2016
ANNUAL REPORT

MCS GROUPE

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Table of **Contents**

The discussion of business objectives set forth in this Annual Report are by their nature forward-looking statements. Such objectives are based on management's current beliefs, expectations, assumptions and business plan and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from the objectives described. No assurance can be given that the objectives described in this Annual Report will be achieved. Forward-looking statements involve assessments about matters that are inherently uncertain and actual results may differ for a variety of reasons including those described in the section "Risk Factors" of this Annual Report and not all of which will be exhaustively explored in this Annual Report or elsewhere. You are reminded that all forward-looking statements in this Annual Report are made as of the date hereof and for the avoidance of doubt, Promontoria MCS does not undertake to update any such statement made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For the avoidance of doubt, Promontoria MCS does not accept any liability in respect of any such forward-looking statements and investors should not place undue reliance on any such forward-looking statements. This Annual Report and any related oral presentation should not form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This Annual Report does not constitute a recommendation regarding the securities of Promontoria MCS.

KEY ACHIEVEMENTS, STRATEGY AND OUTLOOK

2016 was a pivotal year for the MCS Group. Several unprecedented events occurred during the year, confirming the transformation of our Group and the acceleration of its growth while remaining faithful to the core business and the model it has been pursuing for over 30 years.

Once again, we recorded marked organic growth in 2016, on both our debt purchasing business and our third-party debt collection business. Debt purchasing activities enjoyed strong collections as well as a record volume of acquisitions. Debt servicing activities benefited from the growth of volumes in existing contracts and from a promising business momentum, auguring an increased diversification of our activities in the future. At the same time, we continued to strengthen our human and technological resources so that our Group is in an optimal position to benefit from the growth of our markets, and therefore pursued the capital expenditures effort initiated two years ago . Under these combined effects, our operating income surged by 34% while we managed to maintain our principal profitability ratios at a constant level. Our ERCs also rose 9% over the year. Finally, we successfully carried out our first issue in the bond market in September 2016 in the amount of €200M, and we now have financial resources commensurate with the potential of our different businesses. Our performance over the last twelve months validates the pertinence of the strategy that we initiated several years ago.

In our historical core business, purchasing bank debt portfolios, 2016 was remarkable in all regards. Gross collections for all of our portfolios reached €83M, up 10% compared to last year, with a significant contribution by all of our investment vehicles. That established the basis for our very strong financial performance this year. Furthermore, we had our best year in terms of portfolio purchases in over a decade with €49M in investments, half of which were made during the traditionally very active fourth quarter. These operations were completed both with our usual partners (some of whom have been our clients for over twenty years), but also with new banking institutions who carried out their first transaction on the French market in 2016. This momentum allowed us to establish our leadership in transactions of this type in France.

At the same time, we accelerated the diversification of our revenues through our debt servicing activities. The income from this business now represents 12% of our Group's total revenues, and we confirm our goal of raising this percentage to a minimum 25% in the medium term. One of the principal contributors to growth is our sound loan management offer where we continued to enjoy promising prospects. An illustration of this is the contract with the Crédit Immobilier de France (CIF) Group, with whom we signed an agreement for services and a successor agreement providing for our takeover of the management and collection activities for loans to private individuals carried out from their Poitiers and Toulouse sites beginning April 1, 2017. For the CIF Group, this meets a dual objective of maintaining the quality of these activities and saving jobs.

For the MCS Group, this is a unique opportunity to become the undisputed leader in residential real estate loan management on behalf of third parties in France, to enlist the services of competent employees in new labor markets and to further diversify this revenue source: debt servicing activities will exceed 20% of the group's total net revenues from 2017 onwards.

KEY ACHIEVEMENTS, STRATEGY AND OUTLOOK

We took advantage of these commercial successes to maintain a high level of capital expenditures in the structure of our Group, in order to be able to make the most of the anticipated growth in our markets. We therefore pursued our deliberate recruitment policy, with an 8% staff increase over the year including two additions to our Executive Committee. Additionally, following a complete revamping of our IT infrastructures finalized in 2015, we continued to improve our processes and our systems as well as our third-party management platform.

With this same desire to prepare for the future and to give ourselves the means to participate fully in the growth of the French market, we sought to diversify our Group's sources of financing. We thus proceeded with a €200M bond issue successfully placed in September 2016 with leading French and international institutional investors attracted by our Group's balanced profile, which combines growth and strong visibility. These €200M were used to repay our initial debt over a shorter term, distribute a first dividend to our shareholders and establish a cash surplus giving us the means to seize any future opportunity that may satisfy our investment criteria.

These positive developments, in line with our strategic plan, allow us to start the year 2017 with great confidence since the signs of acceleration of the opening of our domestic market are growing. In our debt purchasing activities, in 2017 we expect even stronger growth in collections than in 2016, buoyed in particular by our purchases over the last twelve months. We expect 2017 to set a new record for portfolio acquisitions. At the same time, the steady development of our debt servicing activity should give us increased visibility while at the same time allowing us to intensify the diversification of our revenues toward a recurring line of services that does not consume large amounts of capital.

This favorable outlook for 2017, after an excellent 2016, makes it possible to distribute €20M of proceeds to our shareholders under the mixed form of a partial convertible bonds redemption, partial preference shares redemption and dividend distribution. This will lighten our financial expenses, while the Group will at the same time keep a conservative debt level and retain plentiful liquid assets.

These achievements would not have been possible without the contribution of all or our employees. They deserve our wholehearted thanks.

KEY FIGURES

	2015 In €m		2016 In €m
GROSS COLLECTIONS	76	10%	83
ATTRIBUTABLE CASH EBITDA	47	12%	52
NET RESULT	6.6	89%	12.4
120M ATTRIBUTABLE ERC	327	9%	357

Risks Factors

Risks related to our business and industry

Market

There may not be sufficient supply of debt, or appropriately priced debt, available for purchase.

We may be unable to compete with businesses that offer higher prices for debt portfolios or may otherwise face intensive competitive pressure.

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

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

We might be unable to maintain key relationships with third-party providers necessary to conduct our business.

Changes to the economic, regulatory and/or political environment in the future in France or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business.

Increases in labor costs could negatively affect our business and labor disputes may also negatively affect our business.

Examinations and challenges by tax authorities, or changes in tax laws or regulations, or the application thereof, could materially and adversely affect our business, financial condition and results of operations.

French tax legislation may restrict the deductibility, for French tax purposes, of indebtedness incurred in France, thus reducing the cash flow available to service our indebtedness.

We are subject to ongoing risks of litigation under credit, collections and other laws.

Operational

A lack of reliable information or a failure of our models and analytical tools could lead to mispricing of purchased debt portfolios, which may have a material adverse effect on the financial returns from such portfolios.

The value of our portfolios may deteriorate, or we may not be able to collect sufficient amounts on our debt portfolios to generate expected returns.

Substantially all of our revenue is generated from clients active within the financial services industry which are particularly sensitive to reputational risks. If our reputation were to be harmed we may lose some or all of our key clients and our business, financial condition and results of operations could be materially and adversely affected.
Forward flow agreements may contractually require us to purchase portfolios at a higher price than desired.
Our reputation may be damaged or we may be held liable for the acts of employees or third parties if we fail to develop, implement, monitor and enforce our own risk and compliance policies.
Our growth may strain our resources, affect our ability to maintain our levels of collections or affect our ability to implement effective portfolio pricing standards, which could materially and adversely affect our business.
Our operations are highly dependent upon access to, and the functioning and integrity of, core IT applications, systems and infrastructure.
We may not be able to successfully anticipate, manage or adopt technological changes within the debt purchase and collection industry.
The need to adapt to debtors' changing circumstances or circumstances impacting debtors may result in increased collection activity costs, reduced cash flow or imprecise forecasts.
Failure to comply with applicable laws and regulations relating to the purchase and collection of debt and the broader credit industry could negatively affect our business.
Our senior management team members and key employees are important to our continued success and the loss of one or more members of our senior management team or one or more of our key employees could materially and adversely affect our business, prospects, financial condition and results of operations.
We may not be able to hire and retain enough sufficiently trained employees to support our operations.
Our internal control system may not detect all irregularities.
The failure of our confidentiality agreements to protect our proprietary processes and systems could materially and adversely affect our business.
Our insurance coverage may not be sufficient.

Financial

We may not be able to procure sufficient funding to purchase further debt portfolios as they become available on acceptable terms or at all.
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.
We may make acquisitions or pursue joint ventures, business combinations or other investments that prove unsuccessful or strain or divert our resources. We may not be successful in achieving our strategic goals.
Historical operating results and quarterly Gross Collections may not be indicative of future performance.
The valuation of our purchased credit portfolios and goodwill on balance sheet are susceptible to impairment under IFRS.
We qualify for a recently enacted French employment incentive tax credit. However, the extent to which we benefit may be materially adversely affected by changes in the law or in the application of related accounting rules.
French tax legislation may restrict our ability to use French tax loss carry forwards.

Risks Related to our indebtedness

Our leverage may make it difficult for us to service our debt, including the Notes, and operate our business.
We may incur additional indebtedness, including at the level of our subsidiaries, which could increase our risk exposure from debt and could decrease investors' share in any proceeds from enforcement of the Collateral.
We are subject to restrictive covenants under the New Revolving Credit Facility Agreement and the Indenture, which could impair our ability to run our business.
We may not be able to generate sufficient cash to meet our debt service obligations, or our obligations under other financing agreements, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful in which case our creditors could declare all amounts owed to them due and payable, leading to liquidity constraints.
We are exposed to interest rate risks as the Notes and borrowings under the New Revolving Credit Facility bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.
We may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.

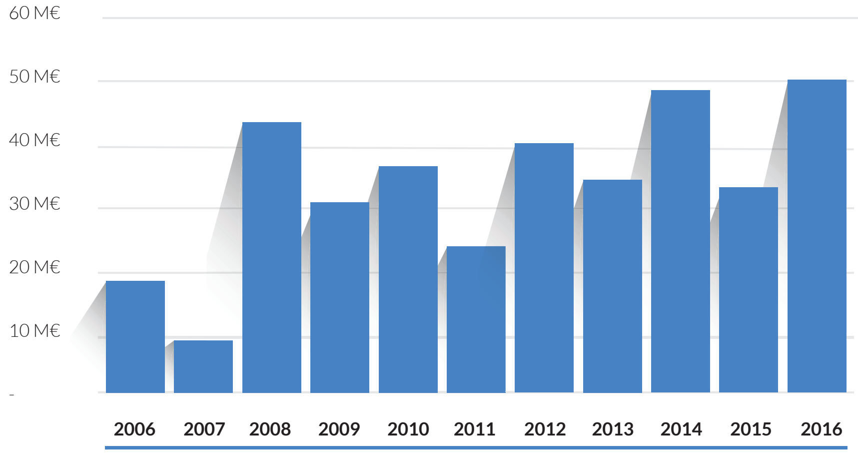
Business Overview

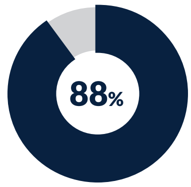
Debt purchasing

With €49M in purchases made during the year, 2016 sets a new record for our group in terms of portfolio acquisitions, after ten years of continuous growth.

BUSINESS OVERVIEW

Spots Acquisitions per Year



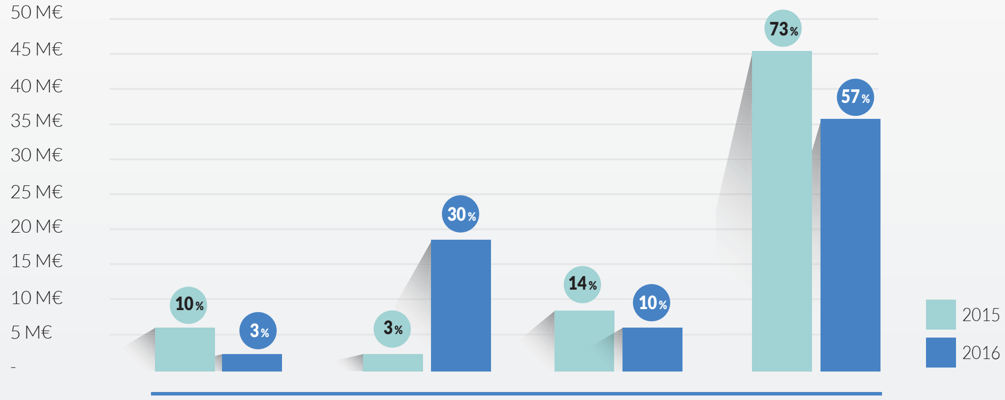


DEBT PURCHASING
(as % of group net revenues)

More than 40% of our acquisitions this year were done with banks which were first-time clients for our group. This positive business dynamic confirms the trend we have seen from French banks, increasingly open to debt sales transactions. On this client segment, based on the operations we are aware of, we believe that we have reinforced our position as leader with a greater than 40% market share in 2016, both in price paid and in number of transactions.

We have seen again in 2016 a robust fourth quarter in terms of acquisitions, as it is traditionally the case in our business, with a more balanced split of acquisitions throughout the year..

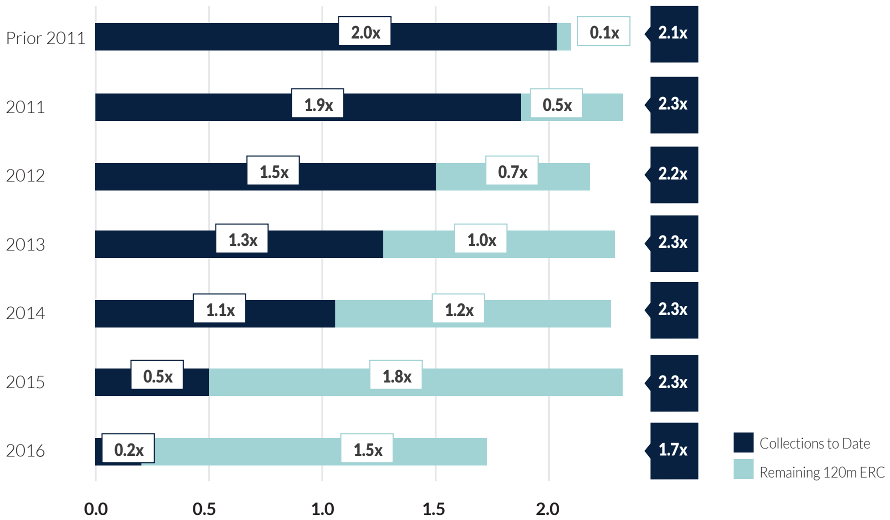
Seasonality (%)



BUSINESS OVERVIEW

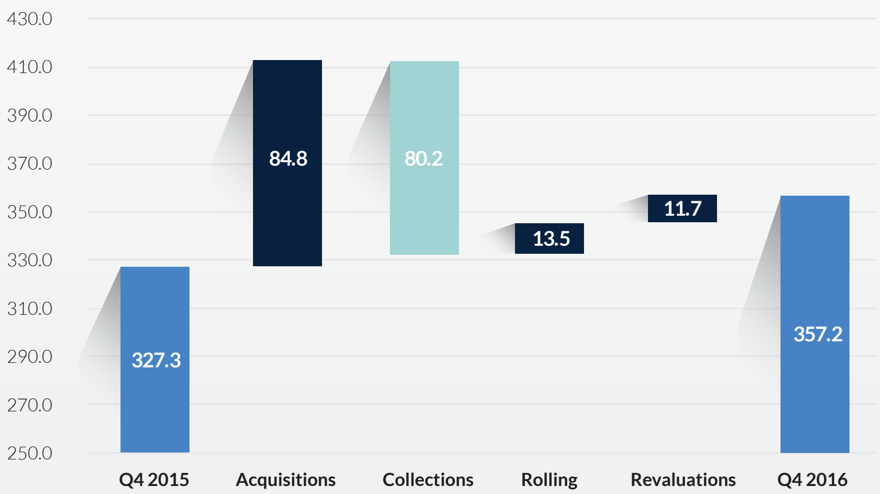
Our expected returns continue to be consistent: our Gross money multiples on 120 months (based on a combination of actuals and forecasts) are still around 2x. 2016 acquisitions show to date, on average, a lower money multiple although blended IRRs at underwriting have not changed vs. 2015.

Gross Money Multiples



Overall, we have experienced a 9% yoy increase of our 120-month Attributable ERC in 2016, to €357M. This increase has been mainly fueled by our robust acquisition campaign that has more than offset strong collections on our backbook across the year. It was also supplemented by two other recurring factors: a rolling effect for €13.5M or 3.8% of ERC (our collection curves being usually long given the nature of our claims) and a revaluation effect for €11.7M or 3.3% of ERC (due to the overperformance of our collections).

120M Attributable ERC

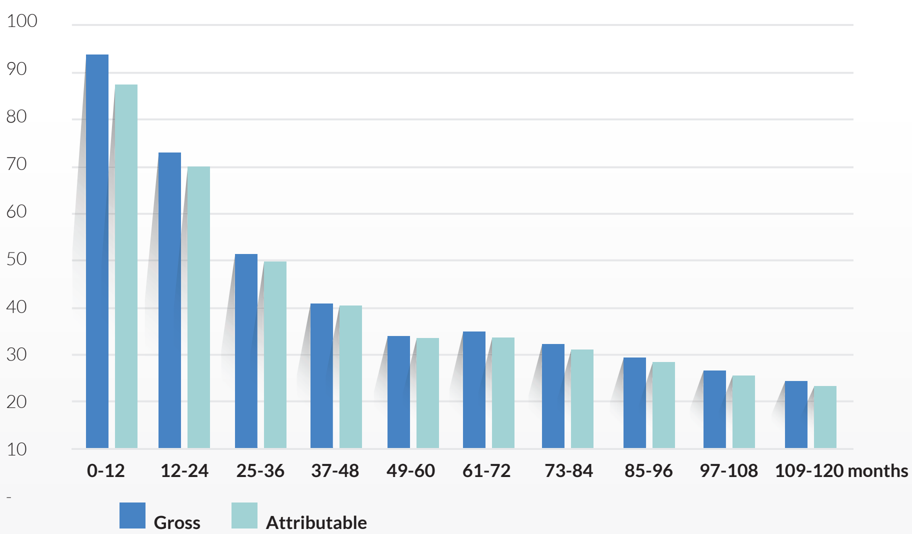


BUSINESS OVERVIEW

	2016		2015
84M Gross	321 610	7%	300 955
84M Attributable	305 117	11%	275 685

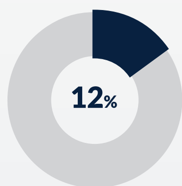
	2016		2015
120M Gross	377 065	5%	357 476
120M Attributable	357 210	9%	327 332

ERC 2016 split per year (in M€)



Debt Servicing

On top of our core debt purchasing activities, we have also experienced robust growth in our debt servicing revenues that have increased by 6% vs. last year at €8.5M.
In particular, our performing loans servicing business has seen strong organic growth in 2016 (+28%), validating our strategy of the past years and the substantial investments we have done to achieve greater revenue diversification. Growth is poised to accelerate in that business line in 2017. In order to give a more comprehensive view of our servicing revenues and provide better comparability with our peers, we have this year included some servicing revenues which were previously encapsulated within our "Income from loans"into our Servicing revenues. Under this presentation, this business line represents 12% of our revenues in total.



DEBT SERVICING
(as % of group net revenues)

Financial **Condition**

In September 2016, we established a new financial structure for the group to give it access to stable, long-term resources. Our funding now consists of a “Senior Secured Floating Rate Note” of €200M and a “Super Senior RCF” of €25M. The RCF margin is between 3.25% and 3.50%, with a 35% commitment fee on undrawn amounts. The bonds have a maturity of five years and a Euribor interest rate + 5.75% (with a 0% floor). This refinancing operation was a success for our group, as witnessed by the interest of institutional investors at the time of the issue, over-subscribed several times, and in the secondary market since then. The attractiveness of our group’s balanced profile, offering a combination of security and growth, was also confirmed by two rating agencies, S&P and Moody’s, who gave our group BB- and B2 ratings respectively, positioning us favorably with respect to the European players of the sector.

These €200M coming from our bond issue were used in part to repay our pre-existing debts, distribute a first dividend to our shareholders and establish a cash surplus of around €80M, giving us the means to seize any future opportunity that satisfies our investment criteria.

Moreover, this is what started happening during the 4th quarter of 2016, since around €20M were invested in portfolio purchases. Given our good 2016 results, an additional shareholders distribution of €20M will be made in Q2 2017: €3m as a dividend, €6M as share capital reduction and €11M in the form of redemption of convertible bonds. That will allow us to reduce the group’s financial expenses in 2017, while leaving us maneuvering room to seize the market opportunities. In fact, according to our projections, even with our ambitious objective of €75M in purchases over the entire year, we would end 2017 with a cash surplus, without needing to use our RCF.

We will continue to manage our debt ratios prudently. As we indicated at the time of the bond issue, we aim to maintain net debt at around 3x the Attributable Cash EBITDA and to limit it to an amount not exceeding 50% of our 120-month Attributable ERC.

People

In order to support its development year after year, the MCS Group pursues a steady recruiting plan (15% increase in staff between 2014 and 2016).

In this way, we hope to be able to attract the best talent, whether this involves sound debt managers, legal experts specializing in bank litigation or specialists in our support functions (IT, Finance, HR, internal control, etc.).

Various initiatives are allowing us to diversify our recruiting sources to the maximum extent possible. We hire our employees at all stages of their careers. We do not hesitate to recruit recent graduates to begin their careers and to learn the debt management and collection businesses at MCS. To do this, we regularly host student interns or students on alternating work/study contracts and then offer the best of them a possibility to work together via an open-ended contract. We have also set up partnerships with different universities. We also welcome more experienced employees who have generally worked previously at banks and credit institutions. Finally, in addition to our establishment in Paris, we opened offices in Lille in 2016 in order to diversity our labor market. All these employees with different backgrounds enrich the MCS Group through the diversity of their career paths and their personalities.

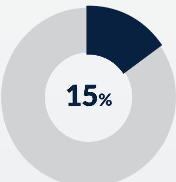
We also strive to offer each of them rich professional and personal development opportunities in our Group.

Skills and know-how are a key component of our performance. This is why every year we invest 2% of our payroll in training, thereby giving each employee the possibility of updating and enriching his or her knowledge in constantly changing businesses.

The distinctive aspects of our businesses and our experience in the matter have led us to develop numerous in-house training modules. At the same time, we respond to targeted development needs through more traditional training dispensed by specialized agencies, based on demands identified through our annual training plan. We also offer rich and structured career paths. These routinely begin with a 3-week orientation seminar, prior to having our new employees join their teams. They then continue through regular developments, either along a specialized business or as internal transfer opportunities arise, toward positions as experts in matters of increasing complexity or along management tracks, depending on the tastes and the abilities of each employee.

Finally, we seek to offer our employees working conditions that are commensurate with their commitment.

To accomplish this, we wish to offer compensation (fixed and variable, individual and group) in line with the best market practices, these latter being subject to regular review by independent firms. We also make sure that our employees work in a quality environment where safety is a constant concern. Finally, we actively promote diversity and professional equality, particularly between men and women, and we measure their effects. These actions are part of the development of a broader confirmed corporate and environmental responsibility policy.



INCREASE IN STAFF BETWEEN 2014 AND 2016

EVERY YEAR WE INVEST 2% OF OUR PAYROLL IN TRAINING

CSR/ Internal Control and Compliance

Corporate Social Responsibility (CSR)

Aware of its social responsibility, the MCS Group has for many years encouraged the incorporation of social, environmental and economic concerns in its activities and its relationships with its employees, partners and suppliers.

Like many French companies, the MCS Group shares the principles of the UN Global Compact concerning Human Rights, labor law, the environment and the fight against corruption. The MCS Group has drafted an ethics Charter that defines the moral framework for conducting its activity. The Charter commits all of the employees and managers and incorporates the principles of loyalty, rigor and professionalism, and formalizes the rules applicable to image protection and the protection of confidential information in a constant concern for strengthening its professional ethics and its management rigor.

Additionally, the MCS Group relies on internal processes to combat money laundering, the financing of terrorism and corruption and to ensure the confidentiality and protection of personal information, to seek environmentally friendly solutions and to promote responsible and fair trade purchasing.

• Commitment toward employees

The MCS Group is committed toward its employees and implements means ensuring their safety and appropriate working conditions. We have also established dynamic career management mechanisms and foster social dialogue.
We are particularly sensitive to fighting all forms of discrimination and conduct campaigns to promote diversity and professional equality between men and women and to oppose all types of discrimination, including disability discrimination.

• Responsible collection

Founded 30 years ago, the MCS Group has always put ethics at the center of its activities.
As a founding member of the FIGEC (Fédération Nationale de l'Information d'Entreprise, de la Gestion de Créances et de l'Enquête Civile [National Federation of Corporate Information, Debt Management and Civil Investigation]), the MCS Group signed the FIGEC Code of good practices regarding debt collection. The MCS Group promises to practice responsible collection practices and to ensure that its partners and service providers adhere to the principles of this code.
Collection is achieved through persuasion and empathy, and our employees strive to understand the source of the client's difficulties and its current situation, and favor an amicable solution over litigation. We adapt our collection procedures to each client and project and identify the legal risks upstream in order to adapt our demands and our collection measures to each situation. We constantly seek the best solution, both for our principals and for our clients.

Finally, the MCS Group has an in-house Mediator who deals as far upstream as possible with all conflict situations or that may potentially become such.

• Professional secret and confidentiality of information

In accordance with the regulations, the MCS Group respects the confidentiality of the information covered by professional secret that is provided to it in connection with its activities. These principles are applied by our employees and by our subcontractors. All our employees sign the Ethics Charter and the Information Technology Charter when they join the company, committing them in particular to comply with the secrecy of the data to which they have access for the management of projects.
The MCS Group takes the necessary measures to ensure that data is protected and that access to our information system is secure. All necessary measures are implemented to protect personal data from accidental or unlawful destruction, accidental loss, alteration, distribution or unauthorized access.

• Relationships with our service providers

The MCS Group makes purchases and turns to service providers in a spirit of balance between the stakeholders by incorporating requirements, specifications and criteria that foster environmental protection and enhancement. We favor fair trade purchasing and regularly turn to solidarity workshops. Each new supplier is evaluated in particular with regard to its CSR policy and its environmental commitment according to the scope of service.

Risk control at the heart of the MCS culture

Without being subject to restrictive regulations with respect to control, the MCS Group has established a formalized risk control mechanism, aligned with the model of the banks it counts among its clients.

• Control, Compliance and Risk functions

The Internal Control, Compliance, Risks and Mediation functions are handled by the General Counsel of the MCS Group, which ensures compliance with the legal and regulatory obligations and more generally the security of the activities. They are handled by three divisions that work in close cooperation: the Legal Operations Division, Internal Control and Mediation.
The Legal Operations Division covers the major legal risks associated with Operations, particularly by establishing an effective system of legal operations monitoring and by leading committees set up to control the major legal risks.
Internal control is responsible for ensuring the coherence and the overall effectiveness of the internal control and risk monitoring system. The independence of these divisions ensures the effectiveness of the comprehensive internal control and risk monitoring system.

Internal control

In order to strengthen the quality of its service and its stringent management, the MCS Group has formalized its internal control framework in a dedicated Charter.

Generally speaking, Internal control aims to:

- ✓ provide a tool for improving performance;
- ✓ respond to the expectations of our principals with regard to service quality and professionalism;
- ✓ control risks and exercise reinforced vigilance concerning these risks;
- ✓ respond to the requirements of our principals in terms of Internal Control and Essential Outsourced Services (EOS);
- ✓ make sure that over and above compliance with the regulations, all of the procedures and actions satisfy the rules of good conduct and the rules of professional conduct.

Internal control reports on the performance of its functions to the General Counsel, to which it is attached, to the Risks Committee of the MCS Group and to the Audit Committee. The Risks Committee, which meets quarterly, is responsible for defining the risk management policy of the MCS Group, for monitoring the control of these risks and for ensuring the implementation of an effective internal control system.

Internal Control is guarantor of the internal control system of the MCS Group and does not conduct any operational activity. The internal control system is traditionally based on three lines of defense: employees (whatever their hierarchical level), managers and the Internal Control division.

Internal control relies on procedures, a risk mapping and verifications. The procedures aim to supervise the activities by detailing the appropriate treatments and controls. Additionally, the mapping of risks and processes makes it possible to identify and control the risks specific to our activities. This mapping details, for each process, the related risks and the control mechanisms deployed.

The anomalies detected through the controls give rise to immediate corrections and to recommendations for improving the management of the risks associated with these anomalies.

In short, the MCS Group, attached to its solid reputation in the market, constantly increases the security of its activities and the activity of its principals by constantly improving and strengthening its risk control mechanisms.

Governance

MCS has established a comprehensive corporate governance framework with a number of committees supporting the Supervisory Board and the Managing Board and Executive Committee. The governance structure allows high levels of control and accountability to be maintained at all levels.

The Managing Board and the Executive Committee are attended by the top management including the CEO, the Group Chief Financial Officer, the General Counsel, the Chief Operating Officer, the Chief Investment Officer and the Head of Human Resources. The Executive Committee meets on a bi-monthly basis and reviews and decides on all strategic and operational matters.

The Group's Supervisory Board sits at the level of the holding company of the Group. The Supervisory Board is composed of five experienced non-executive directors (including an independent Chairman) who have broad industry, governance, finance and accounting expertise. These directors are Alain Demarolle (independent and non-executive Chairman), Gerardus "Geert-Jan" J. Schipper, Raoul R. Hofland, Zachary Lewy and John van Beek.

The Board meets every other month in presence of the CEO and some Executive Committee members, and is responsible for overseeing the overall strategy of the MCS Group. It reviews current trading, operating progress on key initiatives, strategic development and key decisions including major acquisitions or disposals, significant financial commitments, budget and accounts review/approval, key hires, etc.

The Supervisory Board is assisted by both the Audit Committee to review the accounts, key accounting and financial issues and the Remuneration Committee which is in charge of reviewing the compensation policy at a Group level.

There was no change to our shareholding structure in 2016.

MCS has established a comprehensive corporate governance framework with a number of committees supporting the Supervisory Board and the Managing Board. The governance structure allows high levels of control and accountability to be maintained at all levels.

Management Financial Review

€M	2016	2015
Gross Collections	83.5	75.6
Attributable Gross collection	78.4	69.7
Non Attributable Gross Collection	5.1	5.9
Servicing Revenues	8.5	8.0
Total Cash Revenues	**92.0**	**83.6**
Portfolio Amortisation & Revaluations	(22.3)	(26.2)
Total Net Revenues	**69.7**	**57.4**
Professional fees and services	(9.1)	(8.9)
Personnel costs	(16.4)	(14.1)
General and administrative expenses	(10.1)	(9.0)
Total costs	**(35.7)**	**(32.0)**
EBITDA	**34.1**	**25.4**
Non attributable distribution	(4.0)	(4.9)
Portfolio Co-Invest Amort. & Reval.	3.4	2.8
Attributable EBITDA	**33.4**	**23.4**
Depreciation	(4.0)	(4.9)
Portfolio Co-Invest Amort. & Reval.	(1.7)	(1.3)
EBIT	31,8	22.1
Net financing Result	(16.3)	(11.7)
Non-recurring items	1.6	(0.1)
Pre-Tax Result	17.1	10.2
Tax	(4.7)	(3.7)
Net Result	12.4	6.6
Cash EBITDA	**56.3**	**51.6**
Attributable Cash EBITDA	**52.3**	**46.8**

MANAGEMENT FINANCIAL REVIEW

Cash revenues increased from €83.6m to €92.0m between 2015 and 2016, up 10% or €8.4m, reflecting inter alia the strong performance of the Gross Collections related to our back book as well as our growing asset base. Servicing revenues increased by 6% to €8.5m. This increase was primarily due to the ramp-up of activity generated by servicing contracts signed in 2014 and 2015, especially in our performing debt servicing division.

Total net revenues increased by €12.3m to €69.7m in 2016, from €57.4m in 2015, up 21%. The difference with cash revenues come from portfolio amortisation and revaluations, which included in 2016 a positive impact from revaluations, reflecting improved collections forecasts.

Professional fees and services increased by €0.2m, or 2%, to €9.1m in 2016. This increase was primarily driven by the increase in Gross Collections during this period. However, when considered as a percentage of total revenues, professional fees and services decreased by 2.5 percentage points to 13% in 2016.

Personnel costs increased by €2.3m, or 16%, to €16.4m in 2016. This increase was attributable to the full-period effect of hires made in 2015, continued hires in 2016, as well as a higher amount of employee profit-sharing due to the Group's strong performance. During 2016, our headcount have increased from 276 to 298.

General and administrative expenses increased by €1.2m to €10.1m in 2016. This increase was primarily due to the relocation of the Group's headquarters to new facilities in November 2015, which led us to incur redundant expenses until May 2016.

Overall, EBITDA therefore increased to €34.1m, up 34%, when Cash EBITDA increased to €56.3m (+9% yoy). Attributable EBITDA increased to €33.4m (+43% yoy) and Attributable Cash EBITDA increased 12% to €52.3m.

Our net financial result in 2016 derives from our past financial structure for the first nine months. Since our €200m bond issuance occurred on September 28, 2016, our fourth quarter was more reflective of our new financial structure.

The change in non-recurring items over the period is primarily related to the disposal of our previously owned premises.

As a result of the foregoing, net income for the period increased by €5.8m to €12.4m in 2016, from €6.6m in 2015.

Consolidated
Financial Statement

- **Promontoria MCS Holding**
  Statutory auditor's report on the Consolidated Consolidated Financial Statements
  (Year ended December 31, 2016)

To the Président
Promontoria MCS Holding
256 bis rue des Pyrénées
75020 Paris

In our capacity as Statutory Auditor of Promontoria MCS Holding and in compliance with your request, we have audited the accompanying "Consolidated Financial Statements", of Promontoria MCS Holding for the year ended December 31, 2016.

President is responsible for the preparation and fair presentation of these «Consolidated Financial Statements". Our responsibility is to express an opinion on these "Consolidated Financial Statements" based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the "Consolidated Financial Statements" are free from material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the "Consolidated Financial Statements". An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the "Consolidated Financial Statements". We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the "Consolidated Financial Statements" give a true and fair view of the financial position and assets and liabilities of Company as of December 31, 2016, and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted in the European Union.

Neuilly-Sur-Seine, April 14, 2017

The statutory auditor
PricewaterhouseCoopers Audit

Lionel Lepetit
Associé

CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of financial position			
Assets			
(in thousands of euros)	Notes	December 31, 2016	December 31, 2015
Goodwill		63,774	62,787
Other intangible assets	4	2,939	1,844
Property, plant and equipment	5	2,622	11,897
Purchased loan portfolio	6	102,593	87,356
Investments in equity-accounted companies	7	4	1,619
Other non-current assets	6	2,007	2,059
Deferred tax assets		0	0
Total non-currents assets		**173,939**	**167,561**
Purchased loan portfolio	6	65,401	53,366
Other receivables	9	6,440	5,539
Cash and cash equivalents	10	62,215	13,563
Total current assets		**134,056**	**72,468**
Total assets		**307,995**	**240,029**
Equity and liabilities			
(in thousands of euros)		December 31, 2016	December 31, 2015
Equity			
Capital and reserves attributable to owners of the parent			
Share capital		295	295
Issue premiums		13,261	29,161
Consolidated reserves		4,330	(2,250)
Net income for the year		12,409	6,580
Equity attributable to owners of the parent		**30,295**	**33,785**
Non-controlling interests		42	
Total equity		**30,337**	**33,785**
Non-current liabilities			
Provisions for other liabilities	12	931	847
Convertible bond	13	37,598	54,194
Long-term borrowings and debt	14	195,477	95,335
Co-investor liabilities (long-term portion)	15	2,249	7,149
Deferred tax liabilities		20,376	16,287
Other non-current liabilities	15	6,874	18,499
Total non-current liabilities		**263,505**	**192,311**
Current liabilities			
Co-investor liabilities (short-term portion)	15	5,878	4,288
Trade and other accounts payable		1,415	2,629
Other current liabilities	15	6,860	7,016
Total current liabilities		**14,153**	**1,933**
Total equity and liabilities		**307,995**	**240,029**

Consolidated income statement

(in thousands of euros)	Notes	2016 (12 months)	2015 (12 months)
Revenue			
Income from loans		62,959	51,886
Other income		6,552	5,408
Total revenue		**69,511**	**57,294**
Professional fees and services		(9,100)	(8,911)
Personnel costs	19	(16,417)	(14,111)
General and administrative expenses		(10,134)	(8,965)
Operating margin		**33,860**	**25,308**
Other income and expenses, net	20	132	(1,236)
Operating income		**33,992**	**24,072**
Financial income		453	1,206
Financial expenses		(17,305)	(15,029)
Net financial expense	21	**(16,852)**	**(13,823)**
Share in income (loss) of equity-accounted companies		(28)	0
Income before tax		**17,112**	**10,249**
Income tax	22	(4,703)	(3,669)
Net income for the year		**12,409**	**6,580**

Consolidated statement of changes in equity

					Equity			
(in thousands of euros)	Share capital	Issue premiums	Trans-lation reserves	Conso-lidated reserves	Owners of the parent	Non-control-ling interests	2016	2015
At January 1	**295**	**29,161**		**4,330**			**33,785**	**27,205**
Dividends paid (issue premium)		(15,900)					(15,900)	
Capital increase								
Net income for the year				12,409			12,409	6,580
Effect of changes in the scope of consolidation							42	
Other comprehensive income								
At December 31	**295**	**13,261**		**16,739**		**42**	**30,337**	**33,785**

Consolidated statement of cash flows

(in thousands of euros)	Notes	2016 (12 months)
Cash flows from operating activities		
Net income for the year		12,437
Other non-cash (income) expenses		4,391
Deferred tax expense		4,089
Neutralization of financial cash flows		16,232
Cash flow from operating activities before change in working capital		**37,148**
Dividends received from equity-accounted companies		
Change in operating working capital (portfolio)		
Remeasurement of receivables		(7,190)
Amortization of receivables		29,448
Remeasurement of payables		(1,078)
Amortization of payables		(2,232)
Change in operating working capital (excluding portfolio)		(1,060)
Net cash from operating activities		**55,036**
Cash flows from investing activities		
Acquisitions of portfolios		(49,397)
Acquisitions of intangible assets		(1,850)
Acquisitions of property, plant and equipment		(5,233)
Acquisitions of investments		(69)
Disposals of property, plant and equipment		10,435
Disposals of investments		49
Impact of changes in the scope of consolidation		(43)
Net cash used in investing activities		**(46,107)**
Cash flows from financing activities		
Dividends paid to owners of the parent		(15,966)
Increase in long-term borrowings		208,299
Decrease in long-term borrowings		(137,639)
Other movements		1,260
Financial cash flows		(16,232)
Net cash from financing activities		**39,723**
Net change in cash and cash equivalents		**48,652**
Cash and cash equivalents at beginning of year		13,563
Cash and cash equivalents at end of year		62,215

CONSOLIDATED FINANCIAL STATEMENTS

NOTES

SUMMARY

Contents
of the notes to the consolidated financial statements

1. General information

1.1 General presentation

The consolidating company, Promontoria MCS Holding SAS, is a French holding company created on July 1, 2014 in connection with the acquisition of the MCS Group, one of France's leading players in the management and acquisition of bank receivables portfolios.
In its capacity as an acquiring holding company, it holds all of the capital of Promontoria MCS, a sub-holding company that acquired all of the capital of MCS & Associés.
MCS & Associés acquires and manages receivables portfolios:
directly by acquiring receivables portfolios and even managing portfolios on behalf of third parties;
indirectly through specialized structures, Hugo securitization funds since 2009 or trusts.
The Promontoria MCS Holding Group ("MCS Group") conducts virtually all of its business in France.

The reporting period covers 12 months, from January 1, 2016 to December 31, 2016, and the financial statements were adopted by the President.

1.2 Highlights

The year was shaped by MCS Group's debt rollover in September via the issue by Promontoria MCS of high-yield bonds for a principal amount of €200 million. This issue was part of a placement on international markets governed by the provisions of Rule 144A/ Regulations S of the 1933 US Securities Act and the terms and conditions of which are set out the Offering Memorandum published by the Company on September 21, 2016. Stipulations regarding the high-yield bonds are set out in the "Indenture" issue agreement drafted in English.

2. Accounting principles and methods

2.1 General principles

The consolidated financial statements of the MCS Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union (available online at www.ec.europa.eu/internal_market/accounting/ias/index_fr.htm) at the date these consolidated financial statements were adopted by the President.

International Financial Reporting Standards include the standards approved by the IASB, namely IFRS, International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).
The Group did not early adopt any new standards, amendments to existing standards or interpretations published by the IASB but not yet adopted or not mandatorily applicable within the European Union in 2016.

The financial statements are presented in thousands of euros.

2.2 New IFRS standards, amendments and interpretations

2.2.1 Standards, amendments and interpretations mandatorily applicable at January 1, 2016

The following published new standards, amendments to existing standards and interpretations are mandatorily applicable at December 31, 2016:

- Amendment to IAS 1 - Disclosure Initiative
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendment to IAS 19 - Defined Benefit Plans: Employee Contributions
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements to IFRSs - 2010-2012 Cycle
- Annual Improvements to IFRSs - 2012-2014 Cycle

These new texts had no impact on the consolidated financial statements.

2.2.2 Standards, amendments and interpretations adopted by the European Union but not mandatorily applicable at December 31, 2016

The financial statements of the MCS Group at December 31, 2016 do not include the impacts of the following standards, amendments and interpretations adopted by the European Union at December 31, 2016 but only mandatorily applicable for reporting periods beginning after that date:

- IFRS 9 - Financial Instruments: the impacts of applying IFRS 9 as from January 1. 2018 are currently being analyzed by an independent firm.
- IFRS 15 - Revenue from Contracts with Customers: the Group does not expect any significant change resulting from the application of IFRS 15 as from January 1, 2018.
- IFRS 7 - Financial Instruments: Disclosures.

2.2.3 Standards, amendments and interpretations not yet adopted by the European Union

The following texts had been published by the IASB at December 31, 2016 but were not yet adopted by the European Union:

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs - 2014-2016 Cycle
- Amendments to IAS 1 - Disclosure Initiative
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 16 - Leases
- Amendments to IFRS 15 - Clarifications to IFRS 15
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception

2.3 Consolidation methods and principles

The consolidation methods used are full consolidation for entities controlled by the Group and equity accounting for joint ventures and associates.

2.3.1 Controlled entities

All subsidiaries or companies controlled by the Group are fully consolidated. Control exists when the Group has all of the following: power over the entity (investee) that give it the ability to direct the investee's relevant activities;

- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Companies are fully consolidated as from the date control is acquired until the date control is transferred outside the Group.

The Group considered the status of the securitization funds Hugo Créances 1, Hugo Créances 2, Hugo Créances 3 and Hugo Créances 4 in light of the definition of control set out in IFRS 10. It decided that based on the Group's role with regard to the funds' relevant activities (acquisition consulting and portfolio management) and its exposure to their variable returns, the funds should be fully consolidated in its consolidated financial statements, even though these funds are represented and administered by an independent management company. The share of the Group's co-investors in these vehicles, which entitles those investors to cash payments from the funds concerned, meets the definition of a liability as set out in IAS 32. Under IAS 39.43, this liability should be measured at fair value on initial recognition and subsequently measured at amortized cost using the effective interest method.

A different approach was used for the Mabimmo, Consomab and Marsollier funds in view of the Group's minimal exposure to their overall returns. MCS & Associés' interest in these three funds is accounted for by the equity method.

2.3.2 Joint ventures

A joint venture is a joint arrangement whereby the Group has joint control of an entity with one or several other parties under a contractual agreement granting it rights to the net assets of the entity. Joint ventures are accounted for by the equity method. This consists of accounting for the net assets and net income of a company pro rata to the parent company's interest in that company's capital.

Upon acquiring an interest in a joint venture, the related goodwill is included in the carrying amount of the investment.

2.3.3 Associates

Associates are entities over which the Group exercises significant influence (generally accompanying a shareholding of over 20%) but not control. Associates are accounted for by the equity method. This consists of accounting for the net assets and net income of a company pro rata to the parent company's interest in that company's capital.

Upon acquiring an interest in an associate, the related goodwill is included in the carrying amount of the investment. The financial statements of subsidiaries, joint arrangements and associates are closed at December 31 of each year presented.

2.4 Measurement and presentation of financial statements

2.4.1 Intragroup transactions

Intragroup receivables and payables, income and expenses and gains or losses relating to Group companies are eliminated in consolidation.

2.4.2 Tax-driven provisions

Changes in provisions recognized in accordance with tax legislation or treated as reserves are eliminated when determining consolidated net income.

2.4.3 Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

The financial statements of subsidiaries with a functional currency other than the euro are translated into euros as follows:

assets and liabilities are translated at the closing exchange rate at the end of the reporting period, while income statement and cash flow items are translated at the average exchange rates for the period;

any resulting translation gains and losses arising from the difference between the closing exchange rate in the previous year and the current exchange rate, and between the average and closing exchange rates, are shown in translation adjustments within consolidated equity.

2.4.4 Use of estimates

In preparing the consolidated financial statements, the Group's management is required to make estimates and assumptions that may impact the carrying amount of assets and liabilities at the reporting date as well as income and expenses for the year.
Estimates are made based on experience and other factors deemed reasonable in the circumstances. They are used to determine the carrying amount of assets and liabilities that cannot be obtained directly from other sources. These estimates are continually reviewed. However, the final amounts reported in future consolidated financial statements may differ from the amounts resulting from these estimates.

Estimates are mainly used to price the receivables portfolio and measure intangible assets, and to a lesser extent to measure impairment losses on financial assets, recognize deferred tax assets, and determine current and non-current provisions. Further details of these estimates are given in various notes set out below.

2.5 Non-current assets

2.5.1 Intangible assets

a. Goodwill and business combinations

Purchase method

Business combinations are accounted for in accordance with the revised IFRS 3 and IAS 27. When the Group obtains control of an acquiree, the business combination is accounted for using the purchase method at the date control was acquired, in accordance with the revised IFRS 3:

- the identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date;
- where applicable, any non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments).
  This choice may be renewed on a case-by-case basis for each business combination;
- costs directly attributable to the acquisition (transaction costs) are to be recognized separately from the business combination and expensed in the period in which they are incurred;
- any adjustments to the purchase price are measured at fair value at the acquisition date even if it is unlikely that there will be an outflow of resources to settle the obligation. After the acquisition date, adjustments to the purchase price are measured at fair value at the end of each reporting period. Measurement of the purchase price, which includes, where appropriate, the estimated fair value of any contingent consideration, is to be finalized within 12 months of the combination (measurement period). Any subsequent change in the fair value after the measurement period is taken to income.

Any previously-held interest in the acquiree must be remeasured to fair value and the resulting gain or loss taken to income.

Goodwill

Goodwill is determined at the acquisition date as the difference between:

- the purchase price at the acquisition date, plus any non-controlling interests in the acquiree measured based on either the share of net assets acquired (including fair value adjustments) or the overall enterprise value; and
- the net fair value of assets acquired and liabilities assumed at the acquisition date.

Goodwill arising on the acquisition of fully or proportionately consolidated companies is included in assets under "Goodwill".
Negative goodwill is immediately recognized in income. However, goodwill arising on the acquisition of equity-accounted companies is shown within "Investments in equity-accounted companies" in accordance with IAS 28.
Goodwill may be adjusted within the 12-month measurement period following the acquisition date in order to reflect the final calculation of the fair value of the assets acquired and liabilities assumed.
Any adjustments to goodwill after this period are taken to income.
Goodwill is allocated to cash-generating units (CGUs). Goodwill is not amortized but tested for impairment at least annually or whenever events or circumstances indicate that it may be impaired.
Where appropriate, an impairment loss is recognized in the income statement and cannot be reversed.

2.5.2 Other intangible assets

Other intangible assets include separately acquired intangibles such as software. Costs relating to the acquisition of software licenses are included in assets based on the costs incurred to purchase the software concerned and bring it into service. These costs are amortized over the estimated useful life of the software.

2.5.3 Property, plant and equipment

Property, plant and equipment is shown on the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses.
However, when properties owned or leased by the Group in connection with leaseback transactions are included in the financial statements of the former MCS Group, these assets are remeasured to fair value at the date they were acquired by the Group.
Depreciation is recognized on a straight-line basis over the estimated useful lives of the different asset categories, taking into account any residual value. The useful lives of the Group's main assets are as follows:

- Buildings: 10 to 20 years
- Fixtures and fittings: 3 to 10 years

2.5.4 Impairment of non-current assets

Assets with an indefinite useful life are not depreciated/amortized but are tested for impairment each year. Other depreciable/amortizable assets are tested for impairment when specific events or circumstances indicate that their recoverable amount may be lower than their carrying amount.

Impairment is recognized for the excess of the carrying amount over the recoverable amount. Where appropriate, assets are tested individually or within cash-generating units (CGUs) when their value cannot be individually assessed.

Goodwill is not amortized but may be impaired based on the results of impairment tests carried out at least annually and whenever there is an indication that it may be impaired. For the purpose of impairment testing, items of goodwill that cannot be individually tested for impairment are tested at the level of the group of CGUs expected to benefit from the synergies of the business combination.

The recoverable amount of a group of CGUs to which goodwill is allocated is the higher of fair value less costs to sell and value in use.

2.6 Finance leases

Lease transactions are classified as finance leases when in substance they transfer virtually all the risks and rewards incidental to ownership of the leased asset to the lessee.

In accordance with IAS 17, assets held by the Group under finance leases are shown within assets, with the corresponding debt included under borrowings and debt within liabilities.

Lease payments are canceled and the finance expense recognized, along with the fair value of the leased assets, in accordance with the Group's accounting policies.

2.7 Financial assets

Financial assets are recognized in accordance with IAS 39 and may be classified in one of the two categories described below.

2.7.1 Loans and receivables portfolio

Purchased portfolios include loans and receivables with similar characteristics. Each portfolio is treated as a homogenous asset class within the loans and receivables category defined by IAS 39 - Financial Instruments, and is considered as a single group in terms of measurement and revenue recognition.

In accordance with IAS 39, portfolios are measured at cost on initial recognition. They are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash flows expected to result from managing the portfolio to the carrying amount of the portfolio.

Based on its knowledge of the portfolios, management makes significant estimates regarding the future cash flows expected to result from managing the portfolio. These estimates cover a rolling period of five to fifteen years. In the event the future cash flow estimates are revised, the value of the portfolios included in assets is increased or decreased after applying the historical effective interest rate to the revised future cash flows, with an offsetting entry posted to income.

2.7.2 Other financial assets

Other financial assets are measured as described above, depending on the category to which they belong.

Financial assets are measured using one of the levels of the fair value hierarchy for financial assets and liabilities set out in IFRS 7:

- Level 1: prices quoted on an active market for similar instruments
- Level 2: valuation techniques based on observable market inputs
- Level 3: valuation techniques based on non-observable inputs

An impairment loss is recognized against income if there is objective evidence that a financial asset may be impaired. This impairment loss represents the difference between the carrying amount of the asset and its recoverable amount, and may be reversed if at some point in the future the recoverable amount once again exceeds the carrying amount. Objective evidence of impairment for loans and receivables is based mainly on the Group's awareness of the debtor's financial difficulties (payment default, liquidation, etc.).

2.8 Deferred taxes

Deferred taxes are recognized on all temporary differences between the carrying amount of assets and liabilities and their value for tax purposes, with the exception of non-deductible goodwill and other exceptions provided for in IAS 12.

Deferred tax assets are recognized if it is probable that taxable profit will be available against which they can be utilized in future reporting periods. Deferred taxes are measured at the tax rate expected to apply to the period when the temporary difference will reverse, based on tax rates or tax laws that have been enacted or substantively enacted at the end of the reporting period. The liability method is used and the impact of any change in tax rates is recognized in income, except for changes arising from items recognized directly in equity. Deferred tax assets and liabilities are offset if entities have a legal right of offset and the deferred tax amounts are levied by the same taxation authority. Deferred taxes are not discounted.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash, current accounts at banks, very short-term marketable securities readily convertible into cash and subject to an insignificant risk of changes in value. Since cash investments maturing in less than three months are subject to an insignificant risk of changes in value, they are carried at cost (including accrued interest), which approximates their fair value.

2.10 Bonds

A convertible bond is a financial instrument defined as a "compound financial instrument" with a liability and an equity component, which are each recognized and measured separately. In accordance with IAS 32

- Financial Instruments: Presentation, the equity component corresponds to the difference between the nominal amount of the issue and the liability component. The liability component is calculated as the fair value of the liability with no conversion option and with identical characteristics. The amount recognized in equity corresponding to the conversion option is not revalued over the life of the bond. The liability component is measured at amortized cost over its estimated useful life based on the calculation of an effective interest rate.

2.11 Financial liabilities

Borrowings are initially carried at fair value net of transaction costs. They are subsequently carried at amortized cost. Any difference between income (net of transaction costs) and the repayment value is taken to income over the life of the debt using the effective interest method.
Borrowings are classified within current liabilities except when the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are classified within non-current liabilities.

2.12 Retirement obligations

The MCS Group's retirement obligations towards its employees are managed by an external fund. At December 31, 2016, retirement obligations represented €981K. The main inputs used to calculate retirement benefits are described below and are the same as those used in the previous period:

- Retirement age: 70
- Assumed retirement at the employer's initiative
- Mortality rate (INSEE TD-TV.02 mortality table)
- Revaluation rate: 2%
- Discount rate: 1.8%

2.13 Income on loan portfolios

Under the amortized cost method, income on loans and receivables is accounted for at amortized cost calculated using the effective interest method. The effective interest rate is the rate that exactly discounts the present value of the estimated future cash flows expected to derive from the portfolios to the asset's carrying amount.
In the event the future cash flow estimates are revised, the value of the portfolios included in assets is increased or decreased after applying the historical effective interest rate to the revised future cash flows, with an offsetting entry posted to income.

2.14 Segment information

The Group operates in only one business sector. Accordingly, it does not present any segment information.

2.15 Earnings per share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of shares outstanding during the year.

2.16 Diluted earnings per share

In accordance with IAS 33, net income attributable to ordinary shareholders and the weighted average number of shares outstanding must be adjusted for the impact of dilutive potential ordinary shares (IAS 33.24). Depending on the situation, the dilutive impact may result from subscription options granted to employees or from share subscription warrants or bonds converted under the conditions prevailing at the end of the reporting period.

3. Acquisition of the MCS Group

3.1 Acquisition of MCS

On July 22, 2014, Promontoria MCS Holding SAS acquired the entire capital of MCS & Associés through its sub-holding company Promontoria MCS. For simplicity, this transaction is considered to have taken place on July 1. 2014. Since the acquisition of additional bonds of securitization funds Hugo Créances 1, Hugo Créances 2 and Hugo Créances 3 was negotiated prior to the acquisition, the date of purchase of these bonds was considered to be July 1, 2014.
The goodwill arising on this acquisition was calculated as follows:

✓ **Acquisition price excluding acquisition cost (A)**	€138 M
✓ **Assets purchased at fair value net of liabilities transferred at fair value**	
• Land and buildings	€9M
• Other property, plant and equipment	€1M
• Investments	€35M
• Receivables portfolio	€67M
• Other receivables	€6M
• Cash and cash equivalents	€26M
• ***Sub-total – assets acquired***	***€144M***
• Borrowings and debt	€42M
• Other payables	€10M
• Deferred taxes	€17M

Sub-total - liabilities transferred	*€69M*
✓ Assets acquired net of liabilities transferred (B)	€75M
✓ Goodwill amount (A)-(B)	€63M

The fair value of property assets held directly or indirectly, representing €9.570.000, was determined by independent appraisers. The fair value of the loans and receivables portfolio was determined based on future cash inflows as estimated at the acquisition date resulting from all of the portfolios held by MCS Group companies, after applying the most appropriate effective interest rate.
In accordance with the accounting principles and methods described above, the co-investors' share in the securitization funds was measured based on an estimate of future net cash outflows due to these investors. These were calculated using similar assumptions to those used to determine cash inflows.
The fair value of other investments factors in the value of securities sold in the months following the acquisition.

A deferred tax liability was recognized at the statutory tax rate for the net revaluation gain booked when determining the fair value of assets acquired net of liabilities transferred.

Goodwill recognized after finalizing the fair value measurement was based on the following:

- the intangible human capital which forms the basis of the MCS Group's expertise in acquiring and managing portfolios;
- an existing portfolio management activity for third parties and in particular, an existing activity managing performing loans;
- the quality of the relationship MCS has enjoyed with its major clients for over 20 years;
- the Group's unique proprietary management software.

An impairment test was carried out at December 31, 2016.
In view of the Group's business activity, goodwill was not allocated to cash-generating units. Goodwill, amounting to €63.8 million at December 31, 2016, was therefore tested for impairment at the level of the Group. The Group estimated the market value of the company by applying industry multiples used for comparable companies.
The industry multiples were taken from market data compiled by leading banks.

The Company performed a multi-criteria valuation based on EBITDA (adjusted for the coinvestors' share) for 2016 as well as estimated future cash inflows (attributable to the Group) from existing portfolios at December 31, 2016.
Estimated future cash inflows were based on a model combining internal estimates (from 12 to 24 months) and statistical extrapolations (for the remaining period).

No goodwill impairment came to light as a result of these tests and the amount of goodwill in the statement of financial position at December 31, 2016 was therefore maintained at €63.8 million.

A decrease of 10% in the multiples used would not result in any goodwill impairment.

3.2 Acquisition of Ressource

In December 2015, the Group acquired 90% of the share capital of Ressource for an amount of €1.579.000.
Ressource is the exclusive partner of AGS (Wage Guarantee Insurance Association) for the collection of receivables in connection with the 1% housing loan scheme.

Acquisition price excluding acquisition cost (A)	**€1,579K**
Intangible assets	€11,000
Other property, plant and equipment	€2,000
Investments	€60,000
Other receivables	€624,000
Cash and cash equivalents	€178,000
Sub-total - assets acquired	***€893,000K***
Borrowings and debt	€6,000
Operating payables	€105,000
Other payables	€181,000
Sub-total – liabilities transferred	***€292,000***
Assets acquired net of liabilities transferred (B)	**€601,000**
Purchased goodwill (C)	**€9,000**
Goodwill (A)-(B)+(C)	**€987,000**

Notes to the consolidated financial statements

4. Intangible Assets

Goodwill

(in thousands of euros)	Gross value	Accumulated impairment	Net value
January 1, 2016	62,787		62,787
Goodwill arising on:			
- acquisitions in the year	987		987
- disposals			
- deconsolidations			
Foreign exchange impact			
Changes in the scope of consolidation			
Additional impairment			
December 31, 2016	63,774		63,774

Other intangible assets

(in thousands of euros)	Software	Total
January 1, 2016	1,844	1,844
Acquisitions	1,848	1,848
Disposals	(54)	(54)
Changes in the scope of consolidation	2	2
Amortization	(701)	(701)
Impairment		
Reclassification		
Other		
Foreign exchange impact		
Changes in consolidation scope		
December 31, 2016	2,939	2,939

5. *Property, plant and equipment*

(in thousands of euros)	Land and buildings	Technical installations	Computer equipment	Other	Total
January 1, 2016	8,912	2,718		267	11,897
Acquisitions	4,865	307			**5,173**
Disposals	(13,778)	(962)			**(14,740)**
Changes in the scope of consolidation		17	6		**24**
Depreciation		273	(4)		**269**
December 31, 2016	0	2,354	2	267	2,622

At June 30, 2016, we sold our head office building located at 96 avenue Raymond Poincaré in Paris (France) for €8,800.000 and our operating facilities in the 12th arrondissement of Paris for €1,600,000.

6. *Loan portfolio*

(in thousands of euros)	2016	2015
January 1, 2016	140,722	133,646
Acquisitions	49,397	32,660
Disposals		
Changes in the scope of consolidation		
Impairment		
Amortization	(29,314)	- 24,268
Revaluation	7,190	-1,316
Foreign exchange impact		
December 31, 2016	167,995	140,722
Total current assets	65,401	53,366
Total non-current assets	102,593	87,356

Current assets are calculated by discounting the cash inflows expected to arise from the assets within 12 months of the end of the reporting period.

Any other amounts are classified as non-current items.

7. *Investments in equity-accounted companies*

None

8. *Deferred taxation*

Breakdown by temporary difference of deferred tax income/expense in the income statement

(in thousands of euros)	December 31, 2016	December 31, 2015
Current taxes	615	(18)
Deferred taxes	4,089	3,687
Total	**4,704**	**3,669**

(in thousands of euros)	December 31, 2016	December 31, 2015
Consolidated income before tax	17,141	10,249
French tax rate	33%	33%
Theoretical tax at the above rate	5,713	3,416

Differences to be analyzed	(1,009)	253
Permanent differences between consolidated income and taxable income		
Tax losses not recognized		
Recognition of prior year tax losses		
Different tax rate applicable to foreign subsidiaries		
Change in tax rate		
Miscellaneous	(1,009)	253
Differences analyzed	**(1,009)**	**253**

9. Other receivables

(in thousands of euros)	December 31, 2016	December 31, 2015
Deposits	474	458
Other receivables	3,242	2,384
Deposits	474	458
Other receivables	3,242	2,384
Total	**6,439**	**5,539**

10. Cash and cash equivalents

(in thousands of euros)	December 31, 2016	December 31, 2015
Marketable securities	67	12,936
Term deposits	5,000	12,936
Available bank balances	57,148	12,936
Total	**62,215**	**13,563**

11. Equity

The share capital of Promontoria MCS Holding comprises 29,455,668 shares with a par value of €0.01, carrying 753,085,476 voting rights:

- 7,309,392 ordinary shares each carrying 100 voting rights;
- 21,600,276 class 1 preferred shares each carrying one voting right;
- 546,000 class 2 preferred shares each carrying one voting right.

An issue premium of €0.99 is attached to each share.

	Number of shares	Share capital (€)	Issue premiums (€)	Total (€)
At December 31, 2015	**29,455,568**	**294,556**	**29,161,012**	**29,455,568**
Capital increase (ordinary shares)				**0**
Capital increase (class 1 preferred shares)				**0**
Capital increase (class 2 preferred shares)				**0**
Dividend paid			(15,900,032)	**-15,900,032**
At December 31, 2016	**29,455,568**	**294,556**	**13,260,980**	**13,555,536**

12. Provisions for other liabilities

(in thousands of euros)	December 31, 2016	December 31, 2015	
Provisions for other non-current liabilities	(668)	(583)	
Provisions for other current liabilities	(264)	(264)	
Total	**(931)**	**(847)**	

(in thousands of euros)	Provision for other non-current liabilities	Provision for other current liabilities	Total
January 1, 2016	**(583)**	**(264)**	**(847)**
Additions	(143)		(143)
Reversals (surplus provisions)	58		58
December 31, 2016	**(668)**	**(264)**	**(932)**

13. Convertible bonds

The parent company Promontoria MCS Holding carried out a bond issue for a principal amount of €44,183,354, composed of 44,183,354 bonds with a par value of €1, convertible into class 1 preferred shares.
The bonds have a term of eight years and mature on July 21, 2022.
The principal amount of any unconverted bonds will bear 15% interest, capitalized during the period concerned, and will be repaid to the bondholder in cash at the conversion date, early redemption date or maturity date, as appropriate.
The bondholders are entitled to convert their bonds into class 1 preferred shares («AP1») at any time, at a rate of one AP1 for one bond.
The bonds will be redeemed early if a redemption event occurs (change in control, sale of a substantial portion of the Group's assets, indirect listing or exit).
In view of the terms and conditions of the bond issue and the associated yield, the equity component of this instrument was valued at zero.
In connection with its debt rollover and high-yield bond issue, the Group decided on a partial redemption of convertible bonds for a total amount of approximately €23.85 million.

(in thousands of euros)	December 31, 2016	December 31, 2015
Less than 1 year		
Between 1 and 5 years	37,598	54,194
Beyond 5 years		
Total	**195,477**	**95,335**

14. Borrowings and debt

The Group's borrowings and debt are calculated as follows:

(in thousands of euros)	December 31, 2016	December 31, 2015
Credit lines		89,740
Other borrowings	192,360	
Accrued interest	3,118	705
Total	**195,477**	**95,335**

Other borrowings

The Group decided to roll over its existing debt, with Promontoria MCS issuing **high-yield bonds** for a principal amount of €200 million. The bonds bear interest at an annual floating rate equal to three-month Euribor (subject to a floor of 0%) plus 5.75% per annum.

In connection with its debt rollover and high-yield bond issue, the Group decided to put in place a new revolving credit facility for a principal amount of €25 million. At December 31, 2016, no drawdowns had been made on this facility.
The Group complied with all applicable covenants at end-2016.

Property lease

For business purposes, it should be recalled that the Group requested funding from Sogefimur for its head office at 98 avenue Raymond Poincaré, 75016 Paris (France).
The finance lease had been granted for a term of 12 years, starting December 29, 2010. The lessor agreed to sell the property to the lessee for a price of €4,865,000 earlier than stipulated in the lease agreement.

Net debt

(in thousands of euros)	December 31, 2016	December 31, 2015
Bank loans and borrowings	195,477	95,335
Current bank overdrafts		
Total bank borrowings and debt	**195,477**	**95,335**
Cash and cash equivalents	62,215	13,563
Net debt	**133,262**	**81,772**

The maturity of medium- and long-term borrowings and debt is as follows:

(in thousands of euros)	December 31, 2016	December 31, 2015
Less than 1 year	3,118	690
Between 1 and 5 years	192,360	94,645
Beyond 5 years		
Total	**195,477**	**95,335**

15. Other non-current/current liabilities

These mainly include:

(in thousands of euros)	December 31, 2016	December 31, 2015
Co-investor liabilities	**2,249**	**7,149**
Vendor loan	**5,386**	16,783
Other payables	**1,488**	**1,716**
Total non-current liabilities	**9,123**	**25,648**
Co-investor liabilities	5,878	4,288
Employee-related liabilities	2,890	2,401
Income tax		616

Other taxes and duties	275	273
Prepaid income		
Other payables	3,695	3,727
Total current liabilities	**12,738**	**11,304**

Total other liabilities	**21,861**	**36,952**

Vendor loan

A vendor loan was granted in connection with the acquisition of the MCS Group, bearing interest at 8%.
At January 22, 2016, the Group repaid the first installment on this loan for €11,858,000. The amount outstanding at December 31, 2016 was €5,386,000.
The next installment falls due on:

- August 31, 2018.

Co-investor liabilities

As indicated in Note 2.3.2, the share of the Group's co-investors in the securitization funds meets the definition of a liability.
Under IAS 39.43, this liability should be measured at fair value on initial recognition and subsequently measured at amortized cost using the effective interest method.
At December 31, 2016, this liability represented €8,127,000, including a current portion of €2,249,000.

16. Revenue

Revenue recognition is determined at amortized cost using the effective interest rate method.
Only receivables portfolios have been revalued and are subject to specific treatment under IFRS. The other activities of MCS (particularly subcontracting) are not affected and the revenue recognized in the statutory financial statements is maintained.

17. Other income

Other income relates primarily to the other activities of MCS, particularly subcontracting for €6,552,000 (€5,408,000 in 2015).

18. Personnel costs

(in thousands of euros)	2016	2015
Wages and salaries	10,036	8,935
Payroll taxes	4,894	4,307
Employee profit-sharing	1,487	870
Total	**16,417**	**14,111**

19. Professional fees and services

Professional fees and services consist of legal expenses relating to the portfolio acquisition and management business.

20. Other operating income and expenses

(in thousands of euros)	2016	2015
Gains (losses) on disposals of non-current assets	1,505	(98)
Impairment of goodwill		
Impairment of non-current assets	(1,958)	(1,306)
Reversal of provisions (surplus)	329	65
Miscellaneous	256	103
Total	**132**	**(1,236)**

21. Net financial expense

(in thousands of euros)	2016	2015
Interest expense	(10,051)	(8,001)
Income from loans and investments	453	1,206
Cost of net debt		
Foreign exchange gains (losses)		
Interest cost on convertible bond	(7,254)	(7,028)
Interest cost on employee benefits		

Fair value of non-consolidated investments		
Fair value of financial instruments		
Dividends received		
Other		
Other financial income and expense		
Net financial expense	**(16,852)**	**(13,823)**

22. Income tax expense

(in thousands of euros)	2016	2015
Current taxes	615	(18)
Deferred taxes	4,088	3,687
Total	**4,703**	**3,669**

(in thousands of euros)	2016	2015
Consolidated income before tax	17,141	10,249
French tax rate	33%	33%
Theoretical tax at the above rate	5,713	3,416
Differences to be analyzed	**(1,009)**	**253**
Permanent differences between consolidated income and taxable income		
Tax losses not recognized		
Recognition of prior year tax losses		
Different tax rate applicable to foreign subsidiaries		
Change in tax rate		
Miscellaneous	(1,009)	253
Differences analyzed	**(1,009)**	**253**

23. Earnings per share

(€)	Basic EPS
Net income from continuing operations	12,408,555
Weighted average number of shares	29,455,568
Earnings per share at December 31, 2016	**0.421**

24. Off-balance sheet commitments and contingent liabilities

Promontoria MCS Holding

Within the scope of (i) the high-yield bond issue carried out by its subsidiary, Promontoria MCS, on September 28, 2016, and (ii) the revolving credit agreement entered into by MCS & Associés on the same date, the Company guaranteed the obligations undertaken by Promontoria MCS and MCS & Associés with respect to the collateral agent US Bank Trustees Limited, pursuant to the terms of a collateral agreement.

To guarantee these obligations, the Company pledged the following to the collateral agent:

- the securities account opened in the books of Promontoria MCS in the name of the Company, in which all of the securities issued by Promontoria MCS and held by the Company will be registered.

Promontoria MCS

In connection with the rollover of all of the Group's debt, the Company issued high-yield bonds for a total of €200 million as part of a placement on international markets.

The Company also guaranteed the obligations undertaken by its subsidiary MCS & Associés in respect of the revolving credit agreement entered into on September 28, 2016 for a maximum amount of €25 million.

To guarantee the above obligations, under the terms of the collateral agreement the Company pledged the following items to the lenders represented by the collateral agent US Bank Trustee Limited:

- the financial securities account held in the books of MCS & Associés;
- the bank balance of the Company's bank accounts;
- intragroup receivables held by Promontoria MCS on all Group entities.

MCS & Associés

In connection with the Group's debt rollover on September 28, 2016 and the issue of high-yield bonds by Promontoria MCS for €200 million, the Company guaranteed the obligations undertaken by Promontoria MCS. On the same date, it entered into a revolving credit agreement for a maximum amount of €25 million with banks represented by JP Morgan Europe Limited as agent and US Bank Trustees Limited as collateral agent. To guarantee the above obligations, the Company pledged the following items to the lenders represented by the collateral agent:

- all bank accounts opened in its name in various banks except for trust accounts;
- intragroup receivables held by the Company on all Group entities;

- all securities issued by the securitization funds Consomab, Hugo Créances 1, 2, 3 and 4, and Mabimmo.

MCS & Associés also undertook to pay BESV bank an amount of €75,000 at first call as guarantee for the payment made to Group subsidiary CFCL Ltd. MCS & Associés asked BESV bank to provide a financial guarantee to FIGEC (professional association of debt recovery companies) for a maximum of €170,000 and to Crédit Agricole Consumer Finance for €15,000.

The Company is the «lessee» in a lease signed with Postimmo on November 2, 2015 for its head office. Under this lease, the Company has waived its triennial right to termination; accordingly, it is committed to the lease until November 2021.

Miromesnil Gestion

Commitments given in the form of deposits amount to €1,572,000.

25. Risk management

The Group is exposed to certain risks in the ordinary course of its operations.
These include:

- Strategic risks (including reputation risks)
- Operational risks
- Financial risks
- Investment risks

Strategic risks

The Group's growth strategy is based on its acquisition and management of bank receivables portfolios. Changes in economic conditions can impact its ability to recover the receivables or the volume of receivables to acquire. The Group is exposed to economic conditions in France, since its investments are made in that country.

The Group is also exposed to the reputation risk of the debt recovery industry. Poor debt collection practices can impact the Group's ability to acquire portfolios or debtors' incentive to pay down their debts. To mitigate these risks, management ensures that receivables portfolios are purchased at a fair price and looks to maintain and develop good relations with the Group's clients.

The MCS Group constantly strives to improve its ethical conduct and management practices and has put in place quality procedures that go far beyond already strict regulatory requirements in a bid to better protect the image and reputation of its partners.

Operational risks

In the course of its business, the Group is exposed to operational risks such as regulatory risks (non-compliance risks), legal risks (in the event of no valid collateral or guarantees for purchased portfolios), and IT risks (system failure, data loss, etc.).

To mitigate these risks, the Group ensures that it keeps abreast of regulatory developments on an ongoing basis, offers ongoing training to its employees, and carries out acquisition audits on portfolios acquired to assess the quality of the documentation. It also makes regular back-ups of its IT systems and has a detailed contingency plan.

Financial risks

The Group has no foreign exchange risk exposure since its business is primarily in euros.
Liquidity risk is managed by reasonable use of borrowing and the maturity of the Group's borrowings and debt is aligned with the maturity of its assets.
The Group has no interest rate risk exposure on its bank borrowings and debt since they are at floating rates.

Investment risks

Errors in the statistical models used to price portfolios could lead to erroneous acquisition bids.
Strict checks are carried out before any change in assumptions likely to impact valuation models and acquisition bids are reviewed by investment committees along with senior management.

26. Related party transactions

All transactions with related parties are carried out on an arm's length basis.
Accordingly, and in compliance with regulations, no other disclosures are provided in the notes.

27. Subsequent events

On January 6, 2017, CIFD accepted the Company's firm offer of July 15, 2016 regarding the takeover by MC2S of CIFD's receivables portfolio management and collection operations at its Poitiers and Toulouse hubs. Operations have started on April 1, 2017 after the signature of (i) a successor agreement, under which MC2S takes over all employment contracts of the employees assigned to this business and (ii) a service agreement notably setting out the financial terms and conditions of the services.

Scope of consolidation

The following entities were included in the scope of consolidation at December 31, 2016:

	Shareholding		
Entity	**Direct**	**Indirect**	**Consolidation method**
Promontoria MCS Holding			Consolidating company
Promontoria MCS	100%		Full
MCS		100%	Full
Poincaré Real Estate		100%	Full
Miromesnil Gestion		100%	Full
FGI		100%	Full
MMCS		100%	Full
Locaumat		100%	Full
Ressource		88%	Full
MC2S		100%	Full
FCT Hugo 1		100%	Full
FCT Hugo 2		67.31%	Full
FCT Hugo 3		95%	Full
FCT Hugo 4		100%	Full

The trusts, SEP, and the Mabimmo, Consomab and Marsollier securitization funds are not included in the above list and are considered in the same way as **MCS portfolios**.

28. Other information

Total headcount at December 31, 2016

- **MCS et Associés:** 243 employees
- **MMCS:** 49 employees
- **PROMONTORIA MCS:** 4 employees
- **RESSOURCE:** 2 employees

CICE tax credit

The amount recognized in respect of the CICE tax credit promoting competitiveness and employment in France, corresponding to eligible remuneration for 2016, was €278,941. In accordance with the recommendations of the French accounting standards authority (*Autorité des normes comptables* - ANC), the corresponding income was recognized as a deduction from «Personnel costs».

Promontoria group tax consolidation

The tax consolidation group comprised the following companies at December 31, 2016:

- Head of the tax group: Promontoria MCS Holding
- Subsidiaries:
  - ✓ Promontoria MCS
  - ✓ MCS & Associés
  - ✓ Miromesnil Gestion
  - ✓ Poincaré Real Estate
  - ✓ FGI

MC2S will join the tax consolidation group in 2017.

Notes

Notes

Notes

MCS
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