Encore) have expanded from their traditional geographical focuses and sought to compete in the UK.

Our UK Division tends to compete with one or two of these leading purchasers in the final stage of each debt tender process. We believe that many of our UK Division's current competitors have evolved with a specific investment focus and associated operational infrastructure, which may make them more or less suited to particular sectors of the market. Some purchasers are more focused on higher-balance debt or paying debt, which often requires less tracing capability and cost to collect efficiencies. The importance of historical benchmark data to guide prices on new debt portfolios means that market participants may also gravitate towards specialty niches in which they have been more active in the past. As a result, current competitive dynamics primarily reflect the ability of each debt purchaser to generate appropriate returns on investment, based on its cost structure and operational capabilities.

We believe that large, high-end debt purchasers have outpaced broader market growth in the UK. As the market consolidates further and panel size reduces, we expect leading players to continue to be materially advantaged and outperform both the market and their smaller peers in growth and profitability.

The German Market

With approximately 600 to 900 players, the German CMS market is highly fragmented. Players can be generally distinguished by service activity and sector focus.

We believe ''Tier I'' debt collection companies with revenue of more than €100 million have outpaced broader market growth. Notwithstanding the fragmentation of the German CMS market, there is a trend towards consolidation. A small group of four Tier I players, including EOS (part of the Otto Group), our DACH Division, Creditreform and Arvato (part of the Bertelsmann Group), is significantly larger by revenue than the other players in the market. ''Tier II'' players, which comprise companies with revenue in the €10 million to €100 million range, have grown at a lower rate, with a representative sample of companies with revenue in the €30 million to €100 million range. Tier II players generally focus on one or two industries or are the German subsidiaries of international CMS corporations. Small- and medium-sized players typically have a regional focus and serve smaller debt originators, often only in the third-party collections and services business.

The Northern European Market

The Northern European CMS market is overall fairly mature compared to the rest of Europe, with exception of Denmark which has a lower rate of outsourcing compared to rest of Northern Europe, but is expected to significantly catch-up as large volume of portfolios are expected to enter the market in the next several years. The Northern European CMS market is fragmented, containing a small number of large players, including the Northern European Division, and a large tail of ~500+ small-to mid-sized CMS competitors. The market has seen some consolidation during the last 3-5 years, mainly among large companies, but remains fragmented. The Northern European Division is ranked in the top two in the overall market by total revenue.

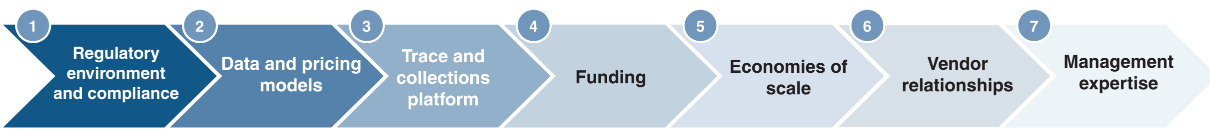
According to the third-party market study, market revenue of the top 15 players has grown at a CAGR of approximately 10%, from €1.2 billion in 2014 to €1.4 billion in 2016, which is faster than the overall market. The continued build-up of scalable and efficient platforms by large players coupled with an increased shift towards higher-margin DP business is expected to contribute to greater growth and profitability.

The Austrian Market

Outsourcing activities to external debt collectors in Austria are comparatively underdeveloped in relation to Germany and the UK and provide the chance to deploy capital at relatively attractive returns. The debt collection market in Austria today is highly fragmented with three participants of scale including IS Inkasso Service, EOS and Arvato, and the rest of the market is composed of a large number of smaller companies. Similar to Germany, we see scope for consolidation as the market matures over the coming years.

Barriers to Entry

The concentration in the European CMS markets over the last several years has resulted in a maturing of the industry, with the key participants increasing in scale both organically and inorganically and becoming ever more operationally sophisticated. We believe this has created certain challenges for a new entrant to create a sustainable business. We believe the following significant barriers to entry exist in the industry:



- **Regulatory environment and compliance.** The industry is subject to increasing levels of legal and regulatory oversight. We believe that, in this context, compliance track record and reputation are key to developing strong relationships with debt originators. Accordingly, we believe that debt collection in UK, Germany and Northern Europe requires considerable investment in processes, know-how and management, making it potentially difficult for a new entrant to be competitive and increasing barriers to entry.

- **Data and pricing models.** A new entrant would be unlikely to have an established model with which to price debt portfolios, given its lack of historical data sets important for substantiating and benchmarking collection curves and ultimately for formulating rational prices across varying debt types and consumer characteristics.

- **Trace and collections platform.** The ability to locate account holders, determine their financial circumstances and the recoverability of their debt is fundamental to success in collecting in a cost-effective manner and generating an appropriate return on investment. The systems of a debt purchaser, such as the Group, have been developed over an extensive period of time, requiring substantial investment and expertise.

- **Funding.** Across, UK, Germany and Northern Europe, high-yield financing is used in combination with revolving credit facilities provided by major banks as a flexible means of funding the purchase of additional debt portfolios. Without the necessary scale and a successful track record and verifiable projections supported by reliable pricing models, it could be difficult for a new entrant to obtain cost-effective debt funding to purchase debt portfolios.

- **Economies of scale.** Large debt purchasers can spread their fixed costs across their book of existing debt portfolios. This scale provides a cost advantage to an established debt purchaser when pricing new debt portfolios.

- **Vendor relationships.** Key debt originators have established relationships with the leading CMS companies in UK, Germany and Northern Europe. Increasingly, such vendors are seeking to maintain relationships with a smaller number of service providers. Based on the panel relationships we have, we believe that vendors have reduced the size of their panels. This means that it is increasingly important for us to be present on panels. We believe we are amongst the large debt purchasers present on nearly all major panels in their respective markets. Whether a debt purchaser has a reputation for being able to transact purchases on a sustainable basis and a track record of regulatory compliance is a key consideration for certain vendors and may represent a considerable challenge for new entrants.

- **Management expertise.** The CMS market is relatively concentrated among top players. Proven management with deep industry knowledge may be difficult to find and hire.

OUR GROUP'S BUSINESS

Operations and Service Offerings

We believe the Group is one of Europe's leading providers of CMS specializing in debt recovery. Our experience, expertise and core strengths in data analytics and operational efficiency underpin our vision to be the most reputable and trusted partner in the European credit management sector. In both the UK and Germany, we provide a full-service offering, covering the debt collection value chain, consisting primarily of purchases of debt portfolios, as well as third-party collection services and other CMS. We believe this offering provides our clients with a ''one-stop shop'' solution that delivers value throughout the credit lifecycle. Furthermore, we believe that many of our clients have significant incentives to outsource their debt collection or to sell their portfolios of overdue debt as a result, for example, of their strategy to focus on core business activities that do not include defaulted debt management.

The table below sets forth the Group's revenue by business for the year ended December 31, 2016 and the twelve months ended September 30, 2017.

	For the year ended December 31, 2016	For the twelve months ended September 30, 2017
	(£ million)	
	(audited)	(unaudited)
Debt purchase	291.3	340.6(2)
Third-party collection, related services and other services(1)	162.9	176.9(3)
Total	**454.2**	**517.3**

(1) Includes lawyer service revenue of £61.2 million in the twelve months ended September 30, 2017 and £77.1 million in the year ended December 31, 2016, as well as other service revenue and programming and maintenance revenue. Our DACH Division typically earns outsourcing revenue from lawyers only where it has engaged such lawyers to assist with its collection efforts in the DACH region. The outsourcing revenue from lawyers does not have a positive impact on our Group Adjusted EBITDA or net income, since the fees we pay to lawyers are higher than the related outsourcing revenue we earn.

(2) Debt purchase revenue for the nine months ended September 30, 2016 was £213.3 million and £262.6 million for the nine months ended September 30, 2017.

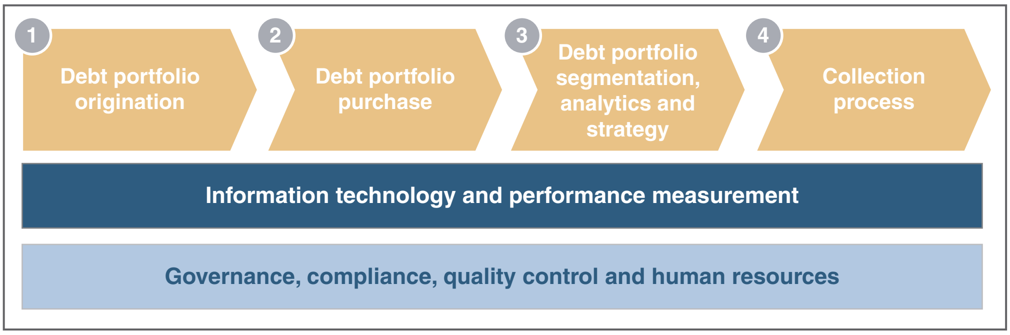
(3) Third-party collection, related services and other services for the nine months ended September 30, 2016 was £114.8 million and £128.8 million for the nine months ended September 30, 2017.

Our Gross Collections on purchased debt for the twelve months ended September 30, 2017, generated a split across several industries, including financial services (58%), retail (24%), telecommunications (5%), fitness (2%) and other (13%). Our Gross Collections on purchased debt based on the Group's revenue for the year ended December 31, 2016 (excluding lawyer services revenue), generated a revenue split amongst our clients across several industries, including financial services (44%), retail (26%), telecommunications (24%), fitness (2%) and other (3%).

Our cash income (defined as total revenue for the period adding back portfolio amortization and portfolio fair value release and deducting portfolio write-up, lawyer service revenue and other revenue) for the twelve months ended September 30, 2017 was £579.6 million and generated a split by (i) geography: the UK (62%) and DACH (38%) and (ii) business segment: debt purchasing (81%) and third-party collections and services (19%). Our cash income (defined as cash collections from owned assets plus cash commissions received from assets serviced) based on the Group's revenue for the year ended December 31, 2016 was £483 million (representing an increase over our prior year cash income) and generated a revenue split by (i) geography: the UK (63%) and DACH (37%) and (ii) business segment: debt purchasing (83%) and third-party collections and services (17%).

Debt Purchase

We believe that bundling our expertise, knowledge and methods group-wide leads to an increase of effectiveness in our debt purchase process. As a result, a mutual standardized approach is followed across our divisions. To ensure the compliant execution and simultaneously the consideration of regional specifics a new Group function ''transaction management'' was implemented this year, which is embedded in the Group's business solutions department. This function is responsible for steering the debt purchase process and managing the required aspects of the purchase transaction. Most importantly, given the critical importance of our internal and external partnerships, it ensures the collaboration with decision science, operations, legal, and others areas to lead cross-functional deal teams and improve information flow while ensuring that all client and regulatory requirements are met or surpassed. The overarching process comprises four main stages: (1) debt portfolio origination; (2) debt portfolio purchase; (3) debt portfolio segmentation, analytics and strategy; and (4) the collection process.



Debt Portfolio Origination

Our UK Division's Debt Portfolio Origination

Our UK Division has been active in the UK debt purchase market since 2004 and, as of September 30, 2017, had purchased 1,583 debt portfolios from 66 clients, consisting of approximately 24.4 million accounts, for an acquisition cost of £1,346.1 million and a total debt portfolio face value of £18.3 billion. The majority of debt portfolios are currently offered to the market through spot sales featuring a competitive tender process, which typically involves three or four debt purchasers selected by the client. These auctions may be managed directly by the vendor or may be facilitated by an intermediary, such as TDX Group Limited. Other spot sales channels include, for example, an increasingly common bilateral process in which a debt portfolio is offered to a single purchaser on an exclusive basis. Furthermore, we have entered into forward flow agreements with a number of top debt originators, pursuant to which we have purchased all or substantially all of such debt originators' debt sales, subject to pre-agreed criteria. We generally enter into forward flow agreements through a competitive bidding process and renew such agreements on a bilateral basis. See ''—*Debt Portfolio Purchase—Types of Debt Purchase Agreements—Forward flow agreements*.'' To facilitate our portfolio purchases, we maintain a live sales tracker with data on up to twelve months of forecast debt portfolio sales in the UK market, including estimates of face value, number of accounts, debt type, pricing and timing of individual acquisition opportunities. This tracker allows our executive team to actively pursue opportunities and tailor our strategy to changing conditions. This rolling twelve-month forecast is reviewed by our sales team on a weekly basis and enables us to monitor the progress of our debt portfolio purchases throughout the relevant financial year.

Our DACH Division's Debt Portfolio Origination

Our DACH Division has been active in the DACH region debt purchase market since 2003 and, as of September 30, 2017, had purchased 355 debt portfolios consisting of approximately 8.2 million accounts, for an acquisition cost of €489.5 million (£399.5 million) and a total debt portfolio face value of €5.6 billion (£5.0 billion). We acquire debt portfolios in the DACH region through spot sales and forward flow agreements, each of which can be transacted by way of market debt tender or off-market sales. We believe we are invited to nearly all major market debt tender processes in the German market. In a typical off-market sale, we are one of a limited number of purchasers in the DACH region engaged in discussions with a debt originator. In these situations, we have the opportunity to negotiate the content of the portfolio acquired and can work with the debt originator to agree on terms that maximize target outcomes for both parties. Our specialized sales teams maintain close relationships with debt originators and leverage those relationships, along with our strong reputation in the debt collection market of the DACH region, to win new business and thus to originate new portfolios.

We believe that we are uniquely situated in both the UK and DACH region markets in terms of the proportion of debt portfolios that each acquires pursuant to forward flow agreements.

Debt Portfolio Purchase

Our UK Division's Debt Portfolio Purchasing

In the UK, a debt portfolio vendor will supply interested parties with a tender document that includes debt portfolio information at an account level, which in our experience is often stale and incomplete. Our automated portfolio pricing models and tracing systems, along with our significant track record with debt originators, provide us with the ability to evaluate a debt portfolio for sale in great detail before we make a decision to purchase. With what we believe to be the largest consumer database in the UK CMS market and efficient tracing capabilities, we are able to supplement the information provided by the debt originator to improve our analysis of the portfolio. The high crossover rate of accounts between sectors further improves our tracing capabilities and increases the amount of consumer data we have available to inform our pricing decisions in the UK. Given the size of the reference database on our backbook, we have been able to carry out significant statistical analyses to determine the key variables that drive collection performance on consumer accounts. See ''*—Decision Science—Our UK Division's Decision Science.*'' We develop detailed collection curves and cost curves for a new debt portfolio to determine a maximum price to bid, which often includes benchmarking the characteristics of the debt portfolio's consumer base against similar debt portfolios we purchased. We also build synthetic debt portfolios with actual performance data and consumer characteristics similar to those of the portfolio being considered. These methods allow us to make a detailed pricing recommendation to our UK Division Investment Committee, which will determine our final bid price. Due to our reputation and experience, we are invited to bid on a large proportion of debt sold in the UK market.

Our DACH Division's Debt Portfolio Purchasing

Prior to acquiring a debt portfolio, we evaluate the purchase opportunity through a multi-stage process generally consisting of two rounds of bidding, an indicative bid and a final bid, along with extensive due diligence throughout the process. As part of our due diligence, we receive both consumer information (*e.g.*, gender, age and address) and receivables information (*e.g.*, outstanding principal balance, interest and fees due, claim size and payment history information). If the debt originator accepts our indicative bid, it will then typically provide us with additional information on the portfolio, allowing us to perform a more complete review to determine the underlying quality of the portfolio. In this second phase of due diligence, we typically perform a detailed on-site assessment of the portfolio's value. In both the indicative and final bid stages, we use historical payment and reference portfolio analyses to determine a potential price that represents the discounted value of estimated cash flows net of costs. Our governance process with regard to new investments depends on the total amount to be invested. We bid on all investment opportunities initially brought to the investment committee. We win approximately 27% of all investment opportunities initially identified.

Types of Debt Purchase Agreements

In both the UK and Germany, we purchase debt portfolios pursuant to two types of arrangements: spot sales and forward flow agreements.

- **Spot sales.** We purchase debt portfolios through ''spot'' agreements, the terms of which are individually negotiated on a case-by-case basis. A spot agreement generally relates to a single portfolio. In the UK, spot sales may be conducted through auctions, bilateral sales or *in situ* sales. In Germany, spot sales are mostly conducted through auctions. For the 12 months ended September 30, 2017, spot agreements accounted for approximately 56% of the total purchase price of our UK Division's debt portfolio purchases (£123.8 million) and approximately 36% of the purchase price (or approximately €21.7 million (£18.6 million)) of our DACH Division's acquired portfolios. See ''*Industry and Market Data—Debt Purchasing—Methods of Debt Sale—Spot sale*.''
- **Forward flow agreements.** A forward flow agreement is an agreement to buy several portfolios over a period of time at a predetermined price, specified credit quality and point in the debt recovery cycle. We have entered into forward flow agreements with a number of top debt originators. From the inception of our UK Division in June 2004 through September 2017, forward flow agreements and agreements that were a mixture of a forward flow agreement with a spot purchase accounted for approximately 41% of the total purchase price of our UK debt portfolio purchases. From the inception of our DACH Division in 2003 through September 30, 2017, 43% of the total purchase price of our DACH Division's debt portfolio purchases was purchased pursuant to forward flow agreements. For the twelve months ended September 30, 2017, forward flow agreements

accounted for approximately 44% of the total purchase price of our UK Division's acquired portfolios and approximately 64% of the total purchase price of our DACH Division acquired portfolios, representing approximately £95.3 million and €38.1 million (£33.2 million) in spending for purchased debt, respectively.

Forward flow agreements enable us to benefit from tailored, long-term and continuous debt purchase arrangements. The long-term nature of forward flow agreements, combined with the ongoing debt originator relationships that result from them, provide us with visibility as to purchase volumes and expected returns. In addition, we are able to adjust the price of certain new debt portfolios we purchase in the UK over the duration of a forward flow agreement in accordance with the performance of previously purchased portfolios, the quality of debt in the new portfolio and our current forecasts, which are derived from models mutually agreed between the debt originator and us. Going forward, we intend to explore the possibility of adding such pricing flexibility provisions to our DACH Division's forward flow agreements. Moreover, debt in portfolios acquired pursuant to forward flow agreements tends to be ''fresher'' than debt in portfolios sold by other means because there is less of a delay between when the debt is considered defaulted and when we can begin collections. As a general rule, the ''fresher'' the debt, the higher our collection expectations, since customers' willingness to engage with us and repay typically decays over time following a default. See ''*Industry and Market Data—Methods of Debt Sale—Forward flow agreement*.'' While the amount of our portfolio purchases remained largely unchanged in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, more than 54% of our portfolio purchases in the nine months ended September 30, 2016 were impacted by exceptional spot sales.

Debt Portfolio Segmentation and Strategy

Our UK Division's Debt Portfolio Segmentation and Strategy

Following the successful acquisition of a debt portfolio in the UK, we commence a series of automated processes that load the debt portfolio onto our collections platform, obtain consumer data and append such data to the debt portfolio, and perform an analysis of each individual consumer's propensity to pay, following which an initial collections strategy is set. We are able to load the portfolio onto our system and run the related processes within a reasonable timeframe by analyzing and tracing millions of accounts. This avoids the need to reach out indiscriminately to all accounts, which would increase costs. We tailor our approach and focus on the consumer accounts that we believe have the greatest propensity to pay. For further information, see ''*—Decision Science—Our UK Division's Decision Science*.''

Our DACH Division's Debt Portfolio Segmentation and Strategy

Upon receipt of a consumer's account file in our DACH Division, we ''onboard,'' or integrate, it into our DACH Division's databases. Throughout the collection process, we retrieve additional consumer data via our external data providers, leveraging best-of-breed data providers in the areas of credit information, address data and telephone numbers. Our highly automated operating platform allows us to onboard a significant amount of new accounts in our DACH Division, and we currently onboard more than one million new accounts each year. As of September 30, 2017, our DACH Division had serviced in total 22.0 million accounts and had collected information on 17.7 million consumers, including consumers from both 3PC and owned accounts. This information allows us to more accurately determine collection strategies. For further information, see ''*—Decision Science—Our DACH Division's Decision Science*.''

Collection Process

Our UK Division's Collection Process

Our UK Division's approach to collections is focused on delivering the optimum return on capital employed by minimizing cost versus collection potential. Contacting consumers with the highest propensity to pay is key to minimizing servicing costs and optimizing returns. Between June 2004 and September 30, 2017, we have needed to collect from only 28% of our UK consumer accounts in order to achieve returns. To achieve this result, we use a sophisticated statistical analysis of extensive consumer information and empirical collections data designed to match the right strategy to the right consumer at the right time. Our approach to consumers is based on obtaining an accurate understanding of their financial circumstances and is designed to identify repayment options that achieve a beneficial outcome both for us and for the consumer, in order to foster a positive relationship and reduce the frequency of complaints. Our collections department has access to detailed and constantly updated consumer profiles to aid in the development of sustainable payment plans.

This data-driven approach is supported by a technologically advanced and highly automated collections platform and implemented via a multi-channel contact strategy that utilizes call-center contact, letters, text messages and emails. Accounts determined to have the highest propensity to pay are treated with a specific letter and out-bound dialer strategy designed for such accounts. Less collectable accounts are treated with different strategies that are tailored to the consumer's financial circumstances and our business's capacity and desire to deploy the required resources.

- **Letter strategies.** All letters are drafted in a consumer-friendly utility-bill format designed to encourage consumers to contact the call center. The collaborative tone of each letter is designed to engender engagement. The approach of each letter is tailored to each consumer and determined by debt portfolio segmentation during the book-on process.
- **Dialer strategy.** Predictive dialing is a key component of our UK Division call-center strategy, allowing numerous calls to be queued simultaneously and allocated to available representatives. Our telephony system and fully automated, predictive dialer have benefited from a significant level of investment. Key features of our telephony system and dialer include:
  - the use of a blended in-bound and out-bound dialer with the ability to prioritize valuable in-bound calls;
  - the ability to automatically select and sort consumer records based on scoring and segmentation parameters;
  - the ability to screen answer machines and unanswered calls to help ensure that representatives maximize time spent speaking to consumers;
  - the ability to capture telephone numbers and time of day at which previous calls have been successful for reference when each account is recycled through the dialer; and
  - the ability to route calls to representatives based on defined capability and priority parameters (such as debt type).

Increasingly, we are investing in web, email, SMS and mobile applications to contact consumers in the UK and allow them to communicate and pay through their preferred method of payment.

When a UK consumer engages with us by contacting a representative in our call center, the representative who is responsible for adherence to compliance requirements has a full view of established payment plans (if already set up by the consumer), and benefits from the use of daily-updated information about movements in a consumer's file. Collections performance is monitored at an account level on a daily basis using automated reports detailing monies received in the month to date, forecast collections for the remainder of the month and expected variances from targets by debt portfolio. We also have access to a wide range of management reports on a real-time basis and individual account details, using our business intelligence reporting software. This ability to access information on a flexible, efficient and immediate basis is critical to allow management to design, implement and, when required, change collection strategies on existing portfolios and pricing strategies on prospective portfolio purchases. This also allows management to optimize value and protect returns on the debt portfolios that we own. Our UK Division also saw a reduction in our consumers' default rate from 9.1% to 6.1% between September 30, 2014 and September 30, 2017 based on a three-month average. The default rate is calculated as the aggregate monetary value of payments due but not collected under payment arrangements with paying consumers divided by the aggregate amount due under these arrangements.

With the launch of Lowell Solicitors in October 2015, our UK Division's litigation services subsidiary, we have leveraged their experience and expertise to pursue and develop a litigation collection process for collection on our debt purchase portfolios in the UK. By bringing what was previously an outsourced process into our operations, we believe we will enhance our ability to monitor and direct each step of the litigation process. We believe that having a litigation capability in-house enables us to provide a more seamless experience for our consumers, implement a more efficient process that will generate commercial efficiencies for investors and improve the visibility of our control and oversight over the end-to-end collection process for our clients.

In certain situations, (*e.g.,* when specialist collection skills may be required), we outsource some of our UK accounts to third-party agents. Outsourced collections represented approximately 21% of our UK Division's collection revenue for the twelve months ended September 30, 2017. Our UK Division engages DCAs either to selectively benchmark our own performance or when the defaulted debt requires highly specialized attention and is less cost-effective for us to pursue directly. DCAs selected to work on our behalf are subject to a stringent due diligence process. To ensure that regulatory and compliance standards are maintained, we further maintain a program of regular audits of the third-party DCAs we employ, which include telephone questionnaires and on-site audits during which we examine account activity and monitor live calls.

Our DACH Division's Collection Process

In the DACH region, the unsecured consumer credit recovery cycle typically has three stages, the characteristics of which may differ depending on factors such as collection activities already taken by the debt originator or whether there is a fixed payment date. The three stages are: (1) ongoing accounts CMS on performing loans and/or debt outstanding; (2) early-stage recoveries for unpaid debt within 45 days (or, in the case of receivables sourced from the financial services industry, generally 90 days) after the payment due date for debt that specifies a payment date; and (3) ongoing debt collection activities for defaulted debt beyond the 45-day (or, in the case of receivables sourced from the financial services industry, generally 90-day) early-stage recovery period. Ongoing accounts CMS is typically handled in-house, whereas debt collection services are typically outsourced to third-party providers at the early-stage recovery phase and in the ongoing collection phase. Our products and services in the DACH region cover the full debt recovery cycle and, in some instances, risk management solutions implemented prior to the origination of debt, enabling us to benefit from a longer servicing period. We believe that we also benefit from the fact that we service our purchased portfolios through one of our servicing subsidiaries. In doing so, we control the entire debt collection process, are able to implement optimal third-party collection strategies and benefit from the scale of our collections operations.

Optimizing consumer contact at each stage of the collection life cycle is the key to our collection strategy. We adapt our procedures to maximize the total amount collected over the life of the debt through sustainable payment plans or affordable settlements achieved through an amicable and solution-oriented collection approach rather than by exploiting short-term collection potential. The process consists of the following key phases: (1) the pre-legal or ''amicable'' phase; (2) the legal phase; and (3) the long-term monitoring phase. During this process, our DACH Division has the potential to earn fees on collections by passing through statutory fees to the consumer and earning contractually based success fees, generally during the long-term monitoring phase, from debt originators.

- **Pre-legal or ''amicable'' phase.** During the pre-legal phase, our goal is to agree to a voluntary payment plan or settlement with the consumer. Any repayment arrangements with consumers are structured in accordance with specific internal policy guidelines and debt originator contract requirements, if applicable, and are designed to be sustainable and affordable for the consumer. To enhance efficiency during the collection process, we leverage the centralized core debt management systems of our DACH Division and the information in our extensive databases in order to swiftly assess a consumer's ability to pay and tailor an optimal collection strategy for each individual consumer. Ultimately, the combination of collection methods that we use for a specific debt originator depends on various factors, including the claim size, the debt originator we are acting on behalf of, applicable laws and regulations, and the individual consumer.

In general, one or two days following onboarding, our DACH Division makes initial contact with the consumer by means of a ''hello'' letter. If, after a maximum of one month, the consumer has not repaid or demonstrated his or her willingness to repay the outstanding balance, we will begin to send escalation letters to the consumer, which include tailored messages and are often sent by third-party law firms engaged by us. Beginning at the end of 2016, we have begun preparations to reduce our use of third-party law firms and have started to transfer certain of these functions in-house. Throughout this phase, our DACH Division's call center personnel will contact the consumer to assess his or her willingness and ability to pay for purposes of performing an income-expenditure assessment. Our five industrialized and automated call centers, with a total of 218 agents (186.1 FTEs), made 116 calls per FTE in continuing operations per day in the first nine months of 2017. In addition to calling consumers, we have also started sending text messages to consumers with a request to call back and have realized a higher callback rate through text messages than through standard voicemail messages. Whether a voluntary payment plan or settlement is agreed with the consumer depends on the results of our income-expenditure assessment (*i.e.*, the evaluation of a consumer's willingness and ability to pay), and on any restrictions the debt originator may have placed on us.

- **Legal phase.** Typically, three weeks after sending the escalation letters, legal action can be initiated on claims that have not been repaid or settled. A claim moves into the legal phase if we determine that the consumer has the ability to pay but is otherwise unwilling to voluntarily pay, or if we have been unable to agree to a solution with the consumer in the pre-legal phase. While we aim to resolve claims by working with consumers without relying on legal enforcement, we will employ legal methods if we believe that this is the optimal strategy and if the economics of the legal proceedings are attractive to us. Examples of solutions we seek in the legal phase include garnishment of wages, sale of collateral, bankruptcy proceedings and debt restructuring. When legal action is taken, litigation costs are paid for by the consumer if the court decision is in the creditor's favor.

Prior to taking legal action, we determine whether a particular account is suitable for court action based on a variety of factors. We assess available information about the consumer from credit bureaus, including the consumer's credit score and any ''negative entries'' showing that the consumer is vulnerable or does not have the ability to pay. If there are negative entries indicating that legal action is inappropriate, we will transfer the account to the long-term monitoring phase and continue to monitor it on a regular basis for any changes to the consumer's personal and/or financial circumstances. If we determine that a consumer's account is suitable for legal action, then we will seek a judicial order to pay. Our processing capabilities are enhanced by our service center, a centralized, automated hub for managing mail, digitizing German consumer files and physically archiving court documents.

- **Long-term monitoring phase.** The long-term monitoring phase typically commences when a claim is written off due to the consumer's being insolvent and/or the claim being deemed uncollectable. If we have obtained enforcement title to the claim, this phase can last up to 30 years. During this phase, we monitor changes in the circumstances of the individual consumer in order to determine whether its ability to begin payment has been enhanced. When it appears through surveillance that a consumer's financial position has improved, we then look to both pre-legal and legal means to collect on the claim. We have a strong track record of collecting on older claims in our purchased debt portfolios.

We undertake substantially the same collection process in both our third-party collection services for external clients and in collecting on our purchased debt portfolios. However, when we perform third-party collection services on behalf of our clients, we typically operate within our own guidelines regarding settlements, as well as according to specific collections procedures. For our purchased debt portfolios, we generally have the flexibility to set guidelines regarding when to settle a claim and what procedures are utilized, subject to any contractual limitations or other arrangements with the relevant debt originator. For example, we are typically restricted from deploying contractors who physically visit consumers' homes. Actions taken during the collection process are designed to take into account any restrictions imposed by applicable laws and regulations, and to preserve our and our clients' reputation. For further information regarding our third-party collection services business, see ''—*Third-Party Collection Services and Other CMS Services—Third-Party Collection Services—Our DACH Division's Third-Party Collection Services*.''

Third-Party Collection Services and Other CMS

Third-Party Collection Services

Our UK Division's Third-Party Collection Services

In May 2013, we acquired Interlaken, a UK DCA specializing in high-volume consumer credit collection through its subsidiary Fredrickson. Fredrickson provides third-party collection services both to our UK Division, in respect of our UK Division's purchased debt portfolios, and to our UK clients. Fredrickson has a client base complementary to ours and is active in various sectors, including the financial services, telecommunications, home retail credit, public and utilities sectors. As of September 30, 2017, Fredrickson had £336.3 million of third-party debt under its management relating to various third parties, excluding debt managed for our UK Division, representing 380.9 thousand active consumer accounts. For the twelve months ended September 30, 2017, Gross Collections made on this debt was £113.7 million.

Fredrickson positions our UK Division to enter new market sectors, particularly the public sector and the high-balance portfolio segment within the financial services sector. Fredrickson is one of a select group of DCAs appointed by HM Revenue & Customs (''**HMRC**''), the UK's tax and customs authority, to be a member of HMRC's framework agreement to provide collection services for central government departments. As a result, we believe we are well placed to continue servicing HMRC's debt recovery needs. We have also entered into a contract with HMRC, which has resulted in additional placement volumes in 2017. In addition, Fredrickson's expertise in servicing high-balance accounts in the financial services sector enhances our UK data assets, and we believe this will further improve its collection experience and accelerate portfolio purchases in that sector.

As a result of changing legislation that allows corporate entities to own a solicitors firm under the Alternative Business Structure (''**ABS**'') rules, the Solicitors Regulation Authority (''**SRA**'') granted us approval in June 2015, which took effect on October 1, 2015, to establish our own legal firm, Lowell Solicitors. Lowell Solicitors provides the majority of Litigation services to the group in the UK. We are one of the few businesses in the UK CMS industry to have applied for and received approval from the SRA to proceed with legal activities. The rollout of litigation capabilities is a major step towards the expansion of our fully integrated, end-to-end CMS approach. We believe that having a litigation capability will enable us to provide a more seamless experience for our consumers, a more efficient process that will generate commercial efficiencies for our investors, while improving the visibility of our control and oversight over the end-to-end collection process for our clients.

Our DACH Division's Third-Party Collection Services

In the DACH region, we provide collection services to collect overdue debt and receivables both for our clients and for our purchased debt portfolios. As of September 30, 2017, we had serviced 13.8 million accounts, representing approximately 10.8 million consumer accounts within the third-party collection services business, with an aggregate face value on open accounts of €10.8 billion (£9.5 billion equivalent) including fees, interest and costs added to the principal amount. Our third-party collection services clients are debt originators in a range of sectors, including primarily the financial services sector, telecommunications, utilities, services, retail, fitness, and public sectors. For the twelve months ended September 30, 2017, our third-party collection services business generated 52.5% of our DACH Division's revenue excluding lawyer service revenue and other services revenue.

The collection process that our DACH Division uses in its third-party collection services business is substantially similar to the collection process that it uses in its debt purchase business. For further details regarding these collection processes, see ''*—Debt Purchase—Collection Process—Our DACH Division's Collection Process*.''

We generate servicing fees through multiple channels, all of which are supported by the German and Austrian legal framework for debt collection, which provides for statutory and regulation-based fees for third-party collection companies. The service fees we earn depend on the contractual agreements we have with our clients. The fees that are passed on to the consumer are capped at statutory amounts under applicable regulation, including the German Introductory Act to the Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz*) and the German Law on the Remuneration of Lawyers (*Rechtsanwaltsvergütungsgesetz*). Fees of third-party collection companies are limited to the amount a lawyer could claim for similar activities and are tied to the amount in dispute. Further fees are incurred by the consumer if a lawyer is eventually engaged in the collection process. These fees are passed on to the consumer as an additional damage amount.

Our third-party collection services do not require significant ramp-up costs and are therefore less capital-intensive than debt portfolio purchases. While a purchased portfolio is recognized on the balance sheet, third-party collection services can be performed with limited balance-sheet impact, which mostly relates to certain upfront guaranteed payments on future collections that we grant some of our larger third-party collection services clients. In such cases, we guarantee that we will successfully collect a certain percentage of the outstanding principal amount of claims. These guaranteed payments are capitalized on our balance sheet.

In addition to managing third-party receivables through contractual relationships with our clients, we have a successful track record of structuring a number of outsourcing deals in which we carved-out and took over clients' in-house collection operations. These carve-out agreements may include transferring staff and growing the collection teams we take over. In exchange for these deals, we receive multi-year exclusive collection agreements and access to early-stage recovery debt. Since we conducted our first transaction of this kind in 2004, we have successfully carved out CMS teams from clients within the telecommunications, insurance and financial services industries in four additional transactions. We have secured long-term collection agreements with terms of up to six years with the respective debt originators from which we have taken over the collection platform. Such transactions are typically done without upfront payment to the debt originator, although we may sometimes structure share deals equaling to the value of long-term service contracts.

We believe our carve-out platform is mutually beneficial. We enable our clients to collect more receivables at lower cost due to our operating scale, experience, processes and tools. Long-term servicing contracts give us earning visibility and support our future revenue and cash flow generation. Exclusive access to early-stage debt also gives us opportunities to cross-sell other services, such as debt purchase, down the debt recovery cycle as we gain specialized familiarity with the clients' debt portfolio.

Other CMS

Our UK Division's Other CMS

In June 2014, our UK Division introduced a suite of value-added services (branded ''Accumulus'') that are specifically targeted at strengthening client relationships. They provide bespoke data and technology solutions that add value to the client throughout the clients' credit life-cycle. These services, which we offer free of charge to certain of our debt originator clients, are complementary to our collection services offerings and facilitate our strategy of further embedding ourselves in our clients' CMS chain.

Our DACH Division's Other CMS

In addition to our core third-party collection services and debt purchase businesses, we also provide a suite of further value-added services to our DACH Division's clients. Our other services primarily cover three areas: risk management solutions, e-commerce solutions and data information services. Examples of these services include OrderCheck (which performs consumer default risk assessment before order execution for online payments) and the ClientMatching service (which matches known consumers with e-commerce sector clients). The commissions we generate for running credit checks are recorded as revenue in our third-party collection services business. However, the defaulted debt acquired is recorded in the debt purchase business, which, in accordance with statutory reporting rules, is immediately recognized with an impairment from the face value of the debt. In addition, we offer logistical and administrative services to the external lawyers we engage.

Decision Science

We believe the level of sophistication and automation embedded in our technology enables us to price our debt portfolios both rapidly and accurately based on significant detail and analysis, which we believe increases the efficiency and effectiveness of our collection efforts while also supporting our customer satisfaction and compliance goals. We believe our technology also helps us to optimize our choice of contact medium and collection strategies for our consumers. Accordingly, our data and analytics have provided us with what we believe to be a significant competitive advantage over other participants in the CMS market. We believe that our culture encourages continuous technological and operational innovation that contributes to improvements in our performance and the ease with which our consumers are able to engage with us. Technology is a key component of our business model, and we have invested heavily in our IT platform.

Our UK Division and DACH Division share best practices between them. We believe our operational efficiency and low-cost structure are key contributors to our competitive advantage in our core markets and are, in part, the result of investments in sophisticated logic sequences that are highly automated and integrated with both proprietary and other highly advanced software applications.

In addition to planned integration of successful IT and data systems on a group-wide basis, we have already engaged in a number of successful integration projects. For example, in spring 2016 our decision science department (''**Decision Science**'') was established by our new executive board member, the Chief Science Officer. The department is focused on understanding, measuring, and predicting consumer financial behavior, especially within subprime credit, financially distressed, and low- and moderate-income populations. The team comprises business analysts, statisticians and quantitative scientists dedicated to addressing the company's most challenging analytic problems. From asset pricing based on sophisticated consumer segmentation schemes, to the development of operational and forecasting models that enhance operational performance, to experimenting with new product ideas for our institutional clients, we use mathematics, psychology, economics and raw business acumen to support the needs of our business.

Our UK Division's Decision Science

As the sophistication of our platform has grown, our UK Division has been able to increase its match rate from 34% as of December 2010 to 46% as of December 2013 and 60% as of December 2016, which we believe to be higher than the match rate of our competitors. The number of accounts has increased over recent years from 10 million as of December 2012 to 16 million as of December 2014 and 24.4 million as of September 2017, and we currently hold data on one in five UK consumers. Our UK systems also benefit from a virtuous cycle: the more data they collect, the more accurate the systems become, and the more difficult they are to replicate. These key IT and data systems include:

- **LIMA.** LIMA is our proprietary automated tracing and consumer data intelligence system. It has the ability to cleanse and append account data and consumer attributes, trace and verify consumers' addresses using several data sources processed through thousands of logic sequences, provide refreshed contact information and up-to-date financial profiles that enable us to know where our consumers reside, and assess consumers' financial circumstances while providing us with a greater ability to contact them. Management estimates that our automated tracing technology has the capacity to run up to 9.0 million traces per month.
- **SAS.** SAS is a data mining, process automation and data modeling tool that allows for complex statistical analysis. This system automates complex data mapping techniques that our modellers use to produce sophisticated propensity-to-pay scorecards that are used across the entire business, from ranking consumers on their ability to pay to constructing ''effort sloping'' scores that can optimize net yield on an account.
- **Qlikview.** Qlikview is a business-intelligence reporting tool that provides us with both scheduled and real-time management information. The system can perform low-level ''drill down'' analysis while providing a number of graphical outputs. This enables us to effectively understand key trends, and thus to manage our business more effectively.

We leverage the breadth of our data and collection experience to develop more accurate systems and achieve significant scale in our analytics platform. For example, we have data available for approximately 24.4 million accounts and 10.7 million consumer accounts and our data and analytic systems manage 59 business critical and supporting IT applications and process 108 million traces per year. We believe that incorporating these data and analytic processes into technology-focused solutions allows for increased collections and lower costs. For example, we believe that our sophisticated matching techniques, which harness our extensive consumer database and advanced analytic capabilities, enable us to improve our pricing accuracy, more easily find consumers associated with new accounts and devise payment arrangements that optimize consumer outcomes. Our rate of crossover for new portfolios (*i.e.*, the proportion of accounts in a portfolio that can be associated with existing consumer data) was 60% in 2016. Our diversification enables a greater enrichment of our data base often resulting in stronger match rate and data insight when pricing contracts or portfolios. Since September 1, 2012 to September 30, 2017, we have invested £10.8 million in aggregate in our UK platform, focusing on improvements and innovations in our pricing, tracing, collections and systems.

We have a track record of implementing incremental technological and collection process improvements that have contributed to increased performance and efficiency throughout the business. In 2006, we introduced LIMA, which began as an automated tracing and consumer intelligence system with an automatic link to our data supplier's public database. LIMA has subsequently been linked to full bureau Credit File. Between 2006 and 2016, we continued to improve our trace and technology measures through the introduction of CIS (Credit File information to front line), daily bureau data feeds, ECAPs data (data showing a consumer's previous applications for credit), single consumer identifiers and trading floor data. As a result, the effectiveness of our platform has increased materially and the amount of right party connections per account, which we believe a measure of our tracing and contact systems' efficiency, has increased from 17% in 2008 to 22% in 2016.

Our DACH Division's Decision Science

Our DACH Division platform is composed of a combination of proprietary systems and software as well as solutions provided by external vendors. In early 2014, we initiated the creation of a dedicated analytics team that has since developed into a team of 22 experienced and highly trained experts in data science, comprising mathematicians and statisticians, with the goal of implementing predictive analytics in our DACH Division to improve collection strategies, pricing and valuation, assess data quality and improve internal processes.

As of September 30, 2017, our DACH Division has data available for approximately 7.5 million active accounts and 6.0 million active consumers. Our data and analytic systems have processed 48 thousand score requests per month and approximately 800 thousand traces requests to external data sources in the past nine months. We seek to continuously improve the sources, quality and pricing of data that is required to locate consumers and predict their payment behavior. Our acquisition of DMA in October 2014 has allowed us to create a consistent data sourcing framework throughout the DACH region for this purpose. DMA has been integrated into our decision science team and enables all of our operating entities to source data from more than 15 data providers through a single unified interface. Data sourced through DMA covers three main types of raw data: creditworthiness, address data (moves) and phone numbers. We use the decision science team's and DMA's resources to focus on the development of analytical capabilities in our operations, such as the development of portfolio-specific scoring models to tailor collection strategies and to optimize the ratio between cash collected and processing costs. We also hold a data trading license in Germany, which provides us with the future potential to expand into the data trading field and offer information services to our clients and other external parties.

We are continuing to develop our decision science capabilities with respect to historical third-party collection information and to develop a centralized data warehouse for all of our data assets. The ultimate goal of these development initiatives is to provide an enhanced interface for managers to track the performance of our respective departments in the DACH region in real-time (*e.g.*, through the analysis of up-to-date sales data and collections performance).

Geographic Footprint and Operating Subsidiaries

We are generally focused on promoting growth in core activities and businesses while exiting non-core activities. We have focused on growing our core debt purchase business through transactions such as the acquisition of Interlaken, IS Inkasso Service, the Tesch Group and Apontas, as well as growth through purchasing of portfolios.

As of September 30, 2017, we had four trading entities in the UK, 20 operating entities in Germany, four operating entities in Austria and one operating entity in each of Switzerland and Croatia, as shown in the following table:

Operating Subsidiaries	Country of Incorporation	Area of Expertise
UK Division		
Lowell Financial Limited	UK	Consumer debt purchase & collection
Lowell Portfolio I Limited	UK	Consumer debt purchase & collection
Lowell Solicitors Limited	UK	Consumer debt collection
Fredrickson International Limited	UK	Consumer debt collection
DACH Division		
Lowell Holding GmbH (Lowell Holding GmbH)	Germany	Holding company
Lowell Financial Services GmbH (Lowell Holdco GmbH)	Germany	Holding company operations
Deutsche Multiauskunftei GmbH (DMA)	Germany	Decision science, data sourcing
Lowell Service Center GmbH (GSC)	Germany	Service center for mailing, filing
Sirius Inkasso GmbH (SIR)	Germany	Insurance, utilities, telecommunications
Proceed Collection Services GmbH (PCS)	Germany	Financial Services
GFKL Collections GmbH (GCG)	Germany	Telecommunications
Inkasso Becker Wuppertal GmbH & Co. KG (IBW)	Germany	SMEs, mail order, media, fitness
IBW Verwaltungs- und Beteiligungs GmbH (IBW Verwaltung)	Germany	Holding company
intratech GmbH (ITT)	Germany	Software, fitness
GFKL PayProtect GmbH (formerly Domnowski Inkasso GmbH)	Germany	E-commerce, business-to-business
Zyklop Inkasso Deutschland GmbH (ZYK)	Germany	All industries issuing invoices
Lowell Investment GmbH (IVG)	Germany	DP investment company
Lowell Portfolio Management GmbH (PMG)	Germany	DP investment company
Tesch Inkasso Forderungsmanagement GmbH	Germany	Utilities, public sector
Tesch Service GmbH	Germany	Utilities, public sector
DC Portfolien GmbH	Germany	DP investment company
Tesch Mediafinanz GmbH	Germany	E-commerce, retail
Tesch Inkasso Finance GmbH	Germany	Telecommunications
mediafinanz collection services GmbH	Germany	Holding company
IS Group Management GmbH (IS Inkasso Service)	Austria	Holding company operations
IS Forderungsmanagement GmbH	Austria	Debt collection
IS-Inkasso Service GmbH	Austria	Debt collection
EDV-Hofer GmbH	Austria	Information technology
IS Inkasso Service GmbH	Switzerland	Debt collection
IS Inkasso Servis d.o.o.	Croatia	Debt collection
Apontas GmbH & Co. KG	Germany	Debt collection
Apontas Verwaltungs GmbH	Germany	Debt collection
Apontas Inkasso GmbH	Germany	Debt collection
Apontas Invest GmbH	Germany	Debt collection

Clients

We engage with clients across a range of industries and hold leading positions in the telecommunications and retail sectors (with respect to our UK Division's debt purchase business) and the public sector (with respect to our UK Division's third-party collection services business) in the UK and leading, top-five, or top-ten market share positions across a number of sectors in Germany, including the financial services, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors. We believe that our diversification across numerous sectors decreases our exposure to changes in any one industry.

Our UK Division has strong client relationships across several sectors, such as the financial services, home retail credit, insurance, telecommunications, public and utilities sectors. We have purchased debt portfolios from 66 clients since 2004, and our average relationship length was six years as of September 30, 2017. During the twelve months ended September 30, 2017, we purchased debt portfolios from 28 clients with which we have active relationships, and many of these active clients are major companies with which we have established a long-term relationship.

Our DACH Division has a client base of several thousand clients throughout the large, well-known client and small and medium enterprise segments, with the top five clients representing approximately 51.7% of our revenue in our DACH Division third-party collection services business for the year ended December 31, 2016. We provided services to a number of large, well-known clients in 2016. For the year ended December 31, 2016, 82% of our revenue was generated from clients with whom we had already established a relationship as of 2010.

Moreover, our DACH Division maintains a broad sector coverage based on revenues for the twelve months ended September 30, 2017 (excluding lawyer services revenue), generating a revenue split amongst our clients across several industries, including financial (36%), telecommunications (18%), retail (17%) and other (30%). As of December 31, 2016, we believe we held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, e-commerce, telecommunications and utilities, as well as top-ten positions in the retail and public sectors in Germany.

At the Group level, we have improved our new client acquisitions between 2015 and 2016. We have a strong track record in maintaining long-standing relationships with our clients across all sectors that we operate in.

Marketing and Client Relations

We place great emphasis on the strength of our marketing and client relationships. We have developed long-term, strategic relationships with clients across many sectors, including financial services, retail, telecommunications and utilities. We believe that caring for existing clients contributes to increased trust, which in turn results in a larger number of long-term relationships and new business opportunities. In addition, we strive to invest in value-added partnerships and products that enhance our ability to serve our clients.

We believe that our transparent approach to client management enhances the strength of our client relationships. Regular performance reviews are carried out with all clients, with the frequency determined by the strategic importance of the relationship to us. Performance reviews include analysis of portfolio performance, consumer treatment, future pipeline initiatives/developments, business updates and suggestions for further interaction/enhancements to the relationship.

Our UK Division has been externally recognized for its marketing and branding within the UK debt purchase market. We place a particular emphasis on securing long-term forward flow agreements with clients, with some contracts running for five years and an average contract length of approximately three years as of September 30, 2017. Approximately 41% of our debt purchase spending since inception has been generated through forward flows, which management believes to be higher than any other debt purchaser in the UK. In the four years ended September 30, 2017, 54% of our UK Division's re-tendered forward flow agreements have been renewed at least once.

Our UK Division employs a dedicated account management strategy with clients, backed up by senior executive relationships within the company. In addition, we have client relationships across many functions, including operations, compliance and external recoveries, with central coordination via our sales and business development team. With respect to clients with which we have relationships in both our debt purchase and third-party collection services businesses, we employ a group management structure in order to provide such clients with a single ‘‘go-to’’ point of contact in addition to a full stakeholder management structure. Client reviews for such clients include account management representatives from both the debt purchase and third-party collection services businesses. In June 2014, we introduced a suite of value-added services (branded ‘‘Accumulus’’) that are specifically targeted at strengthening client relationships through providing bespoke data and technology solutions that add value to the client throughout the consumer credit life-cycle. See ‘‘*—Third-Party Collection Services and Other CMS—Other CMS*.’’

Our DACH Division employs a comprehensive and coordinated approach to marketing and client relations. We have developed marketing and sales strategies that are tailored to each client sector including the energy, utilities, retail, banking, payments, public and other sectors. We are also connected to the start-up sector, a connection which provides us with the opportunity to leverage strongly growing businesses and utilize multiplier partnerships. In addition to our in-house sales team of dedicated sector specialized sales managers, we have external sales representatives who support our sales efforts in specific industries. Our operational centers have a strong sector expertise needed to support the industry specific approach. In the last 18 months, our DACH Division had purchased debt from 51 well-known companies with which we had an average relationship length of 3.7 years. For the year ended December 31, 2016, 25% of our portfolio acquisitions by purchase price were derived from clients with which we have had a relationship since at least 2010.

For example, we have an international Global Credit Solution network that enables us to service our clients globally through our local partners (however, this applies to a very limited amount of our DACH Division’s third-party collection efforts). Our focus on client satisfaction is reflected by our track record of receiving repeat purchases from existing clients. Our DACH Division added 26, 53 and 44 contracts with large, well-known clients in 2014, 2015 and 2016, respectively. From January 1, 2016 to December 31, 2016, we increased our new business receivables under contract (3PC) by 48%, based on the number of accounts.

Compliance and Risk Management

Compliance is central to our operations. We believe that our focus on compliance resonates with debt originators and is essential for providers of CMS to succeed in an increasingly regulated market. Our focus on compliance means that ‘‘treating customers fairly’’ is embedded within our day-to-day processes.

We have a clear governance structure and experienced senior management across all parts of our organization, so that all key components of the business receive appropriate attention. Our centralized operational risk management and compliance functions ensure central implementation of requirements and guidelines, as well as standardized risk policy and measures. Our compliance operations have been designed with a focus on three main objectives: to ensure compliance with applicable laws and regulations, to enforce a fair treatment of consumers and to preserve our reputation and the reputations of our clients. Our key areas of risk management include data protection, anti-money laundering and fraud prevention.

We conduct compliance audits throughout our Group as well as ad hoc audits as necessary. In addition, as part of the annual accounting close, external auditors conduct a review of the adequacy of the risk management and compliance functions. Each of our divisions’ managing directors are responsible for the overall effectiveness of risk management and compliance throughout our operating entities and are under the supervision of our regional supervisory boards. In addition to regional governance structures, we have a Group Audit Committee that supports the internal audit functions in both the UK Division and DACH Division by conducting group audits based on an annual group audit plan.

Our approach to compliance includes a ‘‘three lines of defense’’ model to promote a strong compliance culture: (1) ‘‘Operational Controls,’’ (2) ‘‘Accountable for Oversight’’ and (3) ‘‘Accountable for Assurance.’’ The first line of defense, Operational Controls, focuses on operational adherence to compliance requirements and is achieved through reporting by the operations team and monitoring by team leaders and by the quality assurance team, including call-quality monitoring. The second line of defense, Accountable for Oversight, focuses on quality assurance through managerial oversight of operational activity and review of the control testing of the first line of defense. The third line of defense, Accountable for Assurance, comprises internal audit and consists of reviewing and assessing the adequacy of controls in place.

Our UK Division's Compliance and Risk Management

Our UK Division maintains a dedicated compliance team of approximately 97 FTEs as of September 30, 2017, up from 43 FTEs in 2013, which actively promotes compliance best practices across the business and seeks to achieve low rates of complaints. For example, for the 12 months ended September 30, 2017, our UK Division achieved a rate of 0.2% for internal complaints.

For the twelve months ended September 30, 2017, our FOS-filed complaint ratio was low, with 24.1 cases per 1,000,000 financial services accounts. We work with consumers to obtain debt repayment in a proactive and supportive way based on data intelligence, analytics and, in the vast majority of cases, without the need to use litigation. Since our UK Division's inception in May 2004, we have never faced any enforcement actions by any of the entities that regulate our operations, including the OFT and the FCA. We are a member of the Consumer Credit Trade Association, Civil Courts Users Association and Finance and Leasing Association. As a full member of the Credit Services Association, we comply with certain codes of practice. In addition, in April 2013, we launched our FAIR program, which outlines our policies on treating consumers fairly, consumer focused behavior, fair outcomes, assessing affordability and responding to client audits. Our internal audit function ultimately reports to our Audit Committee.

Furthermore, our investment in operations has improved compliance oversight throughout our collections process. For example, we record all calls with our speech analytics and call-monitoring systems. We have also invested in teams to monitor performance and fill roles poorly suited to automation, such as manual pre-litigation checking. We believe that our account databases also represent a source of compliance advantage, providing better data to inform decisions as to whether to seek collection, the most appropriate collection approach and the consumer's likely ability to repay. Accounts are selected for litigation as a last resort when they have reached the end of an alternative strategy and a consumer has not engaged with us or made a reasonable offer of repayment. Selection involves a combination of quality, policy and scoring processes to ensure that only consumers that we believe are in a position to pay are selected. Automation of selection ensures consistent application of rules to exclude, for example, vulnerable consumers or those with a negative disposable income where this has been captured during any contact. Credit bureau data is used to verify the consumer's whereabouts and the status of their credit profile which is taken into account when scoring for suitability. Prior to the commencement of any action, a manual sample check of selected accounts is made to ensure the integrity of the process before accounts are approved for release into the process by the Director of Business Optimisation and the Director of Litigation.

We believe that our significant investment in operations has created an industry standard in compliance practices, with regular recognition for our strong focus on fair practices with respect to our clients, consumers and regulators. In 2016, our UK Division was awarded an ''Exceptional'' rating by Investors in Customers (''**IIC**''), a UK customer-experience consultancy. This was the second time we were awarded the rating. Our initial award, the first in our industry, was awarded in 2014. This has been followed by a 'Gold Award' in 2017 (IIC have replaced their previous 'star' ratings with bronze, silver and gold awards and Lowell was the first company to receive the Gold Award). The research undertaken by IIC also assessed the strength of our UK Division's consumer relationships using the Net Promoter Score measure. While many financial service companies fail to achieve a positive Net Promoter Score, our UK Division received a favorable score of +43 in 2017 (compared to the +39 score achieved in 2016), which we believe reflects our approach of working with consumers to agree to mutually acceptable payment plans tailored to the consumers' personal circumstances. This Net Promoter Score exceeded the scores received by most well-known retail banks in the UK. Our UK Division's colleague Net Promoter Score, which quantifies how likely an employee would be to recommend us, also increased from +60 in 2016 to +73 in 2017.

Our DACH Division's Compliance and Risk Management

We believe a focus on compliance and risk management is critical for our business, as our clients regard our ethical behavior and strict compliance with laws and regulations as essential in order for them to utilize our services. A strong compliance culture is an increasingly important differentiating factor in the highly competitive and fragmented German debt collection market, as smaller players typically have weaker compliance systems and debt originators are increasingly more focused on reputation, compliance track record and audit trail. All of our processes incorporate what we believe to be leading compliance standards, which enable us to preserve our reputation and the reputation of our clients. We believe that our compliance culture reflects our beliefs in: taking a fair and reasonable stance when interacting with consumers; ensuring a fair outcome for the consumer; taking into account sustainability and affordability of payments; and treating consumers with respect and dignity.

Our central compliance function led by the DACH Chief Risk & Compliance officer contributes strongly to the management of our key compliance focus areas such as data protection, anti-money laundering as well as fraud prevention which are for many years already supported by mature data protection and anti-money laundering structures. The current DACH Division risk register is continuously updated by the responsible central risk managers. This enables the group to take the appropriate preventive actions regarding internal and external risks. This also enables the group to encourage good business decisions based on risk transparency. In the exercise of their duties, our managing directors as well as the Risk & Compliance Division are supported by the DACH Risk & Control Committee as well as the Group Risk Committee.

We believe that our compliance structure contributes to our low consumer complaints track record. In 2014, Standard & Poor's rated our DACH Division with the best possible ''Strong'' servicer rating as a special servicer of consumer finance, based on two of our major subsidiaries (PCS and SIR). The outstanding servicer rating result by has been confirmed once again in January 2017. In addition, our DACH Division (excluding our Tesch Group) received, on average, only 0.0039% new consumer complaints per year as a percentage of active accounts for the nine months ended September 30, 2017. For further information on the regulatory environment that we operate under.

Technology Infrastructure

Our business models, including debt purchase, third-party collection services and litigation services, are supported by a sophisticated technology landscape, which has received continuous and balanced investment.

Our UK Division and DACH Division share best practices and technology infrastructure between them. Our business strategy is based on sustaining a continuously improving technology infrastructure, with our IT organization focused on the goals of centralization, standardization, scalability, security and high availability. We leverage a blend of sophisticated proprietary systems and partnerships with technology industry leaders in order to achieve these goals. Our IT department is focused on:

Provision of IT services. Our IT organization has a centralized model that covers technical services, change management, application management and service management in each of our UK Division and DACH Divisions. The centralized model enforces common IT governance, policies, methodologies, standards and consistency across processes and tools, thus helping to ensure economies of scale, cost savings and cost avoidance across IT services. It also allows us to implement an effective segregation of duties, which increases confidence in accountability and quality controls.

In support of our internal governance and management framework, we have obtained various accreditations with respect to industry standards, such as PCI DSS compliance (credit card standards), ISO27001 (IT security) and ISO9001 (quality management).

Industrialized infrastructure. We aim to provide industry-leading IT infrastructure services, which include a scalable, resilient and highly available data center (with a private cloud) and wide area data network, with full disaster recovery services and an around-the-clock service-management model.

Our strategic IT infrastructure service providers include Rackspace, Maintel and SunGard Recovery Services. Rackspace, which provides the private cloud for our data center and disaster recovery services, is an international, industry-leading service provider that works in partnership with global infrastructure providers. Maintel, in partnership with industry-leading telecommunications companies, is our wide area data network service provider. SunGard provides enterprise level business continuity management services ensuring 'on-tap' connectivity to our core environment in the event of site failure.

Our IT infrastructure services are fully implemented, with our UK Division's first phase operational since February 2014 and our DACH Division's first phase is expected to become operational in the second quarter of 2018. Our infrastructure model provides strategic flexibility: the services are ''location independent,'' providing flexibility to the business in support of future acquisition and location strategies. Our IT infrastructure hosts all of our UK Division's applications and data, resulting in cost savings and cost avoidance.

We are committed to maintaining high standards of data protection, client information and information security. All infrastructure and systems are protected by firewalls and are constantly updated to avoid cyber-attacks.

Application rationalization. We have undertaken a major application rationalization program since 2015, including the introduction of a single messaging system and standard business-to-consumer ''**B2C**'') architecture. The program has been extending in the UK to continue the rationalization and move to a multi-tenant single collections platform that provides functionality for our future UK organization. The program has been further extended as part of the Group CIO strategy to include the rationalization and consolidation of our European CMS platform to create an entirely integrated, simplified and efficient application landscape. Through such enhancement, application simplification is expected to improve productivity in our delivery of technology solutions and lower the costs associated with the development of these solutions by allowing us to more fully adopt a ''build once, use many times'' approach when adding functionality to our IT systems. For example, a single new account services function is now used by three different business applications. We believe application simplification will also reduce data replication through facilitating an increasingly centralized approach to data management services, and we believe this, in turn, will both reduce expenses associated with our data management services and help to ensure data-retention policies are effective. A number of business solutions that make use of external technology have been enabled by this strategy, including our use of BLAZE, a contact strategy decision engine from leading U.S.-based software provider FICO (Fair Isaac Corporation). We believe that the use of BLAZE has promoted our use of contact strategies that are tailored to a consumer's individual needs and circumstances and thereby helped to reduce expenses, for example by providing information that will allow us to avoid unnecessary letters and improved collections. Other solutions include new platforms for our external recoveries (AMOS), digital processes and query management system, all of which we believe will provide net benefits.

We believe we will be able to continue to extend Caseflow, our proprietary collections and consumer management application, to support other critical business functions. In July 2014, we implemented and integrated Customer Complaints, additional functionality that integrates the Caseflow platform with our consumer complaints system, and in September 2015 we implemented Query Management, a system that enhances our CMS.

The ultimate goal of these initiatives is to provide a centralized consumer management system that will shift away from an account-focused processing toward a single consumer view and consumer-based processing. By implementing a single consumer view, we believe we will be able to make our UK Division's core operational processes more efficient for both us and our consumers by enabling initiatives such as single consumer lettering, which was implemented in the fourth quarter of 2016, which consolidates a consumer's multiple account details onto a single letter, thereby reducing cost and improving the consumer experience. In addition, we also believe we will be able to decommission other existing systems, which we anticipate will lead to cost savings.

Through constant analysis and review we continue to identify waste and replication and remove it efficiently as part of our best practice data management approach. A measurement of this approach has been the removal of a significant number of replica and ineffective data stores.

Extended consumer self-service via an enhanced digital channel. An improved B2C channel, which was implemented in November 2015, has provided an enhanced consumer experience involving more self-service capability and an improved look and feel. This solution completely replaced the previous B2C channel, and features improved security features, consumer discounts, straight-through processing of payments and changes to consumer details, uninterrupted availability, a consumer budget planner and many other features. The channel is accessible from various mobile devices and supports different internet browsers. Further releases are expected to provide mobile-specific applications and the ability to deliver online letters and statements, as well as support marketing and letter strategies. We are also looking at a multi-channel strategy, which will bring all of our consumer communication channels under a single cohesive structure that provides consistency and accuracy across all consumer interactions.

Workforce

As of September 30, 2017, we had 2,967 FTEs, of which 1,674 and 1,293 were located in the UK and DACH Divisions, respectively. On a group-wide basis, we are committed to recruiting, training, developing and retaining employees. Our management team believes that our recruitment and training programs provide a competitive advantage to our business, as management encourages our agents to achieve results by building a relationship with the consumer, while maintaining a record of compliance with laws and regulations.

Furthermore, our DACH Division was certified as a ''Top Employer'' in Germany by the Top Employers Institute alongside certain blue-chip companies, reflecting our ability to attract talent and sector expertise. Our UK Division currently holds Investor in People Gold status, which recognizes the company's high standards of people management and development.

Litigation

From time to time we are party to various claims and legal proceedings arising in the ordinary course of our business. Other than as discussed below, within the past twelve months we have not been, and are not currently, a party to any governmental, legal, administrative, arbitration or dispute proceedings, either individually or in the aggregate, that have had, or are expected to have, a material adverse effect on our financial position or profitability, nor, so far as we are aware, are any such proceedings pending or threatened.

- **ABIT Appraisal Proceedings.** At the time of the approval of the merger of ABIT AG with Lowell Holdco GmbH in June 2005, an exchange ratio of six Lowell Holdco GmbH shares for 17 ABIT AG shares was determined, and Lowell Holdco GmbH subsequently offered former shareholders of ABIT AG the right to repurchase their new shares of Lowell Holdco GmbH at a price of €13.93 per share. A group of former ABIT AG shareholders sued Lowell Holdco GmbH for cash compensation pursuant to Section 15 of the German Transformation Act (*Umwandlungsgesetz*) (*bare Zuzahlung*), claiming that the exchange ratio was inaccurate, and also sought a higher cash amount to compensate for the loss of the ability to trade shares in an organized market (*Barausgleich*). Upon the unsuccessful termination of initial settlement discussions, in November 2012 the District Court (*Landgericht*) of Düsseldorf determined a higher cash amount to compensate for the loss of the ability to trade shares in an organized market but denied the claim for a cash compensation amount pursuant to Section 15 of the German Transformation Act. An immediate appeal (*sofortige Beschwerde*) was filed by several claimants as well as by Lowell HoldCo GmbH against this decision. On October 31, 2013, the Higher Regional Court (*Oberlandesgericht*) of Düsseldorf repealed the decision of the District Court of Düsseldorf and referred the proceedings back for a new decision. A hearing was then held by the District Court (*Landgericht*) of Düsseldorf in September 2014 in which an auditor presented a new range of values for the two entities involved in the merger. On May 12, 2015, the District Court of Düsseldorf held in a procedural decision that recent changes in the interpretation of applicable law by the German Federal Supreme Court (*Bundesgerichtshof*) would not apply to the pending appraisal proceedings to determine a higher cash amount to compensate for the loss of the ability to trade shares in an organized market. Subsequently, Lowell Holdco GmbH has filed an appeal against this procedural decision. The Higher Regional Court of Düsseldorf (*Oberlandesgericht Düsseldorf*) on November 12, 2015 deemed the appeal of Lowell Holdco GmbH to be invalid. Based on the District Court (*Landgericht*) of Düsseldorf's decision, as of December 31, 2016, Lowell Holdco GmbH has made a provision in an amount of €7.6 million (£6.5 million) that we believe would be sufficient to cover additional cash payments to minority shareholders. Following this decision, the ABIT appraisal proceedings have continued.
- **Corporate Income Taxation Litigation.** In August 2009, Lowell Holdco GmbH requested a binding tax ruling (*verbindliche Auskunft*) by the German tax authorities regarding the application of a restructuring privilege under then-existing German corporate income tax legislation. The binding tax ruling was issued in September 2009 confirming the applicability of the restructuring privilege and therefore the possibility to apply the losses carried forward by Lowell Holdco GmbH in future financial years irrespective of any change in the majority shareholding. The European Commission subsequently declared the restructuring privilege to be unlawful state aid and, in April 2011, the German tax authorities withdrew the previous binding tax ruling. The formal objection of Lowell Holdco GmbH in April 2011 was rejected and the tax assessments for the financial years 2009 and 2010 denied the tax loss carry-forward; however, suspension of payment was granted in the amount of the applicable tax loss carry-forward. In December 2011, Lowell Holdco GmbH, along with 14 similarly affected companies, filed suit against the European Commission before the European Court of First Instance. The European Court of First Instance decided on February 4, 2016 that

Lowell Holdco GmbH's suit was unfounded. Lowell Holdco GmbH filed an appeal against this decision on April 14, 2016 at the European High Court. The oral hearing took place on October 18, 2017 and the opinion of the Advocate General of the European Union was announced on December 20, 2017. Lowell Holdco GmbH has made a provision for the full amount of suspended tax payments and corresponding interest due (i.e., €15.5 million) (including interest) was allocated to the provisions as of September 30, 2017) if the tax losses cannot be carried forward.

- **Squeeze-out Appraisal Proceedings.** On November 6, 2015, Lowell Holdco GmbH's shareholders, upon the request of Lowell Holding GmbH, resolved to acquire all of the ordinary shares of Lowell Holdco GmbH held by its minority shareholders in exchange for cash compensation in the amount of €23.71 per share (the ''**Squeeze-Out**''). Through its entry into the commercial register, the Squeeze-Out became effective on December 15, 2015. Several former minority shareholders of Lowell Holdco GmbH initiated appraisal proceedings (*Spruchverfahren*) against Lowell Holding GmbH seeking a higher cash compensation (*Barabfindung*) pursuant to Section 327f of the German Stock Corporation Act (*Aktiengesetz*) on the grounds that the cash compensation as determined by Lowell Holding GmbH as then majority shareholder was inadequate. In a first hearing, the competent court has raised a number of questions on the parameters relevant for determining the adequate cash compensation. Depending on additional information and arguments to be presented by experts and the competent court's ultimate view, a higher cash compensation may be determined by the court or be agreed in a settlement.
- **Other.** An external lawyer has initiated formal legal proceedings against Zyklop Inkasso Deutschland GmbH based on an allegation that our long-standing outsourcing agreement with such firm is invalid and has asserted a claim for the return of fees for outsourcing services paid by such law firm. The initial hearing in respect of this claim is scheduled for March 2018. We have also in recent correspondence received a similar claim from an external law firm engaged by Sirius Inkasso GmbH to facilitate collections in Germany and has asserted a claim for the return of fees for outsourcing services paid by such law firm dating back to 2014. We are advised that the claim is without merit and has been motivated by our recent decision to wind down our relationship with such firm. No formal proceedings have been initiated by them and we would intend to contest any such claim vigorously. We have not made a provision in our financial statements with respect to any such claims. See ''*Risk Factors—Risk Relating to our Business and Industry—We are subject to UK, EU, German and Norwegian regulations, among others, and changes to the regulatory environment or a failure to comply with applicable laws, regulations, authorizations, licenses and codes of practice may negatively affect our business—Regulation affecting our DACH division*.''

Insurance

Our insurance policies include insurance to cover risks associated with our businesses, including general liability, crime, professional liability and directors' and officers' liability. We believe that the types and amounts of insurance coverage that we maintain are consistent with customary industry standards in the markets in which we operate. However, no assurances can be given that we will continue to maintain current levels of insurance coverage. A successful claim of sufficient magnitude that is not covered, or only partially covered by insurance, could have a material adverse effect on us and our financial condition. Furthermore, our insurance policies do not cover any violation of representations and warranties in debt purchase contracts. In addition, we did not take out insurance for our representations and warranties in the purchase agreements related to the disposal of certain former group companies.

Real Property

Our UK Division's Real Property

Our UK Division currently leases its headquarters and call centers, located at Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds LS10 1AB, United Kingdom, Darwin House, 7 Savannah Way, Leeds Valley Park, Leeds LS10 1AB, United Kingdom, and Tolworth Tower, Ewell Road, Surbiton, Surrey, KT6 7EL, United Kingdom, which are used for our day-to-day operation. Our UK Division's property portfolio is managed internally by its facilities team, supported by external specialists where appropriate. This team is responsible for ensuring that each site is in compliance with statutory requirements, including health and safety requirements.

Our DACH Division's Real Property

Our DACH Division operates its businesses at premises that are leased from third parties pursuant to 22 lease agreements, mainly for fixed terms, relating to its 22 operating locations, offices and IT storage facility. Our DACH Division does not own any real estate. We believe that we have entered into the lease agreements on customary terms. Although some of the lease agreements may not be renewed at the end of their respective terms, our DACH Division's operations would not be disrupted if it decided not to renew the leases or if the leases were cancelled.

Intellectual Property

Our UK Division owns 47 trademarks (38 UK trademarks and nine EU trademarks). The majority of the trademarks used by our UK Division are owned by Lowell Group Limited, Lowell Holdings Limited and Lowell Financial Limited. Additionally, we hold 90 active domain names. Our DACH Division holds 13 trademarks (nine German trademarks and five EU trademarks) and 188 active domain names. We are not aware of any legal disputes regarding intellectual property, whether pending or threatened in writing, to which we are or may become a party. Additionally, we have not been provided with information about any actual or potential infringement of intellectual property rights owned or used by any third party for which we may be held responsible. There are various licenses within our UK Division allowing intellectual property rights to be used within the group in the ordinary course of business. Our DACH Division does not currently license out its intellectual property, except for the licensing of standard and proprietary software products by its operating entity, ITT, to its clients in the ordinary course of business.

THE NORTHERN EUROPEAN DIVISION'S BUSINESS

History

The Northern European Division was formed by the combination of Intrum's former operations in Norway and Lindorff's former operations in Denmark, Estonia, Finland and Sweden, as well as Lindorff's payment services business in Norway. On June 12, 2017, the European Commission approved the combination of Intrum and the parent of Lindorff, and as part of the approval, the shareholders of Intrum have committed to divest, as a combined business, the Northern European Division.

The Northern European Division's operations in each of its five markets maintain leading positions and have decades-long histories providing CMS to clients. Since 1966, when their Finnish operations were launched, it has developed reputations in its markets for its strength in providing services to financial institutions, demonstrated by its leading market positions in the financial institutions segment. In addition, it has become known for its innovations in value-added services and digital solutions for both its clients and customers. In its history, it has pursued numerous opportunities to expand its business. For example, in 1997, it expanded operations to the Baltics with the opening of its Estonia business and, in 2017, it acquired a major portfolio in Denmark that added significant volume and transformed the scale of its Danish operations.

Operations and Service Offerings

The Northern European Division has a full service offering throughout the CMS value chain, consisting of debt collection and debt purchasing services as well as value-added services such as payments and invoices products. Due to changes in the regulatory environment or a desire to sharpen its focus on its core businesses, many of the Northern European Division's clients either have incentives to outsource their debt collection functions or to sell their portfolios of overdue loans and receivables, or both, and the Northern European Division can offer tailored solutions for their needs. The Northern European Division also offers certain other credit information or collection services that improve its clients' margins, ultimately increasing revenues.

The table below sets forth the Northern European Division's cash income by service line, on a *pro forma* basis, for the periods indicated.

	For the year ended December 31,	For the nine months ended September 30,	
	2016	2016	2017
	(€ in millions)		
Debt purchase	151.5	113.0	110.9
Third-party collection, related services and other services[(1)]	91.7	66.6	71.0
Total	**243.2**	**179.6**	**181.9**

Debt Collection

The Northern European Division collects overdue loans and other overdue receivables for its clients and specializes in engineering and implementing tailored collection strategies and sustainable, affordable solutions for the resolution of claims. It has third-party debt under management of €3.9 billion as of September 30, 2017. Its experienced staff works directly to collect debt, enabling its clients to: (a) lower collection costs, due to the Northern European Division's scale and automation of the debt collection process; and (b) increase recovery rates, due to a combination of the Northern European Division's comprehensive databases and thorough understanding of its markets, which together enable it to optimally tailor debt collection strategies.

The Northern European Division's debt collection process is substantially standardized and automated, with the goal of maximizing the total amount collected over the life of the debt through sustainable payment plans or affordable settlements achieved through an amicable and solution-oriented collection approach, rather than exploiting short-term collection potential. It undertakes the same debt collection process for its portfolios as it does for the overdue receivables of its clients, subject to any guidelines set by clients regarding settlement and specific procedures to utilize. Actions taken during the debt collection process take into account applicable country-specific laws and regulations and aim to preserve clients' reputations.

The Northern European Division has integrated several automated processes into its debt collection process to improve efficiency and reduce the need for manual case handling. These processes include:

- *Standardized work processes:* a sequence of predefined actions to occur according to a set schedule. Standardized processes determine when the Northern European Division's agents should telephone, send a letter to, text message or use another means to contact the customer.
- *Campaigns:* the implementation of common processes for a group of claims. Campaigns will typically begin when the Northern European Division expects customers to have an enhanced ability to pay.
- *Event engines:* software driven processes that prescribe a series of actions to be taken in connection with different external events, such as customer bankruptcy, death or address modification. For example, these actions could include periodic telephone calls, text messages and other methods typically utilized in the pre-legal collection process.
- *Robotics:* robotics refers to the automation of business processes through the use of advanced software. It is effectively a virtual workforce that can carry out processes significantly faster than humans, including selecting which customers to contact based on certain criteria and gathering information and business intelligence across channels. The Northern European Division has been conducting robotics pilot runs and has experienced reductions in average handling times in a number of its processes.

The Northern European Division's client-centric focus is evident in its approach to fee arrangements. During certain phases of debt collection, the Northern European Division works on a ''no cure no pay'' basis at fixed rates, which means that it only gets paid if it is successful in collecting the relevant debt. In other phases, it typically works on a commission basis, taking a percentage of the cash collected from the end-customer. Additionally, it may also offer a profit-sharing or losses model, where it charges commissions on collections received up to a certain threshold and, in addition, the client shares with the Northern European Division a percentage of collections received over that agreed threshold.

Debt Purchasing

Overview

The Northern European Division has extensive experience in acquiring portfolios of overdue loans and other overdue receivables at attractive prices. It generates revenue after purchasing portfolios by applying its collection process and approach to optimize the cash collected and thereby generating a proven track record of attractive returns on the investments. We believe that the Northern European Division can generate attractive yields over the life of the portfolios due to its expertise in pricing unsecured consumer NPLs, knowledge of the portfolios it purchases and its debt collection abilities.

Among the investment criteria that the Northern European Division considers is the portfolio's expected return and whether it matches its strict pricing discipline to maintain high portfolio returns and avoid overbidding. We believe that one of the Northern European Division's core strengths is that it typically services the portfolios it purchases in-house. In this way, it controls the entire debt collection process, is able to implement optimal debt collection strategies and can ensure that customers are treated fairly and with respect. We believe that the efficient, fair and respectful manner in which the Northern European Division conducts its business upon purchasing a portfolio is evident through its many long-standing client relationships.

As of September 30, 2017, the Northern European Division's owned portfolios of overdue loans and other overdue receivables, consisted of approximately 2.3 million claims in five countries with a total collectible value of approximately €5.2 billion.

Origination

The majority of portfolios for sale are currently offered to the market through competitive tender processes, although the Northern European Division also engages its clients in discussions to purchase portfolios through bilateral negotiations whenever opportunities arise. A key driver of its success in debt purchasing has been its ability to leverage its relationships with clients for whom it collects debt through outsourcing contracts. Its local sales teams maintain close relationships with key debt originators in the countries where it operates. In addition, its senior management maintains close relationships on a cross-border level with major key debt originators and are actively involved in their largest transactions with these sellers. Through these relationships, the Northern European Division often receives requests for proposals in relation to the portfolios for sale.

Valuation and Due Diligence

The Northern European Division engages in an extensive valuation of any given portfolio in order to determine what price it should offer the client. First, it looks at certain characteristics, including the age of the claims in the portfolio, the size of the portfolio, the type of receivable the portfolio contains and the collection process already undertaken in order to determine whether the portfolio is suitable. Once it has determined that a portfolio for sale is suitable, it collaborates with its debt collection team and engages in an extensive valuation of the portfolio. It uses multiple valuation methods and take into account, among other factors, the below analyses:

- *vintage analysis*, where it uses historical cash flow information to forecast future returns;
- *production models*, where it analyzes the portfolio and makes assumptions on conversion rates and average payment levels using benchmark portfolios built on the basis of millions of data points, customer information and the historical performance of its current portfolios;
- *debt profiles*, where it identifies the key value drivers in the portfolio, segment the portfolio based on these key value drivers and evaluate the total likely recovery for each claim;
- *scorecards*, using all available data (internal, external and data from portfolio vendors) to evaluate the propensity of each customer in the portfolio to pay and to what amount; and
- *paying books*, where it identifies different payment profiles and segment accounts based on historic payment behavior.

The emphasis it places on each valuation method depends on the specific circumstances, information available and characteristics of the portfolio for sale.

In conjunction with the valuation process, the Northern European Division also performs due diligence on the portfolio prior to making a final bid. The purpose of this due diligence process is to identify any areas of risk that would impact its ability to successfully manage the portfolio following its purchase. As part of the due diligence process, it requests and works to verify certain data fields, including claim balances, payment history on claims, details of credit agreements and legal enforceability. Additionally, it undertakes a detailed review of the assumptions that it applied as part of the valuation process and determines whether those assumptions need to be adjusted. For certain transactions, it also engages external advisors for this process. It seeks to leverage its relationships with clients to assist them with this process by obtaining guidance on pricing, where possible.

We believe that the Northern European Division has a competitive advantage when it is invited to bid on a portfolio that it performs debt collection on, because it is able to accurately assess the potential in the portfolio that can be generated given its familiarity with the debt collection measures that have been undertaken, allowing it to accurately price the portfolio. This results in being able to confidently offer an attractive value proposition to clients, which makes it a strong contender for portfolios that it finds attractive.

Offer

Depending on the size of the transaction, the assessment and final pricing of a portfolio involves input from the Northern European Division’s country-level management and operations, its debt purchasing and debt collection teams, IT team and senior executives. This group works together to use the information gathered in the process to prepare the final bid, and the relevant country level team uses its knowledge and expertise to provide a current and accurate reflection on the competitive environment in order to ensure that any final bid is aligned with the competing offers the client is likely to receive. The final bid is determined based on an analysis of various scenarios, which are designed to test our models at the high and low ends of prior experience, and is evaluated and approved by pre-defined levels of management, depending on the size of the bid. The final price that it offers for a portfolio takes into account the return that it requires to compensate for the risk present in the transaction, the possibility that actual performance of the portfolio may deviate from the expected performance and the level of competition that it faces in the market.

A key driver of the Northern European Division's success in debt purchasing is the ability to leverage its relationships with clients. These relationships can also be used to propose alternative structures to those that were requested if it believes this will create value for it and the client. It also frequently receives a ''first and last look opportunity'' at a portfolio due to these pre-existing relationships.

Implementation

After purchasing a portfolio, if the Northern European Division does not already perform debt collection on the purchased portfolio, it must ensure that claim balances are accurately recorded, funds paid between the determination date and the closing date by customers are received, and customers are diverted to the appropriate phase of the collection process. It also screens individual claims against various databases to determine whether any of the individual claims do not meet the specified criteria and should be returned, if contractually permitted. If it already services the purchased portfolio, the risks associated with the conversion process are minimized, since many of these steps have already been undertaken as part of its debt collection services.

Contact and Collection Process

After acquiring a portfolio, the Northern European Division typically manages the portfolio in-house. Its deep understanding of the debt collection process enables the Northern European Division to tailor customized approaches for each customer and to determine whether they can extract additional value from a customer and uplift on a portfolio by applying different collection methods than were used previously. By typically servicing purchased portfolios in-house, it also provides stability and scale to the debt collection segment of its business, which allows it to improve and enhance its debt collection methods. For a further discussion on the debt collection process, see ''—*Debt Collection*.''

Other Services

The Northern European Division also offers a wide range of information, payment and invoicing services before debt is considered non-performing.

Information services

Information services include credit information and analysis, data extraction and modelling and scorecard input and development. These services enable clients to mitigate credit risk and reduce potential losses from sales to new clients by providing efficient and reliable information on the creditworthiness of their customers.

Payment

The Northern European Division's payment services allow retailers and other consumer companies to expand their offered payment methods and provide their customers with the option of purchasing a product or a service via invoice payment in one or more instalments. Effectively, the Northern European Division assumes the credit risk and provides the upfront payment, at a discounted rate, to the retailers and consumer companies and then undertakes the entire credit management process—from the scoring and credit decision to processing and distributing the invoice—with the customer. Where customers choose invoice as a payment method, the credit decision will be made in real time at the time of purchase. Payment services work in both online and offline in-store systems, and they capture the popularity of omni-channel shopping and invoice as an available payment method. They enable clients to meet heightened customer expectation of seamless shopping experiences between e-commerce and retail stores. At the same time, payment services clients retain control of the branding of the invoice and may also use the invoice as an additional sales channel by enclosing marketing material together with the invoice.

Invoicing services

Invoicing services include invoicing and reminder services. We believe that the Northern European Division's invoicing services provide reliable and cost efficient solutions for clients with high invoicing volumes and help clients to increase sales by enabling credit sales with limited credit risk or need for a credit process.

Decision Science

The characteristics of the debt purchasing and debt collection markets provide a competitive advantage to participants with the strongest data assets and analytical capabilities. We believe that directly employing, training and monitoring debt collection specialists is essential to the Northern European Division extracting value from claims and pricing portfolios accurately. We believe that the Northern European Division often finds opportunities to improve performance in a large portion of the portfolios that it purchases due to analysis of its data assets.

The Northern European Division has developed databases of customer and credit information for over 20 years as a result of the high volume of debt collection it performs in-house. It analyzes these databases to assist in the pricing of potential purchases of portfolios and to devise optimal collection strategies for customers. For example, it is able to model anticipated performance of a portfolio based on the past performance of claims with similar characteristics, which allows it to determine if there are opportunities to extract additional cash flow that may not be apparent from traditional pricing models. Additionally, in devising optimal debt collection strategies, it can determine what collection methods have been most successful in the past on customers with similar traits.

We believe that the Northern European Division's data assets and analytical capabilities enable it to proactively review portfolios and collection strategies. Companies that only purchase portfolios typically have less access to data on customers and associated payment trends until a portfolio is purchased, when the specific customers in the portfolio can be matched to a credit referencing agency database. In addition, customer files in a portfolio may contain inaccurate or incomplete information on the name, address or telephone number of the customer, which can make it difficult to locate the customer or otherwise complicate the debt collection process. For competitors, this may result in data asymmetry in valuing portfolios prior to purchase and through the collection process.

Geographic Presence

The Northern European Division has a presence in Denmark, Estonia, Finland, Norway and Sweden. The table below shows the Northern European Division's revenue generated in each of these countries, including the IJDF Norwegian Portfolios for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(€ in millions)				
Denmark	21	23	23	17	21
Estonia	1	1	2	1	1
Finland	80	81	85	63	59
Norway	25	22	23	17	18
Sweden	59	57	59	47	43
Total	**187**	**186**	**192**	**145**	**142**

Clients

The Northern European Division's client base consists of leading national and international financial institutions, insurance companies, utilities providers, public sector, telecommunications companies and companies in the retail sector. It has a special focus on financial institutions, many of whom it has long-standing relationships with, as this is an attractive sector due to, among other factors, high industry growth rates, responsible origination practices and stable and predictable cash flows. At the same time, however, it has expanded its sector expertise over the past few decades by developing in-house specialties or by acquiring smaller specialist players in what remains a fragmented market. On a *pro forma* basis, the Northern European Division's five largest third-party collection service clients each generated 1% of its total cash income, respectively, for the year ended December 31, 2016. It benchmarks performance against third-party debt collection competitors and regularly monitors its operations to confirm that it is in compliance with contracts in order to ensure these strong relationships continue.

Marketing and Client Relations

The Northern European Division organizes its sales and marketing efforts on a country level and on a pan-Northern European basis in combination. The sales force is organized into new sales and key account management. The sales staff reports to local country sales managers who, in turn, report dually to the Country Management and to the Nordic Head of Clients and Sales. In addition, there are individuals dedicated to client delivery management, who are tasked with ensuring that its production delivers best-in-class service levels. The sales staff consists of highly skilled professionals with strong client and industry expertise, and with a particular focus on financial services.

The Northern European Division's client relationships are both broad and deep. It builds relationships with clients on all relevant levels within the country organizations, ranging from purchasing/procurement and operations level and credit management, to finance and treasury functions and senior executive level.

The Northern European Division's dedicated client focus and track record of delivering top tier services have led to long-standing client relationships. Out of the third party collection clients, approximately 80% have been clients for more than five years, and out of the ten largest clients, six have been in business with the Northern European Division for more than 15 years.

Compliance and Quality Control

Each of the Scandi Carve-out and Norway Carve-out have risk management frameworks that have been well established from decades of experience to identify, mitigate and manage risk. They have an embedded risk a management culture within their business units, effective risk management and compliance processes, such as training programs for employees and self-imposed regulatory controls, and an independent audit function with reporting lines to the management. The Northern European Division has a strong culture of consumer compliance seeking to offer debtors the best possible customer journey and supporting them in rebuilding a healthy personal financial profile. The Northern European Division has also invested significantly into individual compliance training and instilling a strong customer centric corporate culture, leading to positive customer feedback.

The Northern European Division's clients deem its ethical behavior and strict compliance with laws and regulations as essential in order for them to utilize its services. The laws and regulations that it operates under have at their core the fair treatment of all customers, which it has sought to integrate into day-to-day operations and culture. Its debt collection process is designed to yield financial results while protecting clients' reputations. The Northern European Division's collection process is centered around:

- polite persistence, where collectors take a fair and reasonable stance when interacting with customers;
- ensuring a fair outcome for the customer, taking into account sustainability and affordability of payments; and
- treating customers with respect and dignity.

Each of the Scandi Carve-out and the Norway Carve-out have robust internal compliance standards, which are applicable to all employees and all employees are expected to become acquainted with and comply with these standards. The standards regarding regulatory compliance define, among other things, governing principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures. On a yearly basis, a compliance self-assessment and review process is conducted with the purpose of providing management with an objective assessment of the status of compliance with regards to legislation and regulation, as well as internal governance principles, policies and procedures. The findings of the assessment enable senior management to initiate any necessary remedial activities.

Each of the Scandi Carve-out and the Norway Carve-out have invested heavily in compliance systems and controls, as well as the training of employees, to increase awareness of regulatory requirements and policies. They provide comprehensive training to employees on legal and regulatory compliance. Through training sessions, it is their goal to provide an insight into, and gain an understanding of, an employee's obligation in ensuring legal and regulatory compliance. They also require their employees to complete a designated compliance module and complete regular interactive refreshers and tests.

Technology Infrastructure

The Northern European Division has established appropriate processes, including data protection policies, information security policies, data retention policies and procedures for handling data subject requests. All infrastructure and systems are protected by firewalls and are constantly updated to avoid cyber-attacks. Access to systems is handled through a standardized infrastructure, with software giving access rights to individual users.

The Northern European Division has also entered into certain agreements with third-parties to bolster their IT capacities. It has consolidated all of its IT infrastructure to an external IT supplier, which secures physical access, error recovery and restore capabilities.

Transitional Services Agreement

The Northern European Division and the Seller have agreed that certain existing commercial arrangements between certain Intrum affiliates and the Northern European Division (and its affiliates) relating to the provision to the Northern European Division (and its affiliates) of IT, collection, pricing, purchasing and certain accounting, tax and personnel administration support services, are extended during a transitional period following the Completion Date of up to 24 months, subject to early termination provisions in some of the services agreements, either pursuant to existing intragroup services agreements in place as of the Completion Date and/or new transitional services agreements to be entered into on or prior to the Completion Date.

These services have been identified by the Northern European Division to be important to assure the operational continuity of the Northern European Division after the Completion Date until it fully integrates with the Group and engages new providers for the provision of these services.

Employees, Recruiting and Training

As of September 30, 2017, the Northern European Division had approximately 853 full-time employees. Of these, 553 were employed in operations, 69 in debt purchase analysis and other business, 161 country-level IT and sales, general and administrative and 71 in group-level staff functions (including IT).

We believe that the Northern European Division has positive relations with employees and the applicable unions and work councils. Some employees are unionized. The Northern European Division meets with unions and work councils on a regular basis to update them on the direction of the business and to address any concerns that they may have.

Geographic Footprint and Operating Subsidiaries

As of September 30, 2017, the Northern European Division had five trading entities in Norway, three operating entities in Sweden, two operating entities in Denmark, two operating entities in Finland and one operating entity in Estonia, as shown in the following table:

Operating Subsidiaries	Country of Incorporation	Area of Expertise
Fair Pay Please	Norway	Holding company/Debt purchase
Intrum Justitia AS	Norway	Debt collection
Intrum Justitia Finans AS	Norway	Debt purchase
Lindorff A/S	Denmark	Debt collection
Lindorff Denmark A/S	Denmark	Debt purchase
Lindorff Eesti AS	Estonia	Debt purchase/Debt collection
Lindorff Invest OY	Finland	Debt purchase
Lindorff OY	Finland	Debt collection
Lindorff Payment Services AB	Sweden	Payment services
Lindorff Payment Services AS	Norway	Payment services
Lindorff Payment Services Holding AB	Sweden	Holding
Lindorff Sverige AB	Sweden	Debt purchase/Debt collection
RemCo Management Services AS	Norway	Management Services

Real Property

The Northern European Division currently leases its headquarters and call centers, located in Norway, Denmark, Estonia, Finland and Sweden, which are used for its day-to-day operation. The Northern European Division's property portfolio is managed internally by its facilities team, supported by external specialists where appropriate. This team is responsible for ensuring that each site is in compliance with statutory requirements, including health and safety requirements.

Legal and Administrative Proceedings

As the Northern European Division has expansive operations across the Northern Europe region, it is occasionally subject to disputes, claims and administrative proceedings, many of which arise in the ordinary course of business. These can include disputes regarding VAT, interest cost deductions, intra-group loan pricing or a variety of other matters, particularly relating to tax. The Northern European Division cooperates with government agencies concerning actual or potential violations of laws, rules or regulations, typically initiated by customer complaints. The inquiries typically concern alleged data protection breaches and various legal defenses to collection efforts. Other than as discussed, the Northern European Division has not been party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) during the previous twelve months from the date of this report which may have significant effects on its financial position or stability.

Ethics and responsibility

The Northern European Division's commitment to corporate social responsibility is integrated into its core business and backed by ''Business Practice Principles.'' These principles are applicable to all employees and all employees are expected to become acquainted with, and seek to comply with, these standards. These standards state that all employees are expected to work within the law, have sound moral principles and behave in an upstanding and sincere way. It has implemented a centrally coordinated compliance monitoring program, which evaluates and assesses compliance with legal, regulatory and industry best practices, as well as its internal standards.

RemCo

Unaudited Interim Combined Financial Statements

nine months ended September 30, 2017

RemCo

UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS

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RemCo

Combined Income Statement

EURm	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Net revenue	**124**	**128**	**168**
Employee benefit expense	(36)	(38)	−52
Legal fee cost	(12)	(12)	−16
Phone, postage and packaging	(7)	(7)	−9
Other operating costs	(35)	(29)	−42
Depreciation, amortisation and impairment	(4)	(5)	(7)
Results from operating activities (EBIT)	**30**	**37**	**44**
Net financial items	(12)	(10)	(14)
Profit (loss) before tax	**18**	**27**	**30**
Income tax expense	(3)	(4)	(3)
Profit (loss) for the period	**15**	**23**	**26**
Profit (loss) attributable to:			
Owners of the Company	**15**	**23**	**26**
Non-controlling interests			
Profit (loss)for the period	15	23	26

RemCo

Combined Statement of comprehensive income

EURm	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Profit (loss) for the period	**15**	**23**	**26**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	—	—	—
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	(1)	(4)	**(3)**
Total comprehensive income for the period	**15**	**20**	**24**
Attributable to:			
Owners of the Company	**15**	**20**	**24**
Non-controlling interests			
Total comprehensive income for the year	**15**	**20**	**24**

RemCo

Combined Statement of financial position

EURm	30 Sept 2017	30 Sept 2016	31 Dec 2016
ASSETS			
Fixtures and furniture	2	2	2
Goodwill	191	191	191
Other intangible assets	15	13	14
Loans and receivables	394	365	369
Deferred tax assets	3	16	7
Other financial assets	0	18	0
Non-current assets	**605**	**605**	**581**
Trade receivables	6	6	5
Current tax receivable	0	0	1
Other short-term receivables	71	60	65
Client funds	13	10	10
Cash and cash equivalents	19	20	34
Current assets	**108**	**96**	**115**
Total assets	**713**	**702**	**697**
EQUITY	**389**	**406**	**375**
Total equity	**389**	**406**	**375**
LIABILITIES			
Other long-term liabilities	231	207	196
Deferred tax liabilities	0	17	3
Non-current liabilities	**231**	**224**	**199**
Trade payables	5	4	8
Borrowings	30	31	35
Client liabilities	13	10	10
Other liabilities	45	28	69
Current liabilities	**92**	**72**	**123**
Total liabilities	**323**	**296**	**322**
Total equity and liabilities	**713**	**702**	**697**

Oslo, 14 November, 2017

Trond Brandsrud   Geir Inge Skålevik   Lars Hjarrand

RemCo

Combined Statement of changes in equity

EURm	Jan - Sept 2017	Jan - Dec 2016
Beginning balance, 1 January	**375**	**384**
Net income (loss) for the period	15	26
Remeasurements of post-employment benefit obligations	—	—
Currency translation differences	(1)	(3)
Other comprehensive income	—	—
Total comprehensive income	**15**	**24**
Capital increase	0	9
Group Contribution	—	(42)
Ending balance	**389**	**375**

RemCo

Combined Statement of cash flow

EURm	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Operating activities:			
Results from operating activities (EBIT)	30	37	44
Amortisation, depreciation and impairment	4	5	7
Amortisation and revaluation of Purchased Debt	42	43	58
Interest received	0	0	0
Interest paid	(12)	(10)	(14)
Corporate Income tax paid	(4)	(4)	(4)
Cash flow from operating activities before changes in working capital	**61**	**71**	**90**
Cash flow from changes in working capital:			
Decrease(+) / increase(−) in trade receivable	(1)	(1)	0
Decrease(+) / increase(−) in other receivables	(5)	(7)	(12)
Decrease(−) / increase(+) in trade payable	(3)	(3)	2
Decrease(−) / increase(+) in other current liabilities	(25)	(36)	5
Cash flow (used in)/from operating activities	**27**	**24**	**85**
Investment activities:			
Acquisition of tangible fixed assets	(0)	(1)	(2)
Acquisition of intangible fixed assets	(5)	(1)	(2)
Proceeds from sale loans and receivables	3	—	
Acquisition of loans and receivables	(70)	(25)	(43)
Cash flow (used in)/from investing activities	**(73)**	**(27)**	**(47)**
Financing activities:			
Proceeds from issue of share capital	0	2	9
Borrowings/Retirement of debt	(6)	31	35
Loan to group companies	35	(30)	(67)
Cash flow (used in)/from financing activities	**29**	**3**	**(23)**
Cash flow for the period	**(16)**	**1**	**16**
Currency effect	1	(3)	(3)
Cash and cash equivalents at the beginning of the period	34	22	22
Cash and cash equivalents at end of period	**19**	**20**	**34**

Note 1—Accounting Principles

RemCo combined financial statements for the first nine months of 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the Norwegian Accounting Act.

The combined financial statements have been prepared in accordance with the cost method.

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting policies adopted are consistent with those of the previous financial year for RemCo (see combined Financial Statements of RemCo 2016).

The Q3 report has been subject to limited review by RemCo's auditors.

The reporting currency is euro (EUR). The combined financial statements are presented in EUR and all values are rounded to the nearest million (EURm) except when otherwise indicated. The combined accounts pertain to 1 January to 30 September for income statements and 30 September for items on the statements of financial position.

Note 2—Operating segments

Management has determined the operating segments based on information reviewed by management for the purpose of allocating resources and assessing performance. Management considers the performance from a product perspective and separately considers the Debt Purchasing and Debt Collection segments. Both segments meet the quantitative thresholds required by IFRS 8 for Reportable Segments. Management assesses the performance of the operating segments based on a measure of Segment Earnings, which is Net revenue minus direct operating expenses.

Revenues

Sales between segments are carried out at arm's length. Net revenue from external parties reported to management is measured in a manner consistent with that in the income statement. The following table

Note 2—Operating segments (Continued)

presents a reconciliation of the reportable segments' main captions from profit and loss to the entity's profit and loss before tax.

EURm	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016
Net revenue from external customers			
Debt Purchasing	67	74	94
Debt Collection	44	42	58
Other	13	12	16
Total	**124**	**127**	**168**
Inter-segment revenue			
Debt Purchasing	—	—	—
Debt Collection	26	26	36
Earnings per segment			
Debt Purchasing	39	46	56
Debt Collection	28	26	36
Other	1	2	3
Total	**68**	**74**	**95**
Unallocated cost			
SG&A	(11)	(13)	(18)
IT	(15)	(14)	(18)
Other not allocated expenses	(7)	(5)	(9)
EBITDA	**35**	**42**	**50**
Depreciation and amortisation	(4)	(5)	(7)
EBIT	**30**	**37**	**44**
Net financial Items	(12)	(10)	(14)
Profit (loss) before tax	**18**	**27**	**30**
Purchased loans and receivables			
Beginning value	369	383	**383**
Amortisation	(38)	(38)	(54)
Revaluation**	(1)	5	5
Portfolio acquisitions	70	25	43
Divestment and disposals	(3)	—	(0)
Effect of change in FX rates	(3)	(10)	(9)
Ending value	**394**	**365**	**369**

Note 3—Fair value of financial assets and liabilities

	Book value	Fair value*	
EURm	30 Sept 2017	30 Sept 2017	FV—hierarchy
Financial assets at amortised cost			
Loans and receivables	394	394	3
Trade receivables	6	6	3
Other short-term receivables	71	71	3
Cash and cash equivalents	19	19	
Financial liabilities at amortised cost			
Bonds			
Long-term liabilities	231	231	3
Trade payables	5	5	3
Borrowings	30	30	3
Other liabilities	45	45	3
Total			

* See combined financial statements of RemCo for 2016 for description of calculation of fair value.

Note 4—Borrowing

Securitization Facility	Drawn*	Security	Maturity	Interest	Margin	Lender
EURm	30	Receivables pledge	06.09.2022	Floating	3m IBOR+2.90%	Nordea

* Total facility is EUR 50m. As at 30 Sept 2017 EUR 30m was drawn.

Note 5—Events after the end of the period

There are no events after the balance sheet date materially affecting the financial statements.

RemCo

Audited Combined Financial Statements

Years ended December 31, 2016, 2015 and 2014

Audited Combined Financial Statements RemCo

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Independent Auditor's Report

To the Board of Directors of RemCo Management Services AS

Opinion

We have audited the combined financial statements of RemCo which comprise the statements of financial position as at 31 December 2016, 31 December 2015 and 31 December 2014 and income statements, statements of comprehensive income, statements of changes in equity, statements of cash flow for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (together ''the financial statements''). The financial statements have been prepared in accordance with the accounting policies described in Note 2.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of RemCo as at 31 December 2016, 31 December 2015 and 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 2.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the accounting policies as described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing RemCo's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate RemCo or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RemCo's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RemCo's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause RemCo to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the combined Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 2. oktober 2017

PricewaterhouseCoopers AS

Erik Andersen
Statsautorisert revisor

RemCo

Combined Income statement

EURm		1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Net revenue	**5**	**168**	**163**	**162**
Employee benefit expense	6	−52	−51	−51
Legal fee cost		−16	−15	−15
Phone, postage and packaging		−9	−8	−9
Other operating costs	7	−42	−37	−32
Depreciation and amortisation	10,11	−7	−5	−4
Results from operating activities (EBIT)		**44**	**46**	**51**
Finance income	8	0	0	1
Finance costs	8	−14	−12	−7
Net finance costs		**−14**	**−11**	**−6**
Profit or loss before tax		**30**	**35**	**45**
Income tax expense	9	−3	−6	−2
Profit or loss for the year		**26**	**28**	**43**
Profit or loss attributable to:				
Owners of the Company		26	28	43
Profit or loss for the year		26	28	43

The accompanying notes are an integral part of these financial statements

RemCo

Combined statement of comprehensive income

EURm	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Profit or loss for the year	**26**	**28**	**43**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurements of post employment benefit obligations gain(+)/loss (−)	—	—	—
Tax on remeasurement of post employment benefit obligations	—	—	—
	—	—	—
Items that may be subsequently reclassified to the income statement			
Currency translation differences	−3	2	−6
Other comprehensive income for the year, net of tax	**−3**	**2**	**−6**
Total comprehensive income for the year	**24**	**31**	**37**
Attributable to:			
Owners of the Company	24	31	37
Non-controlling interests	—	—	—
Total comprehensive income for the year	**24**	**31**	**37**

The accompanying notes are an integral part of these financial statements

RemCo

Combined Statement of financial position

EURm	Notes	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
ASSETS				
Fixtures and furniture	10	2	2	1
Goodwill	12	191	191	191
Other intangible assets	11	14	17	19
Purchased loans and receivables	14	369	383	312
Deferred tax assets	9	7	1	16
Non-current assets		**581**	**593**	**540**
Trade receivables	15	5	5	5
Current tax receivable	9	1	0	0
Other short-term receivables	16	65	53	22
Client funds		10	10	11
Cash and cash equivalents	17	34	22	0
Current assets		**115**	**90**	**38**
Total assets	13	**697**	**683**	**577**
EQUITY		**375**	**384**	**342**
Total equity		**375**	**384**	**342**
Liabilities				
Other long-term liabilities	21	196	218	38
Deferred tax liabilities	9	3	0	18
Non-current liabilities		**199**	**218**	**57**
Trade payables	19	8	7	5
Borrowings	27	35	0	36
Other liabilities	20	69	63	125
Client liabilities		10	10	11
Current tax liabilities	9	0	1	2
Current liabilities		**123**	**81**	**179**
Total liabilities	13	**322**	**299**	**236**
Total equity and liabilities		**697**	**683**	**577**

Oslo, 2 October, 2017

Trond Brandsrud   Geir Inge Skålevik   Lars Hjarrand

The accompanying notes are an integral part of these financial statements

RemCo

Combined Statement of changes in equity

EURm	Notes	Paid in capital	FX translation	Retained earnings	Total equity
Balance as at 1 January 2016		70	5	309	384
Profit/loss for the year				26	26
Other comprehensive income for the year:					
Translation differences			−3	—	−3
Total comprehensive income for the year		—	−3	26	24
Capital increase/(reduction)		9	—		9
Group contribution		1	—	−43	−42
Balance as at 31 December 2016		80	2	293	375

EURm	Notes	Paid in capital	FX translation	Retained earnings	Total equity
Balance as at 1 January 2015		25	3	314	342
Profit/loss for the year				28	28
Other comprehensive income for the year:					
Translation differences			2		2
Total comprehensive income for the year		—	2	28	31
Capital increase/(reduction)		46	—	—	46
Other		—	—	3	3
Group Contribution		—	—	−38	−38
Balance as at 31 December 2015		70	5	309	384

EURm	Notes	Paid in capital	FX translation	Retained earnings	Total equity
Balance as at 1 January 2014		22	9	333	364
Profit/loss for the year				43	43
Other comprehensive income for the year:					
Translation differences		—	−6	—	−6
Total comprehensive income for the year		—	−6	43	37
Capital increase/(reduction)		3			3
Group contribution				−61	−61
Balance as at 31 December 2014		25	3	314	342

The accompanying notes are an integral part of these financial statements

RemCo

Combined Statement of cash flow

EURm	Notes	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Cash flows from operating activities:				
Results from operating activities (EBIT)		44	46	51
Non-cash items:				
Amortisation, depreciation and impairment	10,11	7	5	4
Amortisation and revaluation of purchased loans and receivables	14	58	40	50
Cash items:				
Interest received	8	0	0	1
Interest paid	8	−14	−12	−7
Corporate income tax paid	9	−4	−4	−0
Cash flows from operating activities before changes in working capital		**90**	**77**	**99**
Cash flows from changes in working capital:				
Decrease/(increase) in trade receivable	15	0	−0	0
Decrease/(increase) in other receivables	16	−12	−30	−8
(Decrease)/increase in trade payable	19	2	2	−0
(Decrease)/increase in other current liabilities	20	5	−63	23
Net cash generated from operating activities		**85**	**−15**	**114**
Cash flows from investing activities:				
Acquisition of tangible fixed assets	10	−2	0	−1
Acquisition of intangible fixed assets	11	−2	−3	−13
Acquisition of loans and receivables	14	−43	−111	−72
Net cash used in investing activities		**−47**	**−114**	**−86**
Cash flows from financing activities:				
Proceeds from issue of capital		9	46	3
Borrowings/Repayment of borrowings		35	−36	36
Loans to group companies	25	−67	135	−90
Group contribution (paid)/received		0	0	0
Net cash used in financing activities		**−23**	**145**	**−52**
Net (decrease)/increase in cash and cash equivalents		**16**	**16**	**−24**
Currency effect		−3	5	−6
Cash and cash equivalents at the beginning of the year	17	22	0	30
Cash and cash equivalents at end of year	**17**	**34**	**22**	**0**

The accompanying notes are an integral part of these financial statements

1 General information

These combined financial statements are prepared based on the historical financial statements of Lindorff A/S, Lindorff Danmark A/S, Lindorff Payment Services Holding AB, Lindorff Payment Services AB, Lindorff Sverige AB, Lindorff Oy, Lindorff Invest Oy, Lindorff Eesti Aktsiaselts and Lindorff Payment Services AS. These entities have all been part of the same group with parent company Lindorff AB, a registered company domiciled in Sweden.

The combined entities (together "the Group") have two core business segments; Debt Purchasing and Debt Collection. The Debt Purchasing segment consists of the acquisition, management and collection of mainly unsecured non-performing loans. The Debt Collection segment consists of collection for various external clients and on portfolios of loans and receivables owned by Debt Purchasing as well as Real Estate Servicing. Other services include invoice and payment services.

In 2016, the Group had offices in 5 countries—Denmark, Finland, Norway, Sweden and Estonia.

2 Summary of significant accounting policies

2.1 Basis of preparation

The combined financial statements have been prepared in accordance with International Financial Reporting Standards as approved by the EU (IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

These combined financial statements reflect the historical financial position, results of operations, equity and cash flows of the above listed entities for the periods presented. In preparing these combined financial statements, the financial information of the legal entities within RemCo has been extracted from the reporting records on a legal entity basis, which have been reported for Group consolidation purposes within Lock AS and also reflect assumptions and allocations made to depict the Business on a stand-alone basis. As a result, the combined financial statements included herein may not necessarily be indicative of the Business's financial position, results of operations, or cash flows had the Business operated as a stand-alone entity during the periods presented. The accounting policies in the historical combined financial statements for RemCo are consistent with the accounting policies applied in Lock AS consolidated financial statements for 2016, which comply with IFRS as adopted by the EU.

The combined financial statements were prepared using the historical values of the assets and liabilities of the Business, and the combined financial statements include all assets, liabilities, revenues and expenses directly attributable to the Business.

The combined financial statements have been prepared on a historical cost basis.

The presentation currency for the Group is Euro (EUR). The combined financial statements are presented in EUR and all values are rounded to the nearest million (EURm) except when otherwise indicated. The combined accounts pertain to 1 January to 31 December for income statements and 31 December for items on the statements of financial position.

2.1.1 Changes in accounting policy and disclosures

The Group has adopted all new and revised standards and interpretations issued by IASB and IFRIC and approved by EU if relevant to the business and come into force for the accounting year starting 1 January 2016.

2 Summary of significant accounting policies (Continued)

2.1.2 New standards and interpretations not yet adopted

Certain new standards and amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2017 have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group. Below is a short description of the new standards and interpretations:

IFRS 9 Financial Instruments:

IFRS 9, 'Financial instruments' will replace IAS 39, and addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. IASB has issued a package of improvements for the accounting of financial instruments. The package contains a model for the classification and measurement of financial instruments, a simplified approach to hedge accounting and a forward-looking impairment model. IFRS 9 requires financial assets to be classified in three categories: valuation at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new standard also implements a new model for impairment of financial assets. The new impairment model is an expected credit loss (ECL) model.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not currently have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has no material hedging instruments, and hence the effect on the combined financial statements is not expected to be significant for the Group.

The Groups preliminary assessment is that loans and receivables purchased by the Group should, in accordance with IFRS 9, continue to be recognized at amortised cost, as in IAS 39, and hence there will be no change to the accounting for these assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as in the case under IAS 39. It applies to financial assets classified at amortised cost and loan commitments. The implementation of IFRS 9 could lead to increased provisions for credit loss related to the Group's payment services, due to the change from an incurred loss model to an expected loss model. The new model for impairment of financial assets will in most cases result in a higher impairment recognised at an earlier stage. Payment services, which is an Invoice and Part Payment solution to merchants, currently represents a small part (<1%) of the Group's operations and financial assets. Changes in provisions for credit loss related to payment services are consequently not expected to be significant for the Group's combined financial statements. IFRS 9 will come into effect on 1 January 2018. IFRS 9 was approved by European Commission at 22 November 2016 and early adoption is permitted. The Group will not utilise the opportunity for early adoption.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15, 'Revenue from Contracts with Customers', will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard will be effective for annual periods beginning on or after 1 January 2018 and is based on the principle that revenue is

2 Summary of significant accounting policies (Continued)

recognised when control of a good or service transfers to a customer—so the notion of control replaces the existing notion of risks and rewards. IFRS 15 implements a new model to consider transaction price, allocation and recognition. The revenue model can be illustrated as a 5-step model that has to be evaluated, concluded and documented for each contract. It has extensive disclosure requirements. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Contracts with customers that will be accounted for in accordance with IFRS 9 Financial instruments shall, however, follow the requirements in IFRS 9, as they are scoped out of IFRS 15. The Group's revenue on purchased loans and receivables are recognised according to IFRS 9 at amortised cost using the effective interest method, and consequently, will not be affected by the implementation of IFRS 15. The Group has not finalised the investigation of the impact on the segments Debt Collection or Other Services, but as the majority of the revenues from these segments relates to commission and debt collection fees recognised on collection of the debt, the current assessment is that the new standard will not have any significant impact on the Groups financial statements.

IFRS 16 Leases:

IFRS 16 was issued in January 2016 and will be effective for annual periods beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of EUR 8m, see note 24. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases which are not in the scope of the standard and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The Group will make more detailed assessments of the impact during 2017. IFRS 16 is not yet approved by European Commission.

2.2 Basis of allocation and combination principles

Allocations of certain group common services provided by the Lindorff Group including financial, legal, human resources and other support functions. The allocations have primarily been made based on percentage of employee cost, which management believes represent a reasonable allocation methodology.

The financial statements of the entities included in the combined financial statements are prepared for the same reporting period and using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The financial statements of the entities included in the combined financial statements are prepared using the same reporting year as the parent company, but they are not always prepared in accordance with IFRS. Consequently, for combination purposes, the figures for the entities have been revised to conform to the Group accounting policies in accordance with IFRS. Intercompany transactions, balances, revenues and expenses are eliminated. This also applies for unrealized internal gains and losses.

Goodwill has been allocated to the Group based on the historical goodwill recognised when the entities included in the combined financial statements came under common control. The goodwill is allocated to the Group based on fair value of the Group relative to the total fair value for the total operations under common control.

2 Summary of significant accounting policies (Continued)

With regard to the potential impact of events after the balance sheet date in accordance with IAS 10, the policy chosen in the financial statements are to only consider events after the most recent period presented. Accordingly the 2015 and 2014 fiscal years are deemed concluded.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organised in two main operating segments: Debt Purchasing and Debt Collection. The Debt Purchasing segment consists of acquisition and management of mainly unsecured non-performing loans and receivables. The Debt Collection segment consists of collection for various clients and on portfolios of loans and receivables owned by Debt Purchasing as well as Real Estate Servicing.

The Group's Other segment relates to revenues not related to the main operating segments.

The total revenue from external customers and intersegment sales are specified by country in note 5.

2.4 Foreign currency translation

The combined financial statements are presented in EUR, which is the Group's presentation currency.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (''the functional currency'').

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented (i.e. including comparatives) are translated at the closing rate at the date of the financial position;

b) income and expenses for each income statement (i.e. including comparatives) are translated at average exchange rates and

c) all exchange differences are recognised in other comprehensive income

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in income statement within ''finance income or costs''. Foreign exchange gains and losses on non-monetary financial assets and liabilities such as financial liabilities at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Tangible assets

Tangible assets are recognised at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment. Such cost includes the cost of replacing part of such tangible assets when that cost is incurred if the recognition criteria are met. Depreciation is calculated on

2 Summary of significant accounting policies (Continued)

a straight-line basis over the useful life of the assets. The useful lives of tangible assets, fixtures and furniture are three to five years.

The carrying value of tangible assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of tangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end.

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The Group's intangible assets are assessed to be finite except goodwill.

Intangible assets with finite lives are mainly amortised on a straight-line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as an expense and included in ''Amortisation of intangible fixed assets''.

a) Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The operating segment level is Debt Purchasing and Debt Collection. The goodwill is mainly allocated to the Debt Collection segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Internally developed software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

2 Summary of significant accounting policies (Continued)

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, capitalised as part of the software product, include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years unless strong indication of a longer useful life is demonstrated (for instance by an underlying contract).

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units).

Prior impairments of non-financial assets other than goodwill are reviewed for possible reversal at each end of the reporting period. An assessment is made as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.8 Financial assets

2.8.1 Classification

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit and loss or loans and receivables, as appropriate. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The Group's financial assets and derivatives at fair value through profit and loss comprise only minor investments in shares.

2 Summary of significant accounting policies (Continued)

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise mainly portfolios of purchased non-performing loans, ''trade and other receivables'' and ''cash and cash equivalents'' (see note 14). Client funds are recognised on a separate line in the Statement of financial position and therefore not included in the Group's reported liquid assets.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the ''financial assets at fair value through profit or loss'' category are presented in the income statement within ''Other (losses)/gains-net'' in the period in which they arise.

Purchased loans and receivables

Purchased loans and receivables are portfolios of non performing claims. A portfolio is defined to be the lowest reliable level for pool of accounts with similar attributes. Typically, each portfolio consists of an individual acquisition of accounts. Each portfolio is classified in the loans and receivable category and is initially recorded at fair value including external cost of acquiring the portfolio. The portfolio is accounted for as a single unit for the recognition of income, principal payments and adjustments from recalculation of the estimated future cash flows.

The accounting policy is also applied when one or more portfolios are acquired in a business combination.

Significant estimates are made by the management with respect to the collectability of future cash flows from portfolios. The cash flow estimates are prepared by management on a rolling 15 year basis. If the cash flow estimates are revised, the carrying amount is recalculated to reflect actual and revised estimated cash flows by computing the present value of estimated future cash flows using the initial effective interest rate. An adjustment in the carrying amount is recognised in net revenue. See 2.19 Revenue recognition for further information.

Management's interpretations of historical cash flows, type of receivable, age, face value of the individual account and experience from other portfolios form the basis for the cash flow estimates. As these estimates are prepared on a rolling 15 year basis, an additional year is included in the 15 year cash flow forecast each year. The effect of including an additional year is recorded as a revaluation in the income statement. Actual results may differ from the estimates, making it reasonably possible that a change in estimates could occur within one year and impact the carrying value of the related loans and receivables. On a quarterly basis, management reviews the estimates of future cash flows, and whether it is reasonably possible that its assessment of collectability may change based on actual results and other factors that may have an impact on the estimates.

2 Summary of significant accounting policies (Continued)

On a regular basis, the Group acquires portfolios on a forward flow basis. This means that a contract is established for purchases of debt at an agreed price, but where the volumes of debt are not fully known at the time of agreement. The acquisition (delivery) of forward flow debts can be done on weekly, monthly or quarterly basis. The effective interest rate is calculated by contract and used for each batch. If experience indicates a change in the attributes of the claims management may decide to apply a new effective interest rate for new batches.

Other financial assets

Long-term loans and receivables and other receivables are those that arise when the company provides money without the intent to trade its claim. If the anticipated maturity is longer than one year they constitute long-term receivables, and if it is shorter they are short-term receivables. Loans and receivables are initially recognised at fair value and measured at amortised cost.

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ''loss event'') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default of delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's initial effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Trade and other receivables

Trade receivables are amounts due from customers in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any credit losses recognised.

Legal fees/bailiff costs: The Group incurs outlays for bailiff/court costs, legal representation, enforcement authorities, etc. which can be charged to and collected from debtors. In certain cases The Group has agreements with its clients where expenses that cannot be collected from the debtor are instead refunded by the client. The amount that is expected to be recovered from the client is recognised as an asset in Other short term receivables.

Client funds: Client funds are reported as assets and liabilities in the statement of financial position and comprise cash received on collection of a specific debt on behalf of a client and which are to be passed on to the clients within a specified period.

2 Summary of significant accounting policies (Continued)

2.11 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2.12 Equity

Paid-in capital is determined using the nominal value of capital that have been issued. Paid-in capital includes any premiums received on the initial issuing of the capital. Any transaction costs associated with the issuing of capital are deducted from paid-in capital, net of any related income tax benefits. Retained earnings include all current and prior period results as disclosed in the income statement.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

The upfront fees are a part of the borrowing cost and are recognised as an expense in accordance with the effective interest method.

2.15 Borrowing costs

Borrowing costs other than upfront fees are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

2 Summary of significant accounting policies (Continued)

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Employee benefits

a) Pension benefits

The Group has various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit than an employee will receive on retirement, usually depended on one or more factors such as age, years of service and compensation.

2 Summary of significant accounting policies (Continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on governments bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment or termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonus based on a formula that takes into consideration the agreed terms.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.19 Revenue recognition

Net revenue is measured at the fair value of the consideration received and represents interest and amounts receivable for services supplied, stated net of discounts and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below.

2 Summary of significant accounting policies (Continued)

a) Commission and debt collection fees in Collection are recognised on collection of the debt

b) Income from subscription services is recognised proportionally over the duration of the agreement, usually one year

c) Income from other services are recognised when the service is provided

d) Revenue on portfolios of purchased loans and receivables are recognised using the effective interest method

Purchased loans and receivables consists mainly of portfolios of delinquent consumer debts purchased at prices significantly below the nominal face value and are recognised according to IAS 39 for loans and receivables, i.e. at amortised cost using the effective interest method. According to the effective interest method, the carrying value of each portfolio corresponds to the present value of gross projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio was acquired, and the method also allocates the interest revenue over the relevant period. The initial effective interest rate is based on the relation between acquisition cost and the projected future cash flows on the acquisition date.

With the projection of future gross cash flows and the purchase price including transaction costs as a basis, each portfolio is assigned an initial effective interest rate that is then used to discount cash flows through the life of the portfolio. If appropriate, the Effective Interest Rate (EIR) is reassessed and adjusted up to 12 months after the purchase of the portfolio of overdue receivables to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on our income from purchased portfolios.

Current cash flow projections are monitored over the course of the year and updated based on, among other things, achieved collection results, agreements reached with debtors on instalment plans and macroeconomic information. Cash flow projections are made at portfolio level, since each portfolio of receivables consists of homogeneous accounts. On the basis of the updated cash flow projections and the initial effective interest rate, a new carrying value for the portfolio is calculated at the end of the reporting period.

Changes over time in the book value can be divided into a time and interest rate component and a component related to changes in estimates of future cash flows. Changes in cash flow forecasts are treated symmetrically, i.e., both increases and decreases in forecast flows affect the portfolios' book value, and as a result, net revenue.

Income on portfolios is accrued monthly based on each portfolios effective interest rate. Monthly cash flows greater than the cash flow forecast for the same period is recorded as revenue in the period. Likewise, monthly cash flows that are less than the monthly cash flow forecast for the same period is recorded as a reduction of revenue in the period. Compensation received due to price adjustments for portfolios acquired are recorded as an adjustment to the book value.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2 Summary of significant accounting policies (Continued)

2.21 Dividend distribution and group contributions

Dividends and group contributions proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Shareholder's General Meeting.

2.22 Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. All transactions between the related parties are based on the principle of 'arm's length' (estimated market value).

2.23 Classification in the statement of financial position

Current assets and short-term liabilities include items due less than one year from the balance sheet date, and items tied to the operating cycle, if longer. The current portion of long-term debt is included as current liabilities. Other assets are classified as non-current assets.

2.24 Cash flow statement

The indirect method is used for the cash flow statement. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined in 2.11.

Cash related to acquisition of portfolios of loans and receivables is included in investing activities while payments and amortisation on these portfolios are included in operating activities.

3 Critical accounting estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Revenue recognition Purchased loans and receivables

The Group uses the effective interest method to account for portfolios and loans. The use of the effective interest method requires the Group to estimate future cash flows from loans and receivables at each balance sheet date. The underlying estimates that form the basis for revenue recognition depends on variables such as the ability to contact the debtor and reach an agreement, timing of cash flows, general economic environment and statutory regulations. If the estimations are revised, the Group adjusts the carrying amount of the portfolios and loans to reflect actual and revised estimated cash flows in accordance with IAS 39 paragraph AG8. Events or changes in assumptions and managements judgment will affect the recognition of revenue in the period.

Book value of Purchased loans and receivables

Loans and receivables (portfolios) consist mainly of acquired non-performing unsecured loans and non-derivative financial assets without fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Events or changes in assumptions and managements judgment will affect the cash flow for the portfolios and therefore also the net present value of future cash flows and the book value of the portfolios. See note 14.

3 Critical accounting estimates (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired when circumstances indicate that there may be a potential impairment. Estimating recoverable amounts of assets and companies are partly based on management's evaluation, including estimates of future performance, revenue generating capacity of the assets, and assumptions of the future market conditions. Changes in circumstances and in management's estimation of future events may give rise to impairment losses.

Impairment of goodwill is evaluated on an annual basis and determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Estimating the recoverable amount requires the Group to make assumptions regarding the expected future cash flow and the discount rate used to calculate the net present value of those cash flows. See note 12.

Deferred Income Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group is subject to income taxes in some jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 Financial risk management

4.1 Financial risk factors

Risk management in the Group

The risk management process in the Group is based on the bottom up principles; this implies that risk shall be handled where it arises. The underlying premise of the risk management process is that the Group exists to provide value for its stakeholders. Head of Group Treasury has responsibility for identifying, measuring and controlling financial risk within the Group. Furthermore the Decision Meeting (DM) process has specific requirements for the risk management in the process, such as for portfolio investments, etc. The DM-structure is hierarchical in three levels, named 1 to 3. On the highest level, level 1 (DM1), there is only one occurrence, led by the CEO of the Group. On the second level there is one DM for each Group function and Group product. On the third level there is one DM per country. Every DM3 is within the hierarchy of the actual DM2. Significant risk from Group Treasurer and the DM processes is a part of the overall annually risk assessment.

It is annually performed a documented risk assessment as part of the integrated budget planning process. In addition to the annually risk assessment as part of the integrated budget planning process there is also performed risk assessments in the various business process when significant changes occurs, both related to the business, the organization and more. The Board of Directors in the Group annually receives a report on the key risks in the Group. The risk units report periodically their unit's high risks and status on their mitigation plan to the CEO. The risk reporting within the risk unit and from the risk unit and to the next management/decision level shall be aligned with their existing management reporting process (such as the DM process, local business reviews, etc.).

The Group is exposed to financing risk, market risk, currency risk, interest rate risk, credit risk and liquidity risk. The risk management guidelines set out in the Group Treasury Policy approved by the

4 Financial risk management (Continued)

Board of Directors aim to reduce the effect of volatility in financial markets and the potential adverse effects that can have on the Group's financial performance.

a) Market risk

The services and products offered in the respective local geographical markets are subject to strict local laws and regulations including requirements for debt collection licenses.

i) Market and regulatory environment

The main market risk is related to general macroeconomic conditions and local rules and statutory regulations in each of the geographical markets the Group is present in and which affect the debtors' ability to pay and the vendors' ability and willingness to sell portfolios of loans and receivables and potential commission from third party collection.

ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to NOK (Norwegian krone), SEK (Swedish krone) and PLN (Polish zloty) compared to the Group's internal and external reporting currency EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's strategy is to manage and limit currency risk. The following exchange rates have been used to translate NOK, SEK, and DKK in the financial accounts:

NOK	2016	2015	2014
Average	9,29	8,94	8,35
Closing	9,09	9,62	9,05

SEK	2016	2015	2014
Average	9,46	9,35	9,10
Closing	9,55	9,18	9,52

DKK	2016	2015	2014
Average	7,45	7,46	7,44
Closing	7,43	7,46	7,45

Foreign exchange exposures can be classified into the following groups:

Transaction exposure

Transaction exposures are concentrated to as few Group's entities as possible in order to create ''natural hedges'' where positive exposures are off-set by negative, i.e. incoming foreign currency cash flows are off-set by outgoing cash flows.

In the operating entities, revenues and operating expenses are mainly denominated in local currencies, and thus currency fluctuations have only a limited impact on operating earnings. National operations seldom have receivables and liabilities in foreign currency.

Transaction exposure is hedged when there is a high degree of certainty in terms of the size and timing of the currency flow.

4 Financial risk management (Continued)

Translation exposure

In 2016 the Group operated in 5 countries. The results and financial position of subsidiaries are reported in the relevant foreign currencies and later translated into EUR for inclusion in the consolidated financial statements. Approximately 53% (2015: 50%, 2014: 50%) of the Group's revenue is in foreign currency. Consequently, fluctuations in exchange rates against EUR affect the Group's revenue and earnings, as well as equity and other items in the financial statements.

Economic value exposure

The relative economic value based on Net sales, Cost of Sales, Operating expenses, EBIT, is exposed to foreign exchange fluctuations.

The largest relative economic value deriving from non-EUR currencies, are protected by means of external financing denominated in the corresponding currencies at the same relative currency mix. Interest payments and debt repayments on bank debt and bonds serve as a natural hedge of future operating cash flows in the relevant currencies.

The Group's revenue is distributed by currency as follows:

Revenue currency split

EURm	2016	2015	2014
EUR	80	82	82
DKK	23	23	21
NOK	0	0	0
SEK	66	57	59
Other currencies	0	0	0
Total	**168**	**163**	**162**

If currencies had weakened/strengthened by 10% in average against the presentation currency EUR with all other variable held constant, net revenues would have decreased/increased by approximately EUR 9m (2015: 8m, 2014: 8m).

Revenue currency split

EURm	2016	2015	2014
EUR and DKK	61%	65%	63%
NOK	0%	0%	0%
SEK	39%	35%	37%
Other currencies	0%	0%	0%
Total	**100%**	**100%**	**100%**

b) Interest rate risk

Interest rate risk refers to the risk that the value of cash flow related to financial instruments, interest bearing assets and liabilities varies due to fluctuations in market interest rates. Currently, the Group is in a net debt position and consequently exposed to rising interest rates.

Hedging may be arranged by raising fixed rate debt and by fixing interest rates with derivatives. The composition of the duration on debt and related derivatives should be a balance between floating interest rates in order to reduce interest expense over time and fixed interest rates to increase the stability of interest expense, with the objective of maintaining an optimal weighted average maturity.

4 Financial risk management (Continued)

As of 31 December 2016, none of the debt on the balance sheet was fixed rate debt. The floating rate debt is tied to the market rate with quarterly or annually interest fixing. A one percent increase in market interest rates would have adversely affected net financial items by approximately EUR 3m. A five percent increase in market interest rates would have adversely affected net financial items by approximately EUR 14m.

c) Credit risk

Credit risk is managed on a Group basis. Credit risk is the risk that the Group‘s counterparties are unable to fulfil their obligations to the Group. To reduce the risk of having counterparts who are unable to fulfil their obligations, the Group only use counterparts with high credit worthiness for hedging and cash placement purposes. Counterparts shall be pre-approved by the Board of Directors. An upper limit is also defined with respect to the size of hedging and cash placement amounts with each counterpart.

Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from assets such as cash and cash equivalents, guarantees and derivative financial instruments and deposits with banks and financial institutions, as well as outstanding receivables; Purchased loans and receivables and outlays on behalf of clients. For financial assets owned by the Group, no collateral (very limited) or other credit reinforcements have been received.

The maximum credit exposure for each class of financial assets therefore corresponds to the carrying amount.

There is also a limited risk of loss linked to the Group’s Third Party Debt Collection, however the risk is primarily carried by the client.

Portfolios of purchased loans and receivables

To minimize the risks related to purchase of non- performing claims, caution is exercised in purchase decisions. Purchases are usually made from clients with whom the Group has maintained long-term relationships and therefore has a thorough understanding of the receivables in question. Purchased loans and receivables are usually purchased at prices significantly below the nominal value of the receivables, and are not collateralised. The Group retains the entire amount collected, including interest and fees.

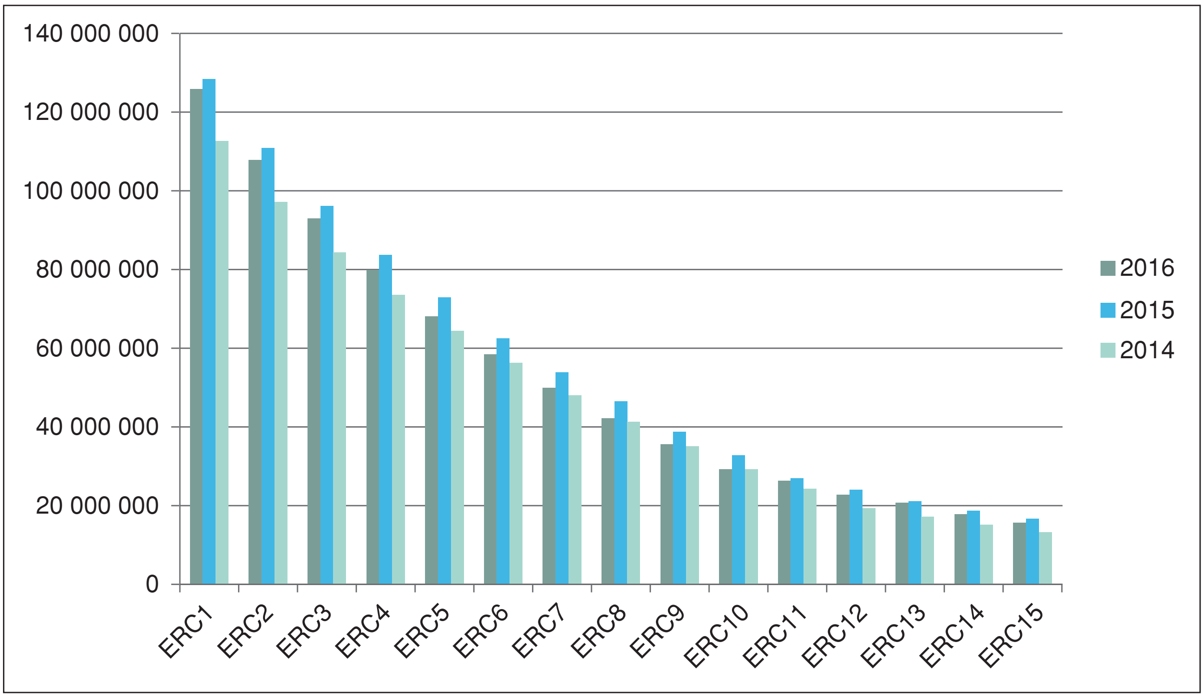
The Group has high yield requirements on purchased loans and receivables. Before every acquisition, a careful assessment is made based on a projection of future cash flows (estimated gross collection less expected costs of collection) from the portfolio. In its calculations, The Group is aided by its long experience in collection management and its valuation models.

Scoring entails the consumer’s payment capacity being assessed with the aid of statistical analysis. The Group therefore believes that it has the expertise required to evaluate these types of receivables.

Purchased portfolios are under constant surveillance by local Debt Purchasing departments, and there are performed quarterly reviews of the portfolios on Group level based on reports on each portfolio.

Information on acquired loan portfolios is presented in Note 14. Considering that essentially all of the Group’s portfolios are non-performing, age analyses of non-performing loans are, from a risk perspective, considered to be of limited relevance and are consequently not disclosed. Estimated Remaining Collection (ERC) is considered as a more important parameter for the Group’s credit risk management. ERC on the Group’s owned portfolios was EUR 796m (2015: 837m, 2014: 735) as at 31 December 2016.

4 Financial risk management (Continued)



A share of the investments in purchased loans and receivables has been made as forward flow agreements (see note 24), meaning that the Group has committed to buy non-performing debt portfolios for delivery in future periods. The duration of the contracts are usually not more than 12 months and for the majority of contracts the Group has the possibility to decline to acquire the portfolios if the credit quality of the claims are significant weaker than assumed in the agreement.

The Group's purchased loans and receivables in 2016 included debtors in 4 countries and the carrying value is distributed as follows:

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Denmark	55	61	64
Estonia	2	2	2
Finland	83	84	84
Sweden	228	237	162
Total	**369**	**383**	**312**

Purchased loans and receivables per country/in percent of total carrying value	31 Dec 2016	31 Dec 2015	31 Dec 2014
Denmark	15%	16%	21%
Estonia	1%	0%	1%
Finland	23%	22%	27%
Sweden	62%	62%	52%
Total	**100%**	**100%**	**100%**

Purchased loans and receivables are overdue at acquisition date and therefore usually purchased at prices significantly below the nominal value. Even though it is obvious that the full face value will not be recovered, the Group has the right to collect the full face value including principal, interest and fees on its own behalf.

The carrying value of EUR 1 176m as at 31 December 2016 is the maximum theoretical risk if the whole portfolio become worthless/non collectable.

4 Financial risk management (Continued)

The Group has had only minor impairment losses and positive revaluations during the last year.

See note 14 regarding fair value of the portfolios of acquired loans and receivables.

In order to continue minimising the credit risk exposure, the Group continues to invest in staff with a broad experience in credit management, and focus on increased analytical approach to portfolio assessments. Monitoring processes are implemented to follow up actual collection compared to forecasts. In addition, the Group's investment in effective IT systems and a more uniform cross-border business model will result in better control of the Group's business, which in turn will also help reduce the risk of credit loss.

Trade receivables and other short-term receivables

Trade receivables and other short-term receivables are exposed to credit risk of counterparties unable to fulfil their obligations to the Group. Credit risk related to trade receivables and accrued income is managed in the countries according to the Group's strategy of risk evaluation of new clients before standard payment, delivery terms and conditions are offered. We have long term relationship with many clients and use our operational expertise to monitor and follow up on own receivables in the same way as for clients.

Payment Services offer payment solution to commercial internet merchants and the Group is exposed to credit risk of the customers not able to fulfil their obligations to pay. After an initial credit check, the customer can choose to pay invoice within due date, or convert to payment plans for up to two years. The credit risk is mainly related to the conversion rate to payment plans. The service is still in ramp up phase, historical data for conversion rate is not available.

Payment receivables are monitored and collected according to the most efficient collection strategy.

d) Liquidity risk

Liquidity risk is the risk that the Group does not have the ability to fulfil its payment obligations. Cash forecasting is performed by the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts to ensure that the Group has sufficient cash to meet operational and financial expenditures. In order to increase flexibility and improve the cash efficiency, an overlay cash pooling structure is put in place within the Group. The cash pool structure secures that the operating entities have sufficient liquidity to cover working capital needs, while also securing that excess liquidity is transferred to the Group.

The table below shows the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31. December 2016

EURm	Less than 3 month	Between 3 month and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term group liabilities				196	
Short-term group liabilities		53			
Short-term external loans	35				
Trade and other payables	17				
Total	**52**	**53**	**—**	**196**	**—**

4 Financial risk management (Continued)

At 31. December 2015

EURm	Less than 3 month	Between 3 month and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term group liabilities				217	
Short-term group liabilities		48			
Short-term external loans					
Trade and other payables	15				
Total	**15**	**48**	**—**	**217**	**—**

At 31. December 2014

EURm	Less than 3 month	Between 3 month and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term group liabilities				38	
Short-term group liabilities		108			
Short-term external loans	36				
Trade and other payables	14				
Total	**50**	**108**	**—**	**38**	**—**

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Long-term liabilities group companies	196	217	38
Accrued interest and short term loans from group c	22	12	52
Senior notes Nordea	35	—	—
Accrued interest on bank loans	0	—	—
—Accrued interest and short term loans to group com	−5	−7	−10
—Cash and cash equivalents	−34	−22	36
Total	**214**	**201**	**116**

Lindorff Group, from which these financial statements have been derived, has been assigned a credit rating of B+ by Standard & Poor's Rating Services and B2 by Moody's Investor Services.

5 Segment information

Management has determined the operating segments based on information reviewed by management for the purpose of allocating resources and assessing performance. Management considers the performance from a product perspective and separately considers the Debt Purchasing and Debt Collection. The Debt Purchasing segment consists of acquisition and management of mainly unsecured non-performing loans and receivables. The Debt Collection segment consists of collection for various clients and on portfolios of loans and receivables owned by Debt Purchasing.

Both segments meet the quantitative thresholds required by IFRS 8 for reportable segments. Management assesses the performance of the operating segments based on a measure of Contribution Margin 1 which is gross revenues minus direct operating expenses.

5 Segment information (Continued)

Revenue

Sales between segments are carried out at arm's length. The revenue from external parties reported to management is measured in a manner consistent with that in the income statement .The following table presents a reconciliation of the reportable segments' main captions from profit and loss to the entity's profit and loss before tax:

EURm	Debt Purchasing	Debt Collection	Other	Eliminations & unallocated items	Total
Revenue from external customers	89	58	16,3		163
Inter-segment revenue		36		(36)	—
Revaluation of loans and receivables	5				5
Total operating revenue	**94**	**94**	**16**	**(36)**	**168**
Direct operating expenses	(39)	(57)	(13)	36	(73)
Contribution margin	**56**	**36**	**3**	**—**	**95**
SG&A				(18)	(18)
IT				(18)	(18)
Other not allocated expenses				(9)	(9)
Depreciation and amortisation of assets				(7)	(7)
Operating profit (loss)/EBIT				**(52)**	**44**
Financial items				(14)	(14)
Profit and loss before tax				**(66)**	**30**

1 Jan - 31 Dec 2015

EURm	Debt Purchasing	Debt Collection	Other	Eliminations & unallocated items	Total
Revenue from external customers	92	61	8,7		162
Inter-segment revenue		37		(37)	—
Revaluation of loans and receivables	1				1
Total operating revenue	**93**	**98**	**9**	**(37)**	**163**
Direct operating expenses	(39)	(61)	(7)	37	(70)
Contribution margin	**54**	**37**	**2**	**—**	**93**
SG&A				(19)	(19)
IT				(16)	(16)
Other not allocated expenses				(5,8)	(6)
Depreciation and amortisation of assets				(5)	(5)
Operating profit (loss)/EBIT				**(47)**	**46**
Financial items				(11)	(11)
Profit and loss before tax				**(58)**	**35**

5 Segment information (Continued)

1 Jan - 31 Dec 2014

EURm	Debt Purchasing	Debt Collection	Other	Eliminations & unallocated items	Total
Revenue from external customers	85	70	5,9		161
Inter-segment revenue		34		(34)	—
Revaluation of loans and receivables	1				1
Total operating revenue	**86**	**104**	**6**	**(34)**	**162**
Direct operating expenses	(36)	(60)	(6)	34	(68)
Contribution margin	**50**	**44**	**0**	**—**	**95**
SG&A				(18)	(18)
IT				(15)	(15)
Other not allocated expenses				(6,4)	(6)
Depreciation and amortisation of assets				(4)	(4)
Operating profit (loss)/EBIT				**(43)**	**51**
Financial items				(6)	(6)
Profit and loss before tax				**(50)**	**45**

Revenue and other income by service

EURm	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Collection fees, commissions and debtors fees	57	61	70
Revenue from purchased loans and receivables, excl revaluations	90	91	83
Revaluation of purchased loans and receivables	4	0	0
Loan administration	—	—	—
Invoice administration	4	3	3
Other revenue	13	7	6
Total	**168**	**163**	**162**

Revenue and other income from external customers by country

EURm	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Denmark	23	24	22
Estonia	2	1	1
Finland	77	80	79
Sweden	66	57	59
Norway	—	—	—
Total	**168**	**163**	**162**

No individual customer is generating more than 10 percent of the Group’s total revenue.

5 Segment information (Continued)

Non-current assets exclusive financial assets, deferred tax assets, goodwill and pensions per country representing more than 5% of the Group's total of such assets

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Finland	11	13	14
Sweden	4	5	7
Other (not representing more than 5%)	1	1	0
Total	**16**	**19**	**20**

Purchased loans and receivables are the most significant non-current asset for the Group and are specified in note 4 and 14.

6 Employees, salaries and other remuneration

EURm	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Country managers employed by companies included in the combined F/S	3	5	0
—of which bonuses	0	1	0
—of which severance payment	0	0	0
Other employees	35	33	39
Total	**38**	**38**	**39**
Social insurance contribution	4	4	4
Pension costs—defined contribution plan	6	6	5
Total remuneration and other staff costs	**48**	**47**	**48**
Other staff related costs	3	3	3
Total employee benefit expense	**52**	**51**	**51**

Board of Directors

No fees were paid to Board members for the entities included in these combined financial statements for the reporting period.

Senior Executives

All senior executives receive a fixed annual salary and variable compensation. The variable compensation is, with a few exceptions, up to 50% of the annual base salary and is based on the results achieved by Group's operating earnings, results in their area of responsibility and individual performance objectives. The Group has agreements with certain members of the management on severance payment equal to six to twelve months of base salary.

Remuneration and benefits during the year

In order to assist the CEO in the Group, from which the combined financial statements have been derived, performing his over-all responsibilities and to make sure that business-oriented, geographical and functional areas are managed in a professional way, the CEO has established a management team. This management team consists of central business and/or staff and support functions and Country managers. Combined, these responsibilities make the Executive Team of the Group.

7 Audit fees

The table below summarizes audit fees, fees for audit related services, tax services and other services incurred by the Group to PWC, the auditor for all companies in the Group.

EUR	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Auditor's fees	261 427	160 110	148 767
Auditor's fee for tax advice services	71 223	58 085	87 376
Auditor's fees for other services	48 231	42 567	176 419
Total	**380 881**	**260 762**	**412 562**

8 Financial income and costs

EURm	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Other interest income	0	0	1
Finance income	0	0	1
Net foreign exchange gains/losses on financing activities	−0	−0	0
Interest cost on group financing	−12	−11	−7
Other interest expense	−1	−0	−0
Commitment fee allocated	−1	—	—
Write-down loans group companies	—	−0	—
Other financial expense	−0	−0	−0
Finance costs	**−14**	**−12**	**−7**
Net finance costs	**−14**	**−11**	**−6**

9 Income tax

a) Income tax expense

EURm	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Current taxes	−6	−6	−8
Changes in deferred taxes	3	0	6
Income tax expense	**−3**	**−6**	**−2**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Profit or loss before tax	**30**	**35**	**45**
Tax calculated at domestic tax rates applicable to profits in the respective countries	−7	−8	−9
Tax effects of			
—Tax losses for which no deferred income tax asset was recognised	4	3	5
—Adjustments in respect of prior years		−1	2
Income tax expense	**−3**	**−6**	**−2**
Effective tax rate	11%	18%	5%

9 Income tax (Continued)

Income (nominal) tax rate per country:	2016	2015	2014
Denmark	22,0%	23,5%	24,5%
Estonia	20,0%	20,0%	21,0%
Finland	20,0%	20,0%	20,0%
Norway (2017: 24%, Financial inst. 25%)	25,0%	27,0%	27,0%
Sweden	22,0%	22,0%	22,0%

Expectations regarding effective tax rate

The Group is subject to varying income tax rates depending on local tax regulations in the relevant country; hence the Group's operations are subject to effective tax rates both below and above the nominal tax rates. Several countries have implemented interest limitations rules which may increase the effective tax rate going forward. This may be offset somewhat with lower nominal tax rates. In some periods, tax losses (and interest) carried forward that are not recognised in the statement of financial position will cause variations in the effective tax rate. In periods, when such assets are not recognised, the effective tax rate will be higher than the long-term expectation, whereas it may be lower in period when tax losses not recognised as assets have been utilised.

b) Deferred tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets and liabilities are offset within the same tax jurisdiction.

The Group has substantial tax losses brought forward in the end of 2016. These have to a large extent been generated by interest on shareholder loans in to the Group prior to the acquisition in October 2014.

Overview of deferred tax assets from corporate income tax:

2016	Gross tax losses and interest carried forward	Tax value of total carried forward	Recognised tax asset TLCF 2016	Recognised tax asset TLCF 2015	Recognised tax asset TLCF 2014
EURm					
Denmark	19	4	3	1	3
Sweden	106	23	4	—	13
Total	125	28	7	1	16

There is no time limitation on the recorded tax loss carry-forwards.

All deferred tax liabilities recorded in the balance sheet are related to the excess of book value of portfolios over the tax value in Finland.

10 Fixtures and furniture

Carrying value of fixtures and furniture was EUR 2m as at 31 December 2016 (2015: 2m, 2014: 1m). The assets are depreciated over the estimated useful lives which are usually considered to be 3-5 years.

11 Intangible assets

Intangible assets in the table below consist of internally developed software, client relationships and brand:

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
OB	17	19	9
Acquisitions	2	3	13
Depreciation and impairment	−5	−5	−4
Balance at 31 December	**14**	**17**	**19**

Intangible assets by type of asset:

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Ongoing software projects	1	2	1
Internally developed software	12	15	17
Patents, trademarks, licences and similar rights	0	0	1
Balance at 31 December	**14**	**17**	**19**

Capitalised expenditure for IT development is mainly generated internally using our own employees and/or contracted consultants.

Goodwill (see note 12) are acquired in connection with business acquisitions.

Amortisation of intangible assets having a definite useful life time is included in ''depreciation and amortisation'' costs for the year in income statement.

12 Goodwill

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Opening Balance	191	191	191
Acquisitions through subsidiary	—	—	—
Investments	—	—	—
Translation differences	—	—	—
Balance at 31 December	**191**	**191**	**191**

The Group has two major business areas: (i) Debt Collection, consisting of debt-related administrative services and (ii) Debt Purchasing. Book value of goodwill at 31 December 2016 as at EUR 191m is allocated to Debt Collection segment.

Valuation of Debt Collection

Forecasted revenues comprise estimated revenues from 3PC (third party collection) and IDC (Internal Debt Collection) based on historical growth with declined growth towards the end of period. Forecasted operating expenses relate to staff cost in Debt Collection operations. Based on estimated depreciation and amortisation, tax rate of 25%, WACC of 6.38% and terminal growth of 3%, the business enterprise value of Debt Collection segment is estimated at EUR 206m.

Database

Statistic databases allow the Group to do qualified debt purchasing decisions as well as improve profitability in Debt Collection. The value of database related to Debt Purchase is included in the fair value of portfolios. Value of database related to Debt Collection is highly connected to the competence of our employees and is hard to separate from the value of workforce. The value of database is estimated to be non-material and is not recognised as a separate intangible asset.

12 Goodwill (Continued)

Workforce

Under current IFRS 3, workforce cannot be recognised as an asset separable from goodwill. As the Group's business model depends on attract, develop, motivate and retain highly skilled employees, the workforce is considered of material value. Based on assumptions of recruiting cost, training cost, efficiency cost of hiring new people compared to experienced staff members, the Group estimates the value of the workforce in each business combination transaction and reported and annually tested for impairment as part of goodwill.

Impairment testing of goodwill and brand name as at 31 December 2016

Goodwill is tested for impairment on yearly basis by comparing recoverable amount with carrying value. Recoverable amount has been determined by value in use based on management estimates of future cash flow for the period 2017 - 2020 (2015: the period 2016 - 2019, 2014: the period 2015 - 2018) approved by the Board, average growth of 8% (2015: 7%, 2014: 7%) in the measurement period, terminal growth rate of 3% (2015: 3%, 2014: 3%) , tax rate of 25% (2015: 25%, 2014: 25%) and WACC of 6.38% (2015: 6.53%, 2014: 7.00%). Management's approach to determining the value assigned to each key assumption is based on management's past experience. The value of Debt Collection segment is EUR 206m (2015: EUR 478m, 2014: EUR 482m). Carrying value of Debt Collection segment is net of operational segment assets, recognised at EUR 194m (2015: EUR 198m, 2014: EUR 201m). No impairment was identified.

Determination of WACC for goodwill impairment testing:

Risk free rate

Goodwill is denominated mainly in EUR. The risk free rate used in the calculation of the WACC is based on the EUR risk free interest rate, which on 31 December was priced at 0.68%. However, the Group has a significant part of the cash flows in other different currencies, the largest being SEK. The respective 10 year government bond for these currencies range from 0.68% for EUR and 0.55% for SEK. Given the fluctuations in the yield for these bonds we deem it reasonable to use the EUR risk free rate as basis for the risk free rate for the Group. Calculating a currency specific WACC for each currency, the risk free rate element would have decreased the WACC slightly compared to the WACC estimated for the Group.

Risk premium

Based on available market information related to CMS business, the long-term risk premium is about 6.4%.

Equity Beta

The equity beta is based on 5 years of weekly observations for market peers. The calculations are based on data from Bloomberg. We have then used this as a basis for our Beta relevered.

12 Goodwill (Continued)

Cost of Capital calculation—WACC

Factor	31 Dec 2016	31 Dec 2015	31 Dec 2014
10-year risk-free rate	0,68%	1,37%	2,30%
Equity Beta (Observed) Raw	0,73	0,74	1,03
Beta Relevered	1,77	1,77	1,03
Market risk premium	4,40%	4,40%	5,60%
Unsystematic risk/additional risk component	2,00%	2,00%	1,80%
Risk Premium	6,40%	6,40%	7,40%
Tax rate group	25,00%	25,00%	25,00%
Cost of equity /required return on Equity	11,97%	12,70%	9,80%
Cost of debt	6,06%	6,31%	4,70%
Equity weight	24,65%	25,65%	65,20%
Debt weight (interest bearing)	75,35%	66,98%	34,80%
WACC (after tax)	**6,38%**	**6,53%**	**7,60%**

Impairment sensitivity (headroom)

Increase in WACC up to 8.48% and decrease in terminal growth to 0.48% will independently match recoverable amount to book value.

13 (a) Financial instruments by category

	31 December 2016		
EURm	Loans and receivables measured at amortised cost	Financial assets at fair value through profit or loss	Total
Assets as per statement of financial position			
Purchased loans and receivables	369		**369**
Investment in shares	0		**0**
Other long-term receivables	—		**—**
Trade receivables	5		**5**
Other short-term receivables*	63		**63**
Cash and cash equivalents	34		**34**
Total	**470**	**—**	**470**

* Excluding non-financial receivables

EURm	Financial liabilities measured at amortised cost	Financial liabilities at fair value through equity	Total
Liabilities as per statement of financial position			
Other long-term liabilities	196		**196**
Trade payables	8		**8**
Borrowings	35		**35**
Other liabilities**	62		**62**
Total	**302**	**—**	**302**

** Excluding non-financial liabilities

13 (a) Financial instruments by category (Continued)

EURm	31 December 2015 Loans and receivables measured at amortised cost	Financial assets at fair value through profit or loss	Total
Assets as per statement of financial position			
Purchased loans and receivables	383		**383**
Investment in shares	0		**0**
Other long-term receivables	—		**—**
Trade receivables	5		**5**
Other short-term receivables*	49		**49**
Cash and cash equivalents	22		**22**
Total	**459**	**—**	**459**

* Excluding non-financial receivables

EURm	Financial liabilities measured at amortised cost	Financial liabilities at fair value through OCI	Total
Liabilities as per statement of financial position			
Other long-term liabilities	218		**218**
Trade payables	7		**7**
Borrowings	—		**—**
Other liabilities**	56		**56**
Total	**281**	**—**	**281**

** Excluding non-financial liabilities

EURm	31 December 2014 Loans and receivables measured at amortised cost	Financial assets at fair value through profit or loss	Total
Assets as per statement of financial position			
Purchased loans and receivables	312		**312**
Investment in shares	0		**0**
Other long-term receivables	—		**—**
Trade receivables	5		**5**
Other short-term receivables*	19		**19**
Cash and cash equivalents	—		**—**
Total	**336**	**—**	**336**

* Excluding non-financial receivables

EURm	Financial liabilities measured at amortised cost	Financial liabilities at fair value through OCI	Total
Liabilities as per statement of financial position			
Other long-term liabilities	38		**38**
Trade payables	5		**5**
Borrowings	36		**36**
Other liabilities**	117		**117**
Total	**196**	**—**	**196**

The Group's exposure to various risks associated with the financial instruments is discussed in note 4.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

13 (b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Purchased loans and receivables—See note 4 and 14.

Trade receivables

The Group's trade receivables are related to clients in various industries and regions. Most accounts receivable outstanding are with customers known to the Group and whose creditworthiness is good and the Group has historically had very limited losses on such receivables.

Other short-term receivables

Other short-term receivables consist mainly of accrued income not invoiced, payment services receivables and fee outlay, where customer is bearing the risk. It also includes short-term restricted deposit and other receivables, where credit risk is considered to be low.

Cash at bank and short-term bank deposits

The balances of cash at bank and short-term deposits are primarily held with financial institutions with a credit rating of A- or better.

14 Purchased loans and receivables

Purchased loans and receivables are classified as loans and receivables and are recognised at amortised cost according to the effective interest method.

The Group determines the carrying value by calculating the present value of estimated future cash flows at the receivables' initial effective interest rate. Adjustments are recognised in the income statement. In the company's opinion, the market's yield requirements in the form of effective interest rates on new portfolios have remained fairly constant despite turbulence in global financial markets in recent years. The valuation method used results in the best estimate of the fair value of debt portfolios.

The carrying value of purchased loans and receivables:

EURm	2016	2015	2014
Opening balance	383	312	291
Acquisition through subsidiaries	0	0	0
Acquisitions	43	111	72
Divestments and disposals	0	0	0
Amortisation	−54	−48	−41
Revaluation	5	1	1
Translation differences	−9	7	−10
Balance at 31 December	**369**	**383**	**312**

The carrying value of Purchased loans and receivables recognised at amortised cost does not perfectly match the fair value determined by discounting the net cash flow i.e. the gross cash receipts reduced by the cost to collect discounted with a market based discount rate at every end of the reporting period. The method and result of the fair value estimation as at 31 December is illustrated below and shows a non-significant deviation between the two valuation methods. The method falls within level 3 of the fair value hierarchy.

Fair value estimation of portfolios of purchased debt and receivables

The fair value of financial instruments that are not traded in an active market (e.g. loans and receivables) is determined by using valuation techniques such as net present value of estimated cash flows. For

14 Purchased loans and receivables (Continued)

loans and receivables, the discount rate used is the weighted average cost of capital, which is the weighted value of the Group's cost of debt and the cost of equity. The cost of equity is estimated by applying the capital asset pricing model.

The preparation of cash flow estimates requires significant estimates to be made by management regarding future cash flows from portfolios. The estimated future portfolio cash flows are reviewed by management each quarter. The fair value is estimated to be approximately EUR 393m (2015: 408m) and is based on net future estimated cash flows after tax, discounted with the estimated WACC. The corresponding carrying amount is EUR 369m (2015: 383m, 2014: 312m), which is based on IAS 39 using the estimated gross future cash flows, where the discount factor is the individual IRR for the each portfolio. The future cash flow forecasts used to estimate the fair market value are the same as the cash flow forecast used in the accounting for loans and receivables at 31 December 2016.

The fair value estimation is based on estimated annual net cash flows from portfolios. The estimated annual net cash flows from portfolios is the assumed annual future collection on portfolios per country, less assumed annual collection costs per portfolio before tax. Collection costs consist of operational costs in the portfolio segment, i.e. commission to Debt Collection, payroll expenses, premises, communication costs and other costs directly attributable to the Debt Purchasing segment. The collection costs as a percentage of the portfolio collection differ from portfolio to portfolio, ranging from 5.0% to over 50.0%.

In addition, the country specific marginal tax rate is applied. This individual collection cost and tax rate is applied to each portfolio's estimated future cash flow, adding up to an estimated total net cash flow for the Group.

The weighted average cost of capital after tax for the portfolio segment is estimated to 10.5% (2015: 12%) as at 31 December 2016 (details of the calculation is shown below). Based on this rate, the discounted value of the estimated net cash flows indicates that the fair value of portfolios is approximately EUR 393m (2015: 408m).

To evaluate this calculation, a sensitivity analysis of the cash flow estimates is presented in the table below in order to see the effect of deviations to the cash flow estimates and variations in the cost of capital.

Fair Value (NPV) EUR million	90%	95%	100%	105%	110%
7,0%	402,9	422,0	440,9	459,7	478,5
8,0%	389,3	407,7	426,0	444,2	462,3
9,0%	376,6	394,4	412,1	429,7	447,3
10,0%	364,7	381,9	399,1	416,2	433,2
10,5%	359,0	376,0	392,9	409,7	426,5
11,0%	353,5	370,3	386,9	403,5	420,0
12,0%	343,1	359,4	375,5	391,6	407,6
13,0%	333,3	349,2	364,9	380,5	396,0
14,0%	324,1	339,5	354,8	370,0	385,1
15,0%	315,5	330,5	345,3	360,1	374,8

The cost of capital after tax for the Portfolio segment is calculated using the capital asset pricing model (CAPM) in combination with the weighted average cost of capital (WACC). Based on the variables from the table below, the estimated cost of capital after tax is approximately 10.5%.

Risk free rate

The risk free rate used in the calculation of the WACC is based on the EUR risk free interest rate, which on 31 December was priced at 0.68%. However, the Group has a significant part of the cash flows in other different currencies, the largest being SEK. The respective 10 year government bond for these currencies range from 0.68% for EUR and 0.55% for SEK. Given the fluctuations in the yield for these

14 Purchased loans and receivables (Continued)

bonds we deem it reasonable to use the EUR risk free rate as basis for the risk free rate for the Group. Calculating a currency specific WACC for each currency, the risk free rate element would have increased the WACC slightly compared to the WACC estimated for the Group.

Risk premium

Based on empirical research done the long-term risk premium is about 6.0%. It is reasonable to assume that the risk of investing in non-performing loan portfolios is higher than observed average market risk premium. Therefore a small cap risk premium of 9.74% is added to the calculation—resulting in a total risk premium of 15.74%. These risk premiums are based on the research found by Ilbbotson Risk Premiums Over time Report

Equity Beta

The equity beta is based on 5 years of weekly observations for market peers. The calculations are based on data from Bloomberg. We have then used this as a basis for our Beta relevered.

Future cash flow estimates

The future cash flow estimates are based on the current 15 year IFRS forecast for the current asset base with no value after this 15 year period. Therefore there are no adding cash flows from future investments included in the fair value estimation.

Cost of Capital calculation—WACC

WACC Factor	31 Dec 2016	31 Dec 2015
10-year risk-free rate	0.68%	0.63%
Equity Beta (Observed) Raw	0.73	0.77
Beta Relevered	1.76	1.82
Long horizon expected equity risk premium	6%	6.70%
Small Cap Premium	9.74%	9.74%
Risk Premium	15.74%	16.44%
Tax rate group	25.00%	25.00%
Cost of equity /required return on Equity	21.01%	22.57%
Cost of debt	6.06%	7.50%
Equity weight	24.65%	25.76%
Debt weight	75.35%	74.24%
WACC (after tax)	**10.44%**	**12.05%**
Weighted Average Cost of Capital (rounded)	**10.50%**	**12.00%**

15 Trade receivables

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Trade receivable	5	5	5
Less: provision for impairment of trade receivables	−0	−0	−0
Trade receivables—net	**5**	**5**	**5**

Trade receivables are non-interest-bearing and are generally on 30-90 days' terms.

Provision for impairment of trade receivables for 2016 amounted to EUR 86k (2015: 73k, 2014: 153k).

16 Other short-term receivables

Prepayments, accrued income and other short-term receivables fair values are based on unobservable inputs not corroborated by market data and are equal to book value and within level 3 of fair value hierarchy.

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Prepayments	2	3	2
Accrued income	1	1	1
Payment services receivables*	56	42	6
Receivable towards group companies	5	7	11
Other	1	1	2
Account receivable—VAT related	0	0	—
Total	**65**	**53**	**22**

* As of 31Dec 2016 accrued credit loss for payment services receivables was EUR 1.6m

17 Cash and cash equivalents

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cash and cash equivalents	34	22	—
Cash and cash equivalents	**34**	**22**	**—**

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise of the following:

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cash and cash equivalents	34	22	—
Cash and cash equivalents	**34**	**22**	**—**

18 Group companies

The following companies are included as part of these combined financial statements.

Group 31 December 2016

Company	Corporate identity number	Domicile	Share of capital	% of votes
Lindorff Payment Services Holding AB	SE 559060-0093	Sweden	100%	100%
Lindorff Payment Services AB	SE 559037-7676	Sweden	100%	100%
Lindorff A/S	DK CVR 17 47 31 82	Denmark	100%	100%
Lindorff Danmark A/S	DK CVR 18 45 79 70	Denmark	100%	100%
Lindorff Sverige AB	SE 556209-5363	Sweden	100%	100%
Lindorff Oy	FI 0140351-4	Finland	100%	100%
Lindorff Invest OY	FI 0425475-3	Finland	100%	100%
Lindorff Eesti Aktsiaselts	EE 10123 1048	Estonia	100%	100%
Lindorff Payment Servives AS	NO 916068301	Norway	100%	100%

19 Trade payables

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Trade payables	8	7	5
Total	**8**	**7**	**5**

19 Trade payables (Continued)

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

Trade payables fair values equal their carrying amounts. The fair value measurements are based on unobservable inputs not corroborated by market data and are within level 3 of the fair value hierarchy.

20 Other short-term liabilities

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Public duties payable	3	2	2
Deferred revenue	0	0	0
Accrued costs	7	7	6
Accounts payable—payroll related	6	7	7
Deferred payments portfolio capex	0	1	0
Short-term group liabilities	53	48	108
Other short-term liabilities	0	−0	1
Total	**69**	**63**	**125**

Accrued expenses are non-interest-bearing and have an average term of 30 days.

Accrued costs, deferred payments and other short-term liabilities' fair values equal their carrying amounts. The fair value measurements are based on unobservable inputs not corroborated by market data and are within level 3 of the fair value hierarchy.

21 Other long-term liabilities

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Provisions	—	1	0
Other long-term liabilities to group companies	196	217	38
Total	**196**	**218**	**38**

The fair value of other long-term liabilities equals their carrying amount, as the impact of discounting is not significant. The fair value is based on unobservable inputs not corroborated by market data and is within level 3 of the fair value hierarchy.

22 Post-employment benefits

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. For the 2016 fiscal year, the company did not have access to such information that would enable the company to record this plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The Group's level of participation in the plan is insignificant.

23 Contingent assets and liabilities

As of 31 December 2016 there were no contingent assets. During the normal business operations, the Group faces from time to time claims in civil lawsuits and disputes, most of which involve relatively limited amounts. There are no provisions for contingent liabilities as at 31 December 2016.

24 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Forward flow agreements and purchase of funds	4	21	7
Total	**4**	**21**	**7**

The Group has committed to buy non-performing Debt Portfolios for delivery in future periods; these commitments are from ‘‘forward flow’’ contracts.

(b) Operating lease commitments—Group company as lessee

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various cars and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed under other operating costs.

The future aggregated minimum lease payments under non-cancellable operating leases are as follows:

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
No later than 1 year	2	3	4
Later than 1 year and no later than 5 years	6	5	5
Later than 5 years	—	0	0
Total	**8**	**9**	**9**

Lease expense during the period amounts to EUR 3m (2015: 4m, 2014: 4m).

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014
Lease agreements, premises	8	7	8
Other lease agreements	0	1	1
Total	**8**	**9**	**9**

25 Related party disclosures

The Group’s related parties include Group Management, members of the Board of Directors and parent companies. All transactions with related parties are performed at normal market prices at arm’s length.

Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Group has not made any provisions relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Intercompany receivables and payables have been specified in notes 16, 20 and 21.

26 Events after the reporting period

At 14 November 2016 Intrum Justitia and Lindorff signed an agreement to combine, creating the industry leading provider of credit management services (‘‘CMS’’). In June 2017, Intrum Justitia refinanced all existing debt in the Lindorff structure. As part of this refincing, existing intercompany debt was replaced

26 Events after the reporting period (Continued)

by new intercompany financing. The intercompany debt in the entities included in these combined financial statements were also replaced by new intercompany debt.

27 Borrowings

Securitization Facility	Drawn*	Security	Maturity	Interest	Margin	Lender
EURm	35	Receivables pledge	06.09.2022	Floating	3m IBOR+2.90%	Nordea

* Total facility is EUR 50m. As at 31 December 2016 EUR 35m was drawn.

Borrowings at 31 December 2014 is related to negative balance in group cash pool.

Justitia Group Norway.

Unaudited Interim Consolidated Financial Statements

nine months ended September 30, 2017

JUSTITIA GROUP NORWAY.

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Financial statements Q3 2017

—Income statement
—Balance statement
—Cash flow statement
—Notes

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Income statement

	Note	Q3 2017	Q3 2016
Sales income	6	133 304 715	122 012 825
Income purchased portfolio	6	12 097 897	10 769 225
Other income	6	15 935 095	15 436 999
Total income		**161 337 707**	**148 219 049**
Wages and salaries	2	64 391 936	58 281 861
Depreciation of tangible fixed assets and intangible assets	3	628 263	959 852
Other operating expenses and administrative expenses	12	57 821 548	55 605 372
Total operating expenses		**122 841 747**	**114 847 085**
Operating profit		**38 495 959**	**33 371 964**
Intercompany interest income	12	1 870 890	886 414
Other interest income		123 996	113 666
Other financial income		0	0
Intercompany interest expense	12	−3 671 473	−4 416 857
Other financial expense		−38 459	−49 377
Net financial items		**−1 715 047**	**−3 466 154**
Result before taxes		**36 780 912**	**29 905 810**
Taxes		8 828 282	74 76 000
Result after taxes		**27 952 631**	**22 429 810**

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Balance statement

	Note	Q3 2017	Q3 2016	FY 2016
Intangible assets				
Software	3	965 905	1 503 521	1 413 758
Software under development		0	0	0
Deferred tax assets		2 831 948	3 250 712	2 772 313
Total intangible assets		**3 797 853**	**4 754 233**	**4 186 071**
Tangible fixed assets				
Operating equipment, fixtures, office machines and the like	3	559 638	562 901	622 252
Total tangible fixed assets		**559 638**	**562 901**	**622 252**
Financial fixed assets				
Shares in subsidiaries		0	0	0
Total financial fixed assets		**0**	**0**	**0**
Total intangible and fixed assets		**4 357 491**	**5 317 134**	**4 808 323**
Receivables				
Purchased portfolio of outstanding receivables	3	111 211 946	106 651 494	104 464 642
Trade receivables	11	5 981 652	6 655 945	6 603 492
Accrued non-invoiced income		13 399 382	11 137 500	12 797 347
Net client funds	10	0	0	0
Other receivables	8	114 781 586	90 277 301	98 935 737
Advance payments for clients	11	829 979	1 123 274	569 731
Total receivables		**246 204 545**	**215 845 515**	**223 370 949**
Cash				
Cash on hand & in own bank accounts	7	3 755 215	5 566 124	5 945 026
Total cash		**3 755 215**	**5 566 124**	**5 945 026**
Total current assets		**249 959 760**	**221 411 638**	**229 315 975**
TOTAL ASSETS		**254 317 251**	**226 728 772**	**234 124 298**

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Balance statement (Continued)

	Note	Q3 2017	Q3 2016	FY 2016
Restricted equity				
Share capital	4,5	500 000	500 000	500 000
Share premium	4	4 670 579	4 670 579	4 670 579
Total restricted equity		**5 170 579**	**5 170 579**	**5 170 579**
Unrestricted equity				
Other equity	4	91 787 510	52 779 513	63 834 879
Total unrestricted equity		**91 787 510**	**52 779 513**	**63 834 879**
Total shareholders equity		**96 958 089**	**57 950 092**	**69 005 458**
Long-term liabilities				
Pension benefit obligations		13 935 884	11 044 838	11 293 780
Intercompany long-term liabilities	8	91 796 004	99 377 721	94 659 504
Total long-term liabilities		**105 731 888**	**110 422 559**	**105 953 284**
Current liabilities				
Accounts payable	8	3 814 365	11 254 241	8 893 752
Current tax liabilities		8 888 051	8 326 760	12 116 218
Other public tax liabilities		10 610 553	9 901 927	9 556 731
Other current liabilities	8,9	28 314 305	28 873 193	28 598 854
Total current liabilities		**51 627 274**	**58 356 121**	**59 165 555**
Total liabilities		**157 359 162**	**168 778 680**	**165 118 839**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**254 317 251**	**226 728 772**	**234 124 297**

Oslo, 20. oktober 2017
Styret Fair Pay Please AS

Trond Brandsrud	Geir Inge Skålevik	Lars Hjarrand	Reidun Korsnes
Styreleder	*Styremedlem*	*Styremedlem*	*Daglig leder*

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Cash flow statement

	Q3 2017	Q3 2016
Cash flow operational activities		
Result before tax	36 780 912	29 905 810
Paid taxes	−12 116 084	−10 787 887
Depreciation of tangible fixed assets and intangible assets	628 263	959 852
Depreciation purchased portfolios	10 475 811	7 040 999
Change in trade receivables and accrued non-invoiced income	19 805	−82 304
Change in accounts payable	−5 079 387	170 027
Difference between cost-based pension and deposit/payment pension scheme	2 642 104	1 921 711
Change in intercompany receivable	−15 845 850	14 928 754
Change in other items	509 025	−10 263 711
Net cash flow from operating activities	**18 014 600**	**33 793 251**
Cash flow investment activities		
Payments for the purchase of tangible fixed assets	−117 795	−319 734
Payments for the purchase of shares in other enterprises	0	0
Payments for the purchase of outstanding receivable portfolios	−17 223 115	0
Net cash flow from investment activities	**−17 340 910**	**−319 734**
Cash flow financing activities		
Group contributions/payments	0	0
Payment of equity	0	0
Receipts/payments of long-term liabilities	−2 863 500	−34 651 860
Net cash flow financing activities	**−2 863 500**	**−34 651 860**
Net change in cash equivalents during the year	**−2 189 810**	**−1 178 344**
Cash and bank deposits as of 01.01	5 945 026	6 744 467
Cash and bank deposits as of 30.09	3 755 216	5 566 124

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Notes to the accounts for Q3 2017

Note 1—Accounting principles

The interim financial statements have been prepared in accordance with the provisions of the Norwegian Accounting Act and generally accepted accounting principles.

The accounting policies applied are consistent with those described in the consolidated financial statements prepared for 2016.

Note 2—Salary cost, number of employees, loans to employees and remuneration to the auditor

Wages and salaries

	Q3 2017	Q3 2016
Salaries	50 022 637	46 537 100
Employer tax	7 728 018	6 192 702
Pension costs	5 409 127	4 588 418
Other benefits	1 232 154	963 641
Total	64 391 936	58 281 861

Accounting principle regarding cost allocation of holiday allowance during accounting year changed in 2017, which increased personnel cost for Q3 2017 compared to Q3 2016 with 1,3 MNOK

During the Q3 2017, the group employed a total of 116 full-time equivalents

Note 3—Tangible fixed assets, intangible assets and purchased portfolios of outstanding receivables

	Software	Premises and fixtures	EDB and office equipment	Total
Acquisition cost 01.01.17	28 290 786	4 605 638	1 003 067	33 899 491
Purchased assets	67 200		50 595	117 795
Acquisition cost 30.09.17	28 357 986	4 605 638	1 053 662	34 017 286
Acc. Depreciation 30.09.17	−27 392 081	−4 206 023	−893 639	−32 491 743
Balance sheet per 30.09.17	965 905	399 615	160 023	1 525 543
Depreciation for the year	515 054	80 098	33 111	628 263
Economic life	3 year	10 year	4 - 5 year	
Depreciation method	Linear	Linear	Linear	

Intangible assets with a definite useful life are depreciated over useful life. Linear depreciation is used for the intangible assets, as this reflects most the consumption of assets. Extrusion concerns the phasing out of proprietary software.

Note 4—Equity

	Share capital	Share premium	Other equity	Total
Equity 01.01.17	500 000	4 670 579	63 834 879	69 005 458
Result after taxes	0	0	27 952 631	27 952 631
Group contribution	0	0	0	0
Equity 30.09.17	500 000	4 670 579	91 787 510	96 958 089

Note 5—Share capital and shareholder information

The share capital consists of:

	Antall	Pålydende	Balanseført
A-shares Fair Pay Please AS	5 000	100 kr	500 000

Intrum Justitia AS is a fully owned subsidiary of Fair Pay Please AS.

Intrum Justitia Finans AS is a fully owned subsidiary of Intrum Justitia AS.

Intrum Justitia AB is the Intrum group leader. Group accounts can be obtained from Intrum Justitia AB.

Note 6—Revenues

	Q3 2017	Q3 2016
Per business area		
Debt collection incl subscriptions	133 304 715	122 012 825
Income purchased portfolio	12 097 897	10 769 225
Other income	15 935 095	15 436 999
Total	161 337 707	148 219 049

Note 7—Bank deposits

	Q3 2017	Q3 2016
Restricted amount tax deduction employees	1 763 412	1 631 141
Total	1 763 412	1 631 141

Note 8—Intercompany positions within group

Receivables

	Q3 2017	Q3 2016
Trade receivables	0	1 275 376
Other receivables	110 949 474	88 367 199
Total	110 949 474	89 642 575

Other receivable per. 30.09.2017 consists of NOK 110 949 474 as part of a larger loan agreement facilitated by Intrum Justitia AB Group. The repayment structure for the receivable is therefore not fixed, but uses short-term deposits and credits within a credit frame.

Liabilities

	Q3 2017	Q3 2016
Accounts payable	471 478	7 801 327
Long-term liabilities	91 796 004	99 377 721
Short-term liabilities	2 208 650	3 218 573
Total	94 476 132	110 397 620

Long-term liabilities per. 30.09.2017 consists of NOK 91 796 004 as part of a larger loan agreement facilitated by Intrum Justitia AB Group. The repayment structure for the liabilitiy is therefore not fixed, but uses short-term deposits and credits within a credit frame.

Note 9—Other current liabilities

	Q3 2017	Q3 2016
Accrued staff costs	13 011 220	10 738 653
Accrued costs	1 545 969	2 132 658
Other non-interest bearing liability	11 548 466	12 783 309
Total	26 105 655	25 654 620

Note 10—Client funds

	Q3 2017	Q3 2016
Client funds	7 631 186	7 266 840
Client liability	−7 631 186	−7 266 840
Net client funds	0	0

Client funds represent the amount that has been cashed for clients but has not been paid. The amount also includes all payments that have not yet been identified for a specific collection case. Total client funds correspond to the company's liability towards clients (client liability)

Note 11—Provision for losses on individual items in the balance sheet

	Q3 2017		Q3 2016	
	Gross receivable	Provisions	Gross receivable	Provisions
Trade receivables	6 394 016	−412 364	7 188 312	−532 367
	6 394 016	−412 364	7 188 312	−532 367

	Gross receivable	Provisions	Gross receivable	Provisions
Advance payments for clients	829 979	0	1 123 274	0
	829 979	0	1 123 274	0

Note 12—Transactions with related parties

	Q3 2017	Q3 2016
Konsernselskaper:		
Sales income	42 164	−339 443
Other operating expenses	9 343 036	12 488 707
Interest income	1 870 889	886 414
Interest expense	3 671 473	4 416 857
Total	11 101 456	16 358 593

Note 13—Securities and guarantees

The company has no debt to external credit institutions and none of the company's assets ar

As collateral for rent obligations, the company has purchased bank guarantees. As at 30.09.2017 these guarantees amounted to NOK 2.35 million.

Justitia Group Norway

Audited Consolidated Financial Statements

Years ended December 31, 2016, 2015, 2014

JUSTITIA GROUP NORWAY.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Income statement

	Note	2016	2015	2014
Sales income	7	167 582 288	165 311 732	183 812 002
Income purchased portfolio	7	15 352 136	10 558 165	0
Other income	7	20 459 661	22 920 311	20 392 203
Total income		**203 394 085**	**198 790 208**	**204 204 205**
Wages and salaries	2	81 570 970	76 918 720	83 379 346
Depreciation of tangible fixed assets and intangible assets	4	1 186 071	1 708 488	2 076 476
Other operating expenses and administrative expenses	14	70 864 754	71 606 350	72 003 398
Total operating expenses		**153 621 795**	**150 233 558**	**157 459 220**
Operating profit		**49 772 291**	**48 556 650**	**46 744 985**
Intercompany interest income	14	1 162 039	1 520 273	2 083 632
Other interest income		300 076	541 980	617 212
Other financial income		0	0	1 604
Intercompany interest expense	14	−5 796 595	−5 800 948	−7 948 831
Other financial expense		−62 018	−451 472	−186 426
Net financial items		**−4 396 498**	**−4 190 167**	**−5 432 811**
Result before taxes		**45 375 792**	**44 366 483**	**41 312 174**
Taxes	8	11 890 616	12 210 903	646 527
Result after taxes		**33 485 176**	**32 155 580**	**40 665 648**

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Balance statement

	Note	2016	2015	2014
Intangible assets				
Software	4	1 413 758	2 045 987	1 218 256
Software under development		0	0	0
Deferred tax assets	8	2 772 313	2 546 712	3 807 968
Total intangible assets		**4 186 071**	**4 592 699**	**5 026 224**
Tangible fixed assets				
Operating equipment, fixtures, office machines and the like	4	622 252	660 552	834 767
Total tangible fixed assets		**622 252**	**660 552**	**834 767**
Financial fixed assets				
Shares in subsidiaries		0	0	0
Total financial fixed assets		**0**	**0**	**0**
Total intangible and fixed assets		**4 808 323**	**5 253 251**	**5 860 991**
Receivables				
Purchased portfolio of outstanding receivables	4	104 464 642	113 692 493	0
Trade receivables	13	6 603 492	6 633 641	8 476 330
Accrued non-invoiced income		12 797 347	11 077 500	10 942 300
Net client funds	12	0	0	0
Other receivables	10	98 935 737	105 206 050	166 063 044
Advance payments for clients	13	569 731	1 069 669	4 443 702
Total receivables		**223 370 949**	**237 679 353**	**189 925 376**
Cash				
Cash on hand & in own bank accounts	9	5 945 026	6 744 467	50 615 004
Total cash		**5 945 026**	**6 744 467**	**50 615 004**
Total current assets		**229 315 975**	**244 423 820**	**240 540 380**
TOTAL ASSETS		**234 124 298**	**249 677 071**	**246 401 371**

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Balance statement (Continued)

	Note	2016	2015	2014
Restricted equity				
Share capital	5,6	500 000	500 000	500 000
Share premium	5	4 670 579	4 670 579	4 670 579
Total restricted equity		**5 170 579**	**5 170 579**	**5 170 579**
Unrestricted equity				
Other equity	5	63 834 879	30 349 697	−1 805 878
Total unrestricted equity		**63 834 879**	**30 349 697**	**−1 805 878**
Total shareholders equity		**69 005 458**	**35 520 276**	**3 364 701**
Long-term liabilities				
Pension benefit obligations	3	11 293 780	9 123 127	6 206 831
Intercompany long-term liabilities	10	94 659 504	134 029 581	165 453 589
Total long-term liabilities		**105 953 284**	**143 152 708**	**171 660 420**
Current liabilities				
Accounts payable	10	8 893 752	11 084 214	10 235 003
Current tax liabilities	8	12 116 218	10 934 647	1 323 449
Other public tax liabilities		9 556 731	8 520 208	8 689 086
Other current liabilities	10	28 598 854	40 465 018	51 128 713
Total current liabilities		**59 165 555**	**71 004 087**	**71 376 250**
Total liabilities		**165 118 839**	**214 156 795**	**243 036 670**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**234 124 297**	**249 677 071**	**246 401 371**

Oslo, 22. august 2017
Styret Fair Pay Please AS

Trond Brandsrud	Geir Inge Skålevik	Lars Hjarrand	Reidun Korsnes
Styreleder	*Styremedlem*	*Styremedlem*	*Daglig leder*

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Cash flow statement

	2016	2015	2014
Cash flow operational activities			
Result before tax	45 375 792	44 366 477	41 312 172
Paid taxes	−10 934 647	−1 345 597	0
Depreciation of tangible fixed assets and intangible assets	1 186 071	1 708 488	2 076 476
Depreciation purchased portfolios	9 398 151	4 553 177	0
Change in trade receivables and accrued non-invoiced income	−1 689 699	1 520 066	−4 654 089
Change in accounts payable	−2 190 461	849 211	484 007
Difference between cost-based pension and deposit/payment pension scheme	1 682 479	2 916 296	1 675 032
Change in intercompany receivable	5 254 361	58 613 9162	−25 127
Change in other items	−8 825 570	−4 903 014	−8 311 492
Net cash flow from operating activities	**39 256 477**	**108 279 020**	**32 556 979**
Cash flow investment activities			
Payment for the purchase of tangible fixed assets	−515 542	−2 362 004	−147 548
Payments for the purchase of shares in other enterprises	0	0	−15 000
Payments for the purchase of outstanding receivable portfolios	−170 299	−118 245 670	0
Net cash flow from investment activities	**−685 842**	**−120 607 674**	**−162 548**
Cash flow financing activities			
Group contributions/payments	0	0	0
Payment of equity	0	0	0
Receipts/payments of long-term liabilities	−39 370 077	−31 424 008	7 525 703
Net cash flow financing activities	**−39 370 077**	**−31 424 008**	**7 525 703**
Net change in cash equivalents during the year	**−799 441**	**−43 752 662**	**39 920 134**
Cash and bank deposits as of 01.01	6 744 467	50 497 129	10 694 870
Cash and bank deposits as of 31.12	5 945 026	6 744 467	50 615 004

Intrum Justitia Group Norway

Fair Pay Please AS, Intrum Justitia AS, Intrum Justitia Finans AS

Notes to the accounts for 2016

Note 1—Accounting principles

The financial statements have been prepared in accordance with the provisions of the Norwegian Accounting Act and generally accepted accounting principles.

The financial statement of Intrum Justitia Group Norway consist of the following elements:

- Income statement
- Balance statement
- Cash flow statement
- Notes

Intrum Justitia Group Norway is part of the Swedish group Intrum Justitia AB. The consolidated financial statements of Intrum Justitia AB can be obtained at:

Intrum Justitia AB, Hesselmans torg 14, Sickla, S-105 24 Stockholm, Sverige

Consolidation principles

The consolidated financial statements include the parent company Fair Pay Please AS with subsidiaries where Fair Pay Please AS has a controlling influence.

The consolidated accounts are prepared as if the group was an economic entity. Uniform accounting principles have been applied. All significant transactions and balances between companies in the group are eliminated.

Acquired subsidiaries are recognized in the consolidated financial statements based on the parent company's acquisition cost. Acquisition cost is assigned to identifiable assets and liabilities in the subsidiary, which are entered in the consolidated financial statements at fair value at acquisition date. Any excess or less value beyond what can be attributed to identifiable assets and liabilities is recognized as goodwill.

Added value in the consolidated financial statements is depreciated over the expected life of the acquired assets. Subsidiaries are consolidated from the date when control is transferred to the Group and is excluded from consolidation when control ceases.

Use of estimates

Management has used estimates and assumptions that have affected the income statement and valuation of assets and liabilities, as well as uncertain assets and liabilities at the balance sheet date in the preparation of the financial statement in accordance with generally accepted accounting principles.

Revenue from debt collection

Earned unpaid collection services are recognized as income in accordance with the completion rate for debt collections. This applies to all cases except for long-term surveillance cases, where income from income is recognized as income from the debtor's payment. The risk of issues not being solved is taken into consideration when calculating. Processing of work in progress is in accordance with guidelines issued by the Ministry of Finance in the regulations on annual accounts for debt collection operations.

Classification and assessment of balance sheet items

Current assets and current liabilities include items due for payment within one year after the balance sheet date, as well as items related to the product cycle. Other items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lower of acquisition cost and fair value. Current liabilities are capitalized at nominal amount at the date of establishment.

Note 1—Accounting principles (Continued)

Fixed assets are valued at acquisition cost, but are written down at fair value through impairment that is not expected to be temporary. Fixed assets with a limited economic life are depreciated on a plan basis. Long-term debt is capitalized at nominal amount at the date of establishment.

Receivables

Trade receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables. In addition, for other trade receivables, an unspecified provision is made to cover expected losses.

Purchased debt

Purchased portfolio of outstanding receivables consists mainly of purchased deferred unsecured receivables. A portfolio is defined to be the lowest reliable level for a collection of receivables with similar characteristics. Each portfolio will typically consist of an individual purchase of receivables. Each portfolio is accounted for at acquisition at fair value with the addition of direct transaction costs. Subsequent measurement is carried out at amortized cost using the effective interest rate method. Income from the purchased portfolio of outstanding receivables is recognized in the profit and loss account using the effective interest rate method. The portfolio is recognized as a separate unit for revenue recognition.

Management prepares estimates of future cash flows for each portfolio based on the portfolio's characteristics, including historical cash flows, solvency rates, type of claim, age, size of requirements, principal and experience material from other portfolios. Estimation deviations are recognized quarterly in the income statement by comparing amortized cost with the present value of future estimated cash flows discounted by the original internal rate.

Leases

Leases where a significant part of the risk and return on ownership remains at the landlord, are classified as operating leases. Lease payments under operating agreements are expensed on a straight-line basis over the lease term.

Currency

Monetary items in foreign currency are valued at the exchange rate at the end of the financial year.

Fixed assets

Tangible fixed assets are capitalized and depreciated over the expected economic life of the asset. Direct maintenance of operating assets is charged expensively under operating expenses, while improvements are added to the cost of the asset and depreciated in line with the asset. If the recoverable amount of the asset is lower than the carrying amount, write-downs are made to the recoverable amount. Recoverable amount is the highest of net sales value and value in use. Value in use is the present value of the future cash flows that the asset will generate.

Pensions

Pension costs and pension liabilities are calculated on a straight-line basis based on the expected final salary. The calculation is based on a number of assumptions including discount rate, future salary regulation, pensions and benefits from the National Insurance Scheme, future return on pension funds and actuarial assumptions on mortality and voluntary retirement. Pension assets are valued at fair value and deducted from net pension liabilities in the balance sheet. Changes in the liability due to changes in pension plans are distributed over the estimated remaining retirement period. Changes in the liability

Note 1—Accounting principles (Continued)

and pension assets due to changes and deviations in the calculation assumptions (estimates) are distributed over the estimated average remaining earnings period if the deviations at the beginning of the year exceed 10% of the largest of gross pension liabilities and pension funds.

Taxes

Tax expense consists of tax payable and changes in deferred taxes. Deferred tax / tax benefit is calculated on all differences between the accounting and tax value of assets and liabilities. Deferred tax is calculated at 24% on the basis of the temporary differences existing between accounting and tax values, as well as tax loss carryforwards at the end of the fiscal year. Net deferred tax assets are capitalized to the extent that it is likely that this can be utilized. Payable tax and deferred taxes are recognized directly in equity to the extent that taxpayings relate to equity transactions.

Client funds

Client funds and client debt are in accordance with regulations on annual accounts for collection activities (1999.05 no. 655) been netted in the accounts.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid placements.

Note 2—Salary cost, number of employees, loans to employees and remuneration to the auditor

Wages and salaries

	2016	2015	2014
Salaries	65 604 020	60 225 847	66 613 900
Employer tax	8 588 295	8 635 321	9 121 553
Pension costs	5 801 259	6 021 629	5 862 468
Other benefits	1 577 396	2 035 923	1 781 425
Total	81 570 970	76 918 720	83 379 346

During the fiscal year, the group employed a total of 113 full-

Benefits to senior executives

	Salary and bonus	Pension costs	Other benefits
Managing director	2 545 240	418 897	345 860

The Managing director is entitled to pay for 6 months after leaving the position. The Managing director is entitled to a bonus limited to 50% of the fixed salary. The bonus is determined annually based on both company and business goals. The Managing director is also entitled to bonus related to a long term incentive program limited to 20% of the fixed salary.

The Group is obliged to have an occupational pension scheme in accordance with the Act on Compulsory Occupational Pensions. The Group's pension plans meet the requirements of this Act.

Note 2—Salary cost, number of employees, loans to employees and remuneration to the auditor (Continued)

Loans and collateral for senior executives, elected representatives and shareholders There are no loans to the managing director or other employees

Remuneration to the auditor is divided into the following:

	2016	2015	2014
Statutory audit	460 150	430 996	258 125
Other attestation services	0	0	43 320
Other services	305 800	282 668	46 455
Total	765 950	713 664	347 900

Value added tax is not included in the audit fee.

Note 3—Pension

The company is obliged to have an occupational pension scheme in accordance with the Act on Compulsory Occupational Pensions.

The company has a defined contribution pension scheme for its employees. By the end of 2016, 77 people are members of the defined contribution pension scheme. In addition, the company has a defined benefit plan that is covered by life insurance companies. By the end of 2016, 36 people were member of the scheme.

The schemes give entitlement to defined future benefits. These are mainly dependent on the number of years of employment, wage level at the retirement age and the size of benefits from the National Insurance Scheme. The liabilities are covered by insurance companies. Employees are covered by a defined benefit pension scheme which is a defined benefit plan under the LO-NHO Arrangement of Early Retirement Scheme (AFP). The calculations are made by an actuary and are based on the Norwegian accounting standards in force.

Pension cost

	2016 Unsecured	2016 Secured	2015 Unsecured	2015 Secured	2014 Unsecured	2014 Secured
Present value of this year's pension earnings	74 611	1 872 027	76 793	3 100 152	69 045	2 503 034
Interest expense of the pension obligation	−53 455	554 577	−49 956	644 335	−43 388	−52 510
Return on pension funds						
Result effect of estimation deviation						
Administration costs						
Net pension cost	21 156	2 426 604	26 837	3 744 487	25 657	2 450 524

Note 3—Pension (Continued)

Reconciliation of the pension scheme's financed status with the

	2016 Unsecured	2016 Secured	2015 Unsecured	2015 Secured	2014 Unsecured	2014 Secured
Estimated pension liabilities	1 738 990	61 839 213	1 588 841	63 814 629	1 509 153	58 597 066
Estimated pension funds (at market value)		−51 169 000		−54 627 000		−54 679 000
Unrecognized effect of estimation deviation	1 148 006	−2 263 429	1 276 999	−2 930 341	1 332 850	−703 238
Net pension liabilities	2 886 996	8 406 784	2 865 840	6 257 288	2 842 003	3 214 828
Total net liabilities actuarial	2 886 996	8 406 784	2 865 840	6 257 288	2 842 003	3 214 828
Estimated AFP obligation. Following new rules 2011					150 000	
Net financial liability	2 886 996	8 406 784	2 865 840	6 257 288	2 992 003	3 214 828

Economic assumptions

	2016	2015	2014
Dicount rate	2,10%	2,50%	2,00%
Expected salary adjustment	2,25%	2,50%	2,75%
Expected pension increase	0,00%	0,00%	0,10%
Expected G regulation	2,00%	2,25%	2,50%
Expected return on funds	3,00%	3,30%	4,40%
Desired size of corridor			

As actuarial assumptions for demographic factors and retirement, the assumptions are commonly used in insurance. The expected long-term return on pension assets is based on an estimated government bond yield as at 31 December, adjusted for return differences for different investment categories in which pension funds are invested. The expected long-term return is based on long-term historical returns. The pension funds are located at the insurance company which manages these to the company's best interests. The employer's contribution is expensed for the period it is paid.

Net pension cost shows amount excluding employer's contribution.

Note 4—Tangible fixed assets, intangible assets and purchased portfolios of outstanding receivables

	Software	Premises and fixtures	EDB and office equipment	Total
Acquisition cost 01.01.16	28 009 937	4 503 816	870 196	33 383 949
Purchased assets	280 849	101 822	132 871	515 542
Acquisition cost 31.12.16	28 290 786	4 605 638	1 003 067	33 899 491
Acc. Depreciation 31.12.16	−26 877 028	−4 155 559	−830 894	−31 863 481
Balance sheet per 31.12.16	1 413 758	450 079	172 173	2 036 010
Depreciation for the year	913 077	179 518	93 476	1 186 071
Economic life	3 year	10 year	4 - 5 year	
Depreciation method	Linear	Linear	Linear	

Intangible assets with a definite useful life are depreciated over useful life. Linear depreciation is used for the intangible assets, as this reflects most the consumption of assets. Extrusion concerns the phasing out of proprietary software.

Note 5—Equity

	Share capital	Share premium	Other equity	Total
Equity 01.01.16	500 000	4 670 579	30 349 697	35 520 276
Result after taxes	0	0	33 485 176	33 485 176
Group contribution	0	0	0	0
Equity 31.12.16	500 000	4 670 579	63 834 873	69 005 458

Note 6—Share capital and shareholder information

The share capital consists of:

	Antall	Pålydende	Balanseført
A-shares Fair Pay Please AS	5 000	100 kr	500 000

Intrum Justitia AS is a fully owned subsidiary of Fair Pay Please AS.

Intrum Justitia Finans AS is a fully owned subsidiary of Intrum Justitia AS.

Intrum Justitia AB is the Intrum group leader. Group accounts can be obtained from Intrum Justitia AB.

Note 7—Revenues

	2016	2015	2014
Per business area			
Debt collection incl subscriptions	167 582 288	165 311 732	183 812 002
Income purchased portfolio	15 352 136	10 558 165	0
Other income	20 459 661	22 920 311	20 392 203
Total	203 394 085	198 790 208	204 204 205

Note 8—Tax

Tax expense for the year is divided into:

	2016	2015	2014
Tax payable	12 116 217	10 934 647	1 323 449
Tax effect changed tax rate for the year	115 513	203 737	
Change in deferred tax	−341 114	1 072 519	−676 922
Tax expense for the year	11 890 616	12 210 903	646 527

Calculation of the year's tax base:

	2016	2015	2014
Result before taxes	45 375 792	44 366 483	41 312 174
Permanent differences	1 724 616	151 528	138 866
Change in temporary differences	1 364 457	1 307 713	−2 685 624
Limitation of interest deductions between related parties	0	−4 804 921	4 804 921
Applied tax loss carryforwards		−522 108	−38 668 674
Tax base for the year	48 464 865	40 498 695	4 901 663
Tax payable (25%/27%)	12 116 217	10 934 647	1 323 449

Overview temporary differences:

	2016	2015	2014
Tangible assets	−2 016 699	−2 890 163	−3 423 775
Outstanding receivables	−344 373	−397 805	−710 438
Net pension liability recognized in the balance sheet	−11 293 780	−9 123 127	−6 206 831
Applies to pension agreement 22722 - 2005	2 348 547	2 348 547	2 348 547
Carry forward losses	0	0	−419 527
Carry forward interest deduction limitation	0	0	−4 804 921
Provision costs (good accounting principle)	−245 000	−124 300	−650 000
Provisions loss of contracts	0	0	−236 638
Total	−11 551 305	−10 186 848	−14 103 583
Net temporary differences per 31.12	−11 551 305	−10 186 848	−14 103 583
24% / 25% Deferred tax assets / Deferred tax	−2 772 313	−2 546 712	−3 807 967

Explanation of why the tax expense for the year does not amount to 25% (27% in 2015 and 2014) of pre-tax profit:

	2016	2015	2014
25% / 27% tax on result before taxes	11 343 949	11 966 253	11 152 156
Permanent differences (25%/27%)	431 154	40 913	37 494
Applied tax loss carryforwards			−10 543 123
Tax effect changed tax rate for the year	115 513	203 737	0
Calculated tax expense	11 890 616	12 210 903	646 527
Effective tax rate*)	26,2%	27,5%	1,6%

*) Tax expense in relation to result before taxes

Note 9—Bank deposits

	2016	2015	2014
Restricted amount tax deduction employees	2 463 801	2 326 034	2 338 243
Total	2 463 801	2 326 034	2 338 243

Note 10—Intercompany positions within group

Receivables

	2016	2015	2014
Trade receivables	0	0	0
Other receivables	97 445 625	104 203 384	162 895 662
Total	97 445 625	104 203 384	162 895 662

Other receivable per. 31.12.2016 consists of NOK 97 394 313 as part of a larger loan agreement facilitated by Intrum Justitia AB Group. The repayment structure for the receivable is therefore not fixed, but uses short-term deposits and credits within a credit frame.

Liabilities

	2016	2015	2014
Accounts payable	4 840 084	7 438 548	6 553 331
Long-term liabilities	94 659 504	134 029 581	165 453 589
Short-term liabilities	3 771 585	14 173 111	16 563 658
Total	103 271 173	155 641 240	188 570 578

Long-term liabilities per. 31.12.2016 consists of NOK 94 659 504 as part of a larger loan agreement facilitated by Intrum Justitia AB Group. The repayment structure for the liabilitiy is therefore not fixed, but uses short-term deposits and credits within a credit frame.

Note 11—Other current liabilities

	2016	2015	2014
Accrued staff costs	15 845 052	12 866 600	18 112 455
Accrued costs	2 201 866	2 585 470	3 635 270
Other non-interest bearing liability	6 780 351	10 839 840	12 787 330
Total	24 827 269	26 291 910	34 535 055

Note 12—Client funds

	2016	2015	2014
Client funds	8 389 626	6 743 946	9 621 872
Client liability	−8 389 626	−6 743 946	−9 621 872
Net client funds	0	0	0

Client funds represent the amount that has been cashed for clients but has not been paid. The amount also includes all payments that have not yet been identified for a specific collection case. Total client funds correspond to the company's liability towards clients (client liability)

Note 13—Provision for losses on individual items in the balance sheet

	2016		2015		2014	
	Gross receivable	Provisions	Gross receivable	Provisions	Gross receivable	Provisions
Trade receivables	6 947 865	−344 373	7 031 446	−397 805	9 186 768	−710 438
	6 947 865	−344 373	7 031 446	−397 805	9 186 768	−710 438

	Gross receivable	Provisions	Gross receivable	Provisions	Gross receivable	Provisions
Advance payments for clients	569 731	0	1 069 669	0	3 540 503	0
	569 731	0	1 069 669	0	3 540 503	0

Note 14—Transactions with related parties

	2016	2015	2014
Konsernselskaper:			
Sales income	−286 139	411 273	246 908
Other operating expenses	15 170 093	14 557 605	12 455 493
Interest income	1 162 039	1 520 273	2 083 632
Interest expense	5 796 595	5 800 948	7 948 832
Total	20 090 788	18 427 007	18 073 785

Note 15—Securities and guarantees

The company has no debt to external credit institutions and none of the company's assets are pledged.

As collateral for rent obligations, the company has purchased bank guarantees. As at 31.12.2016 these guarantees amounted to NOK 2.35 million.