9 November 2017

Arrow Global Group PLC
Interim results for the nine months to 30 September 2017

Arrow Global Group PLC (the "Company") and its subsidiaries (together the "Group"), a leading European credit management services provider, focusing on loan purchases and specialist asset management, announces its results for the nine months ended 30 September 2017 ("Q3 2017").

Highlights

High growth

- Strong organic portfolio purchases, increasing 30% to £155.0 million (Q3 2016: £119.3 million) with significant diversification by geography and asset class
- Revenue growth of 41% supported by a 13% increase in core collections and a 64% increase in Asset Management income
- Zenith performing well and continuing to increase the Group's Italian market expertise and build valuable relationships
- Attractive outlook for NPL supply across Arrow's markets, with support from recent ECB guidance on accelerated provisioning

Operational excellence

- Overall collections performance at 103% of original underwriting forecasts, underlining the quality of our data and analytics and consistent track record of outperformance
- One Arrow launched and on track to drive future efficiency gains and sustained growth
- Legal collection investment continuing to drive value of the back book and additional ERC

Financial excellence

- 84-month ERC increased to £1,455.6 million (Q3 2016: £1,189.6 million)
- 64% increase in capital-light Asset Management revenues to £50.6 million
- 6% reduction in financing costs to £33.5 million (Q3 2016: £35.5 million) as benefits of refinancing begin to flow through
- Long debt duration with average facility maturity of 6.4 years as at 30 September 2017 (30 September 2016: 6.2 years)
- Secured net debt to adjusted EBITDA reduced to 4.0x, within guided range

Strong returns

- 34% increase in underlying profit after tax to £38.9 million (Q3 2016: £29.1 million)
- 39% increase in statutory profit after tax to £16.0 million (Q3 2016: £11.5 million)
- 34% increase in underlying basic earnings per share (EPS) to 22.3p (Q3 2016: 16.7p)
- Underlying LTM Return on Equity (ROE) of 33.9% (Q3 2016: 27.4%)

Outlook

- Continue to see attractive opportunities across core markets
- Sustained pressure for banking reform across Europe provides growth opportunities
- One Arrow investment programme on track to deliver enhanced operational capabilities and efficiency gains from 2019 onwards
- Continued confidence in ability to meet earnings expectations for the year, deliver a medium-term underlying ROE percentage in mid-twenties, high-teens EPS growth and a progressive dividend policy
- Focus for last quarter of 2017 remains consistent:
    - **High growth** – a highly visible runway of significant long-term growth, underpinned by our unique origination capabilities, geographic reach and diversification by asset class
    - **Operational excellence** – a focus on securing the right outcomes for our customers and leveraging our data, scale and track-record to drive competitive advantage
    - **Financial excellence** – a rigorous focus on robust underwriting, selective portfolio bidding and cost management, geared towards delivering sustainable profitability
    - **Strong returns** – a high-return business model, enabling future growth and capital distribution

Lee Rochford, Group Chief Executive Officer, commented:

"In the first nine months of the year, Arrow continued to grow strongly and profitably. Portfolio purchases in the period increased by 30%, and we are on track to meet our guidance of completing total purchases of approximately £200.0 million by the year end. The capital light asset management business has also seen excellent growth, and we expect this to continue into 2018 following the close of the acquisition of Mars Capital later this year.

We are delivering on our One Arrow initiative, investing in the people, processes and systems that the business requires to enhance performance and future efficiency. As previously guided, the benefit of this programme will start to be realised in 2019.

Our focus on consistent, high returns has meant underlying LTM ROE increased to 33.9% - ahead of our guidance of mid-twenties over the medium-term. We are also executing efficiently on our strategy of diversifying by geography, asset class and revenue stream. Our consistent delivery, and the growing opportunity across all of our core markets, gives us confidence that we will deliver on expectations for the full year."

Key results

	30 Sept 2017			30 Sept 2016		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
	£m	£m	£m	£m	£m	£m
Profit before tax	20.1	28.4	48.5	14.2	21.2	35.4
Taxation	(4.1)	(5.5)	(9.6)	(2.7)	(3.6)	(6.3)
Profit after tax	16.0	22.9	38.9	11.5	17.6	29.1
Basic EPS (p)	9.2		22.3	6.6		16.7
Closing net assets	177.1		177.1	152.3		152.3
Average net assets	163.4		163.4	149.6		149.6
LTM ROE %	18.9		33.9	15.2		27.4
Core collections	-		244.1	-		216.1
Adjusted EBITDA	-		156.7	-		159.7
Secured leverage ratio (times)			4.0			3.7
Organic purchases of loan portfolios and notes	-		155.0	-		119.3
Total purchased loan portfolios and notes	-		909.0	-		696.8
84-month ERC	-		1,455.6	-		1,189.6
120-month ERC	-		1,690.1			1,404.6

For further information:

Arrow Global
Duncan Browne, Head of Investor Relations **+44 (0)7925 643 387**

Instinctif Partners
Giles Stewart **+44 (0)20 7457 2020**

Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Group and the industry in which the Group operates. These statements may be identified by words such as “expectation”, “belief”, “estimate”, “plan”, “target”, or “forecast” and similar expressions or the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Further, certain forward looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions. The forward-looking statements in this document speak only as at the date of this presentation and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2017

	Note	Unaudited 9 months ended 30 Sept 2017 £000	Unaudited 9 months ended 30 Sept 2016 £000	Unaudited 3 months ended 30 Sept 2017 £000	Unaudited 3 months ended 30 Sept 2016 £000
Continuing operations					
Revenue	*2*	**231,590**	**164,360**	**81,801**	**62,844**
Operating expenses					
Collection activity costs		(88,514)	(51,549)	(33,409)	(20,895)
Other operating expenses		(63,680)	(47,714)	(22,756)	(17,935)
Total operating expenses		**(152,194)**	**(99,263)**	**(56,165)**	**(38,830)**
Operating profit		**79,396**	**65,097**	**25,636**	**24,014**
Net finance costs		(33,495)	(34,730)	(10,935)	(12,804)
Bond refinancing costs		(27,352)	(17,994)	-	(17,994)
Total finance costs		**(60,853)**	**(53,507)**	**(10,938)**	**(30,798)**
Share of profit in associates		1,522	1,779	450	439
Profit before tax		**20,071**	**14,152**	**15,151**	**(6,345)**
Taxation charge		**(4,073)**	**(2,664)**	**(2,883)**	**1,323**
Profit after tax		**15,998**	**11,488**	**12,268**	**(5,022)**
Other comprehensive income:					
Foreign exchange translation difference arising on revaluation of foreign operations		3,524	7,800	352	2,314
Hedging movement		299	(576)	(217)	832
Total comprehensive income for the period		**19,821**	**18,712**	**12,403**	**(1,876)**
Profit attributable to:					
Owners of the Company		15,987	11,457	12,257	(5,041)
Non-controlling interest		11	31	11	19
		15,998	**11,488**	**12,268**	**(5,022)**
Total comprehensive income attributable to:					
Owners of the Company		19,810	18,681	12,392	(1,895)
Non-controlling interest		11	31	11	19
		19,821	**18,712**	**12,403**	**(1,876)**
Basic EPS (p)		**9.2**	**6.6**	**7.0**	**(2.8)**
Diluted EPS (p)		**8.9**	**6.4**	**6.9**	**(2.8)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	Unaudited 30 Sept 2017 £000	Audited 31 Dec 2016 £000	Unaudited 30 Sept 2016 £000
Assets				
Non-current assets				
Goodwill		141,331	128,081	128,150
Other intangible assets		43,756	39,144	41,289
Property, plant and equipment		6,075	3,584	3,860
Investment in associates		9,537	10,371	16,787
Deferred tax asset		4,509	3,692	3,337
Total non-current assets		**205,208**	**184,872**	**193,423**
Current assets				
Cash and cash equivalents		36,150	23,203	22,432
Other receivables		49,297	35,484	48,871
Derivative asset		-	-	7,006
Purchased loan portfolios	*3*	875,573	782,792	696,809
Loan notes		33,869	21,315	-
Total current assets		**994,889**	**862,794**	**775,118**
Total assets		**1,200,097**	**1,047,666**	**969,541**
Equity				
Share capital		1,753	1,744	1,744
Share premium		347,436	347,436	347,436
Retained earnings		99,442	92,327	76,238
Hedging reserve		(333)	(632)	(1,878)
Other reserves		(271,315)	(273,484)	(271,638)
Total equity attributable to shareholders		**176,983**	**167,391**	**151,902**
Non-controlling interest		138	-	425
Total equity		**177,121**	**167,391**	**152,327**
Liabilities				
Non-current liabilities				
Senior secured notes	*4*	759,478	681,158	687,172
Trade and other payables		5,867	-	-
Deferred tax liability		16,289	14,859	13,655
Defined benefit liability		-	1,721	-
Total non-current liabilities		**781,634**	**697,738**	**700,827**
Current liabilities				
Trade and other payables		95,397	76,261	53,113
Current tax liability		2,217	5,469	4,986
Derivative liability		1,654	1,433	-
Revolving credit facility	*4*	126,234	74,169	41,385
Bank overdrafts	*4*	1,323	7,698	13,326
Other borrowings	*4*	13,307	12,077	-
Senior secured notes	*4*	1,210	5,430	2,577
Total current liabilities		**241,342**	**182,537**	**115,387**
Total liabilities		**1,022,976**	**880,275**	**816,214**
Total equity and liabilities		**1,200,097**	**1,047,666**	**968,541**

The interim results were approved on 9 November 2017 by the board of directors and are signed on its behalf by:

Robert Memmott
Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2017

	Ordinary shares £000	Share premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve * £000	Translation reserve* £000	Merger reserve* £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2016	**1,744**	**347,436**	**76,916**	**(1,302)**	**(1,936)**	**(541)**	**(276,961)**	**145,356**	**-**	**145,356**
Profit for the period	-	-	11,457	-	-	-	-	11,457	31	11,488
Exchange differences	-	-	-	-	-	7,800	-	7,800	-	7,800
Net fair value losses cash flow hedges	-	-	-	(625)	-	-	-	(625)	-	(625)
Tax on hedged items	-	-	-	49	-	-	-	49	-	49
Total comprehensive income for the period	**-**	**-**	**11,457**	**(576)**	**-**	**7,800**	**-**	**18,681**	**31**	**18,712**
Non-controlling interest on acquisition	-	-	-	-	-	-	-	-	394	394
Share-based payments	-	-	1,988	-	-	-	-	1,988	-	1,988
Dividend paid	-	-	(14,123)	-	-	-	-	(14,123)	-	(14,123)
Balance at 30 September 2016 (unaudited)	**1,744**	**347,436**	**76,238**	**(1,878)**	**(1,936)**	**7,259**	**(276,961)**	**151,902**	**425**	**152,327**
Profit for the period	-	-	14,848	-	-	-	-	14,848	(30)	14,818
Exchange differences	-	-	-	-	-	(1,846)	-	(1,846)	20	(1,826)
Net fair value gains cash flow hedges	-	-	-	1,452	-	-	-	1,452	-	1,452
Tax on hedged items	-	-	-	(206)	-	-	-	(206)	-	(206)
Remeasurement of long term employee benefits	-	-	(10)	-	-	-	-	(10)	-	(10)
Total comprehensive income for the period	**-**	**-**	**14,838**	**1,246**	**-**	**(1,846)**	**-**	**14,238**	**(10)**	**14,228**
Settlement of non-controlling interest	-	-	-	-	-	-	-	-	(415)	(415)
Share-based payments	-	-	1,251	-	-	-	-	1,251	-	1,251
Balance at 31 December 2016	**1,744**	**347,436**	**92,327**	**(632)**	**(1,936)**	**5,413**	**(276,961)**	**167,391**	**-**	**167,391**
Profit for the period	-	-	15,987	-	-	-	-	15,987	11	15,998
Exchange differences	-	-	-	-	-	3,524	-	3,524	-	3,524
Net fair value gains cash flow hedges	-	-	-	351	-	-	-	351	-	351
Tax on hedged items	-	-	-	(52)	-	-	-	(52)	-	(52)
Total comprehensive income for the period	**-**	**-**	**15,987**	**299**	**-**	**3,524**	**-**	**19,810**	**11**	**19,821**
Non-controlling interest on acquisition	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	187	187
Shares issued in the period	9	-	-	-	-	-	-	9	-	9
Repurchase of own shares	-	-	-	-	(1,355)	-	-	(1,355)	-	(1,355)
Share-based payments	-	-	2,326	-	-	-	-	2,326	-	2,326
Dividends paid to NCI	-	-	-	-	-	-	-	-	(60)	(60)
Dividend paid	-	-	(11,198)		-	-	-	(11,198)	-	(11,198)
Balance at 30 September 2017 (unaudited)	**1,753**	**347,436**	**99,442**	**(333)**	**(3,291)**	**8,937**	**(276,961)**	**176,983**	**138**	**177,121**

* Other reserves total £271,315,000 deficit (31 December 2016: £273,484,000 deficit, 30 September 2016: £271,638,000 deficit)

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The merger reserve represents the reserve generated upon consolidation of the Group following the Group reconstruction as part of the IPO where Arrow Global became the parent Company.

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 30 June 2017 the Group held 303,614 ordinary shares of 1p each, held in an employee benefit trust. This represents less than 0.1% of the Company share capital at 30 June 2017.

The hedging reserve comprises the net cumulative fair value adjustments on the derivative contracts used in the Group's hedging activities which are deemed to be effective.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2017

	Unaudited period ended 30 Sept 2017 £000	Unaudited period ended 30 Sept 2016 £000
Net cash used in operating activities	**741**	**(4,815)**
Investing activities		
Purchase of property, plant and equipment	(534)	(363)
Purchase of intangible assets	(7,370)	(6,422)
Dividends received from associates	2,737	-
Investment in associates	-	(1,305)
Acquisition of subsidiary, net of cash acquired	(4,102)	(62,465)
Acquisition of subsidiary, deferred consideration	(8,888)	(16,068)
Net cash used in investing activities	**(18,157)**	**(86,623)**
Financing activities		
Proceeds/ (repayment) from additional loans	42,587	(26,255)
Early redemption of bonds costs	(17,631)	(8,664)
Proceeds from senior notes (net of fees)	340,510	173,069
Redemption of senior notes	(290,866)	-
Repayment of interest on senior notes	(28,687)	(31,521)
Proceeds of loan notes	-	938
Net other interest	(2,604)	(3,673)
Repurchase of own shares	(1,355)	-
Issued share capital	9	-
Payment of dividends	(11,258)	(9,415)
Settlement of deferred consideration interest	(608)	(594)
Net cash flow generated by financing activities	**30,097**	**93,885**
Net increase in cash and cash equivalents	**12,681**	**12,077**
Cash and cash equivalents at beginning of period	23,203	10,183
Effect of exchange rates on cash and cash equivalents	266	172
Cash and cash equivalents at end of period	**36,150**	**22,432**

Notes

1. Statutory information

Arrow Global Group PLC (the "Company") is a company incorporated in England and Wales. The condensed consolidated financial statements of the Company as at and for the nine months ended 30 September 2017 comprises the Company and its subsidiaries (the "Group"). The Group's principal activity is to identify, acquire and manage secured and unsecured defaulted loan portfolios from financial institutions, such as banks and credit card companies, as well as retail chains, student loans, motor credit, telecommunication firms and utility companies. In addition, the Group enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables.

This condensed set of consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016 and the interim financial statements for the 6 months ended 30 June 2017, in particular the strategic report, principal risks and uncertainties and significant accounting policies.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 are available upon request from the Company's registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW or online at www.arrowglobalir.net.

2. Revenue

	Period ended 30 Sept 2017 £000	Period ended 30 Sept 2016 £000
Income from purchased loan portfolios	173,977	132,783
Profit on portfolio sales	660	610
Income from loan notes	1,018	-
Fair value gain on loan notes	5,298	-
Total revenue from portfolios and loan notes	**180,953**	**133,393**
Income from asset management	50,637	30,967
Revenue	**231,590**	**164,360**

Notes (*continued*)

3. Financial assets

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 September 2017, the carrying amount of the purchased loan portfolio asset was £875,572,000 (31 December 2016: £782,792,000; 31 September 2016: £696,809,000).

The movements in purchased loan portfolios were as follows:

	Period Ended 30 Sept 2017	Year Ended 31 Dec 2016	Period Ended 30 Sept 2016
	£000	**£000**	**£000**
As at the period brought forward	782,792	609,793	609,793
Portfolios acquired during the period*	141,389	224,640	121,414
Purchased loan notes resold	-	(23,519)	(23,519)
Portfolios acquired through acquisition of subsidiaries	-	35,343	35,343
Collections in the period	(235,678)	(285,960)	(216,051)
Income from purchased loan portfolios	173,977	188,914	132,783
Exchange gain on purchased loan portfolios	12,906	32,880	36,436
Profit on disposal of purchased loan portfolios	660	701	610
Purchase price adjustment relating to prior year	(474)	-	-
As at the period end	**875,572**	**782,792**	**696,809**

* inclusive of capitalised acquisition expenditure

Loan notes

	Period Ended 30 Sept 2017	Year Ended 31 Dec 2016	Period Ended 30 Sept 2016
	£000	**£000**	**£000**
As at the period brought forward	21,315	-	-
Loan notes acquisition expenditure*	14,264	21,315	-
Changes in Fair Value	5,298	-	-
Collections in the period	(8,439)	-	-
Income from loan notes	1,018	-	-
Exchange gain on loan notes	413	-	-
As at the period end	**33,869**	**21,315**	**-**

* inclusive of capitalised acquisition expenditure

Notes (*continued*)

4. Borrowings and Facilities

	30 Sept 2017	31 Dec 2016	30 Sept 2016
Secured borrowing at amortised cost	**£000**	**£000**	**£000**
Senior secured notes (net of transaction fees of £16,144,000, 31 December 2016: £20,562,000, 30 September 2016: £21,202,000)	759,478	681,158	687,172
Revolving credit facility (net of transaction fees of £2,815,000, 31 December 2016: £2,756,000, 30 September 2016: £3,615,000)	126,234	74,169	41,385
Senior secured notes interest	1,210	5,430	2,577
Bank overdrafts	1,323	7,698	13,326
Other borrowings	13,307	12,077	-
	901,552	**780,532**	**744,460**
Total borrowings			
Amount due for settlement within 12 months	142,074	87,297	57,288
Amount due for settlement after 12 months	759,478	693,235	687,172
	901,552	**780,532**	**744,460**

On 30 March 2017, the Group issued €400 million senior secured floating rate notes due 2025 (the '2025 Notes') at a coupon of EURIBOR +2.875% per annum with EURIBOR being not less than 0%. Interest is paid quarterly in arrears. The 2025 Notes can be redeemed in full or in part on or after 1 April 2019 at the Group's option. Prior to 1 April 2019 the Group may redeem, at its option, some or all of the 2025 Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus an applicable make-whole premium.

The proceeds from the 2025 Notes were used to redeem the existing 2021 Notes, pay the early redemption and transaction fees payable in respect of the 2021 Notes and repay drawings under the RCF.

On 24 February 2017 the commitments under the RCF were increased from £180 million to £215 million. Upon redemption of the 2021 Notes on 30 March 2017, the maturity of the facility was extended to 31 March 2022.

Additional Information

UNDERLYING PROFIT

	Unaudited 9 months ended 30 Sept 2017 £000	Unaudited 9 months ended 30 Sept 2016 £000	Unaudited 3 months ended 30 Sept 2017 £000	Unaudited 3 months ended 30 Sept 2016 £000
Continuing operations				
Revenue	**231,591**	**164,360**	**81,801**	**62,844**
Operating expenses				
Collection activity costs	(88,104)	(51,549)	(32,999)	(20,895)
Other operating expenses	(63,051)	(44,454)	(22,127)	(17,406)
Total operating expenses	**(151,155)**	**(96,003)**	**(55,126)**	**(38,301)**
Operating profit	**80,436**	**68,357**	**26,675**	**24,543**
Net finance costs	(33,495)	(34,730)	(10,935)	(12,804)
Share of profit in associates	1,522	1,779	450	439
Underlying profit before tax	**48,463**	**35,406**	**16,190**	**12,178**
Taxation charge on underlying activities	(9,538)	(6,324)	(3,083)	(2,166)
Underlying profit after tax	**38,925**	**29,082**	**13,107**	**10,012**
Non-controlling interest	**(11)**	**(31)**	**(11)**	**(19)**
Underlying profit attributable to owners of the company	**38,914**	**29,051**	**13,096**	**9,993**
Underlying basic EPS (p)	**22.3**	**16.7**	**7.5**	**5.8**

Reconciliation between IFRS profit and Underlying profit

	30 Sept 2017 Profit before tax £000	30 Sept 2017 Tax £000	30 Sept 2017 Profit after tax £000	30 Sept 2016 Profit before tax £000	30 Sept 2016 Tax £000	30 Sept 2016 Profit after tax £000
IFRS Profit	**20,060**	**(4,073)**	**15,987**	**14,121**	**(2,664)**	**11,457**
Adjustments:						
Collection activity costs	410	(79)	331	-	-	-
Other operating expenses	630	(121)	509	3,260	(561)	2,699
Bond refinancing costs	27,352	(5,265)	22,087	17,994	(3,099)	14,895
	28,392	**(5,465)**	**22,927**	**21,204**	**(3,660)**	**17,594**
Underlying profit	**48,452**	**(9,538)**	**38,914**	**35,375**	**(6,324)**	**29,051**

Adjusting items are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the group) are not considered to be representative of the ongoing performance of the Group and these items are excluded from underlying profit. Underlying profit after tax is considered to be a key measure in understanding the Group's ongoing financial performance. The collection activity and other operating expenses adjusted in the period ended 30 September 2017 above, relate to the One Arrow programme. The other operating expenses adjusted in the period ended 30 September 2016 relate to costs incurred on acquisitions.

Additional Information (*continued*)

Adjusted EBITDA

	Period ended 30 Sept 2017 £000	Period ended 30 Sept 2016 £000
Reconciliation of net cash flow to adjusted EBITDA		
Net cash flow used in operating activities	741	(4,815)
Purchases of loan portfolios	141,389	119,303
Purchase of loan notes	14,264	-
Purchase price adjustment relating to prior year	(474)	-
Income taxes paid	7,510	2,495
Working capital adjustments	(10,752)	29,444
Dividends received from associates	2,735	-
Amortisation of acquisition fees	206	207
Effect of exchange rates on cash and cash equivalents	-	172
One Arrow programme costs	1,040	3,260
Adjusted EBITDA	**156,659**	**159,696**

Reconciliation of core collections to adjusted EBITDA		
Income from loan portfolios and loan notes	174,995	132,783
Portfolio amortisation	69,120	83,268
Core collections	**244,115**	**216,051**
Asset management income	50,638	30,967
Operating expenses	(152,194)	(99,263)
Depreciation and amortisation	8,387	6,099
Foreign exchange (gains)/losses	(593)	387
Amortisation of acquisition fees	206	207
Share based payments	2,325	1,988
Dividends received from associates	2,735	-
One Arrow programme costs	1,040	3,260
Adjusted EBITDA	**156,659**	**159,696**

Glossary

'Adjusted EBITDA' means profit before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items.

'Adjusted EBITDA ratio' means the ratio of Adjusted EBITDA to core collections.

'Adjusting items' are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the Group) are not considered to be representative of the ongoing performance of the Group and are therefore excluded from underlying profit after tax.

'Average net assets' is calculated as the average quarterly net assets from Q3 2016 to Q3 2017 as shown in the quarterly and half yearly statements.

'Cash interest cover' represents interest on senior secured notes, utilisation and non-utilisation RCF fees to Adjusted EBITDA.

'Cash result' represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid, purchase of property, plant and equipment, purchase of intangible assets and average replacement rate.

'Collection activity costs' represents the direct costs of collections related to the Group's purchased loan portfolios, including internal and third party costs such as employee costs, commissions paid to third party outsourced providers, credit bureau data costs and legal costs associated with collections.

"Core collections" or "core cash collections" mean cash collections on the Group's existing portfolios and loan notes including ordinary course portfolio sales and put backs. The breakdown of core collections for the periods ended 30 September 2017 and 30 September 2016 is as follows: -

	Period ended 30 Sept 2017 £000	**Period ended 30 Sept 2016 £000**
Collections from purchased loan portfolios	235,678	216,051
Collections from loan notes	11	-
Collections from loan notes at Fair Value	8,426	-
Core collections	**244,115**	**216,051**

'Cost-to-collect ratio' is the ratio of collection activity costs to core collections.

'Creditors' means financial institutions or other initial credit providers to consumers, certain of which entities choose to sell paying accounts or non-paying accounts receivables related thereto to debt purchasers (such as the Group).

'Customers' means consumers whose unsecured loan obligation is owed to the Group as a result of a portfolio purchase made by the Group.

'EBITDA' means earnings before interest, taxation, depreciation and amortisation.

Glossary *(continued)*

'EIR' means effective interest rate (which is based on the loan portfolio's gross internal rate of return) calculated using the loan portfolio purchase price and forecast 84-month gross ERC at the date of purchase. On acquisition, there is a short period that is required to determine the EIR, due to the complexity of the portfolios acquired.

'EPS' means earning per share

'84-Month ERC' and **'120-Month ERC'** (together **'Gross ERC'**), mean the Group's estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, respectively, representing the expected future core collections on purchased loan portfolios over an 84-month or 120-month period (calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time).

'Existing Portfolios' or **'purchased loan portfolios'** are on the Group's balance sheet and represent **all debt portfolios that the Group owns at the relevant point in time.**

'Diluted EPS' means the earnings per share whereby the number of shares is adjusted for the effects of potential dilutive ordinary shares, options and LTIP's.

'FCA' means Financial Conduct Authority.

'FVTPL' – Financial instruments designated at fair value with all gains or losses being recognised in the profit or loss.

'**Gross money multiple**' Gross money multiple means core collections to date plus the 84-month gross ERC or 120-month gross ERC, as applicable, all divided by the purchase price for each portfolio, excluding REO purchases and purchase price adjustments relating to asset management fees.

'IFRS' means EU endorsed international financial reporting standards.

'Income from asset management' includes commission income, debt collection, due diligence, real estate management and advisory fees.

'IPO' means initial public offering.

'Lending Code' means the voluntary code of practice issued by the Lending Standards Board and describes minimum standards of good practice for banks, building societies, credit card providers and their agents.

'Loan to Value ratio' or 'LTV ratio' represents the ratio of 84-month ERC to net debt.

'LTIP' means the Arrow Global long-term incentive plan.

'LTM' means Last Twelve Months and is calculated by the addition of the consolidated financial data for the year ended 31 December 2016 and the consolidated interim financial data for Q3 2017, and the subtraction of the consolidated interim financial data for Q3 2016.

Glossary *(continued)*

'LTM Pro Forma Adjusted EBITDA' means **'LTM Adjusted EBITDA'** inclusive of full twelve months impacts of acquisitions that occurred within the last twelve months and exclusive of any items deemed non-recurring within the last twelve months to give a twelve months pro forma Adjusted EBITDA operating level at the reported date.

'Net debt' means the sum of the outstanding principal amount of the senior secured notes, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of loan portfolios, less cash and cash equivalents including transaction fees. Net debt is presented because it indicates the level of debt after taking out of the Group's assets that can be used to pay down outstanding borrowings, and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt for the period ended 30 September 2017 is as follows:

	30 Sept 2017 £000	31 Dec 2016 £000
Cash and cash equivalents	(36,150)	(23,203)
Senior secured notes *	775,622	701,720
Revolving credit facility *	129,048	76,925
Secured bank overdrafts	-	6,419
Secured net debt	**868,520**	**761,861**
Deferred consideration	41,830	35,401
Senior secured notes interest	1,210	5,430
Bank overdrafts	1,323	1,279
Other borrowings	13,307	12,077
Net debt	**926,190**	**816,048**

*pre- transaction fee net off

'Off market' means those loan portfolios that were not acquired through a process involving a competitive bid or an auction like process.

'Organic purchases of loan portfolios' means those purchased through the ordinary course of business, not through acquisition. The breakdown of organic purchases for the period is as follows:

	30 Sept 2017 £000	30 Sept 2016 £000
Portfolios acquired during the period	141,389	121,414
Purchases of loan notes	14,264	-
Capitalised acquisition expenditure	(648)	(2,111)
Organic purchases of loan portfolio and loan notes	**155,005**	**119,303**

'Paying Account' means an account that has shown at least one payment over the last three months.

'Purchased loan portfolios' see **'existing portfolios'**.

'Putback' means an account that is to be sold back to or replaced by the original creditor.

'Purchases of loan portfolios resold/to be resold' relates to a portfolio of assets, which has been acquired at the period end, and will shortly be resold to an investment partner. These are separately disclosed from other purchased loan portfolios, as an investment partner is intending to complete their acquisition from us.

'RCF' means revolving credit facility.

Glossary *(continued)*

'Replacement rate' means the level of purchases of portfolio and loan notes needed during the subsequent year to maintain the current level of ERC.

'ROE' means the return on equity as calculated by taking profit after tax divided by the average equity attributable to shareholders. Average equity attributable is calculated as the average quarterly equity from Q3 2016 to Q3 2017 as shown in the quarterly and full year statements.

'Secured loan to value' or **'secured LTV ratio'** represents the ratio of 84-month ERC to Secured Net Debt.

'Secured Net Debt' means the sum of the outstanding principal amount of the senior secured notes, amounts outstanding under the revolving credit facility, less cash and cash equivalents. Secured Net Debt is presented because it indicates the level of secured debt after taking out the Group's assets that can be used to pay down outstanding secured borrowings, and because it is a component of the incurrence tests in the senior secured notes. The breakdown of secured net debt for the period ended 30 June 2017 is shown in Net Debt above.

'SIP' means the Arrow Global all-employee share incentive plan.

'Underlying basic EPS' represents earnings per share based on underlying profit after tax, excluding any dilution of shares.

'Underlying profit after tax' means profit for the period attributable to equity shareholders after tax adjusted for the post-tax effect of adjusting items. The Group presents underlying profit after tax because it excludes the effect of these adjusting items which are not considered representative of the Group's ongoing performance, (and the related tax on such items) on the Group's profit or loss for a period.

'Underlying return on equity' represents the ratio of underlying profit for the period attributable to equity shareholders to average shareholder equity post restructure.