

4FINANCE REPORTS STRONG GROWTH FOR THE SIX MONTH PERIOD ENDING 30 JUNE 2015 WITH REVENUE UP OVER 40%

Riga, Latvia, 28 August 2015. 4finance Holding S.A. (the 'Group'), one of Europe's largest online and mobile consumer lending groups, today announced unaudited results for the six month period ending 30 June 2015 (the 'Period').

Financial Highlights

- Revenue up 41% to EUR 146.1 million in the Period compared with EUR 103.4 million in the six months ending 30 June 2014.
- The Group's profit for the six months to 30 June 2015 was EUR 35.4 million, an increase of 31% from EUR 27.0 million for the same period in 2014.
- Net loan portfolio as of 30 June 2015 was EUR 283.3 million, up 29% from a year ago.
- Cost to interest income ratio for the Period was 39% compared with 35% for the six month period ending 30 June 2014.
- Financial strength enhanced with a capital-to-assets ratio of 37% as of 30 June 2015 (35% as of 30 June 2014).
- Credit discipline maintained with non-performing loans to loan issuance ratio of 8.9% as of 30 June 2015 (9.5% as of 30 June 2014).
- Consolidated adjusted EBITDA was EUR 46.8 million for the Period, leading to an interest coverage ratio of 3.5x.

Operational Highlights

- Total number of registered customers reached 4.0 million as of 30 June 2015, up 49% from a year ago.
- A total of EUR 523.6 million in loans were issued during the Period, up 40% compared with EUR 376.9 million in the six months ending 30 June 2014.
- Instalment loans now offered in 6 of our 13 countries following launch in Denmark. Instalment loans represent 32% of our gross performing loan portfolio.
- Continued selective European expansion in the second quarter, with the successful start of Romanian operations in June and integration of the Armenian business acquired in April.
- Preparing for entry into additional markets in second half of 2015, including Argentina and Mexico in Latin America.

Kieran Donnelly, CEO of 4finance, commented:

"These results show another period of strong progress for 4finance, with loan volumes and revenue growing by 40% year-on-year and profits up 31%. We are pleased to deliver this growth in profits whilst making significant investments to support future expansion and diversification. We now have a well-established and significant footprint in Europe with market leading positions in most of our countries and exciting growth opportunities in newer ones.

"We are evolving the business to bring multiple products to consumers across a wider range of markets. Our vision is to become a global leader in consumer finance, using data and digital technology to meet our customers' requirements quickly and responsibly. With our robust infrastructure and scalable platform, we believe we are well placed to achieve our ambitions."

Key Financial Ratios

	As of / 6 months to 30 June		As of / 12 months to 31 December	
	2015	2014	2014	2013
Net loan portfolio (in millions of EUR) ⁽¹⁾	283.3	220.2	241.4	177.9
Capital/assets ratio ⁽²⁾	37%	35%	35%	29%
Capital/net loan portfolio ⁽³⁾	51%	47%	47%	37%
Interest coverage ⁽⁴⁾	3.5x	4.5x	3.5x	4.5x
Profit margin ⁽⁵⁾	26%	32%	27%	35%
Return on average equity ⁽⁶⁾	47%	65%	54%	82%
Cost/revenue ratio ⁽⁷⁾	39%	35%	37%	38%
Net impairment to revenue ratio ⁽⁸⁾	26%	25%	25%	18%
Non-performing loans to loan issuance ratio ⁽⁹⁾	8.9%	9.5%	8.8%	9.2%

Notes:

- (1) Gross loan portfolio less provisions for bad debts.
- (2) Total equity/total assets.
- (3) Total equity/net loan portfolio.
- (4) Consolidated EBITDA/interest expense.
- (5) Profit before tax/interest income.
- (6) Profit from continuing operations/average equity (total equity as of the start and end of each period divided by two).
- (7) General administrative expenses/interest income.
- (8) Net impairment losses on loans and receivables/interest income.
- (9) Non-performing loans with a delay of over 90 days/value of loans issued. The value of loans issued represents loans issued for the two-year period before commencement of the 90 day past-due period, eg for 30 June 2015: 1 April 2013 to 31 March 2015.

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About 4finance

Established in 2008, 4finance is one of the largest and fastest growing online and mobile consumer lending groups in Europe with operations in 13 countries. Putting innovative data-driven analysis into all aspects of the business, 4finance has grown rapidly, issuing over EUR 2.5 billion in single payment and instalment loans to date.

4finance operates through a portfolio of market leading brands with strong regional presence including Vivus, SMSCredit and Zaplo. A responsible lender, offering simple, convenient and transparent products and service, 4finance is meeting growing customer demand from those increasingly under-served by conventional lending.

4finance is headquartered in Riga, Latvia and currently operates in Argentina, Armenia, Bulgaria, the Czech Republic, Denmark, Finland, Georgia, Latvia, Lithuania, Poland, Romania, Spain and Sweden. To support its international expansion, 4finance continues to pursue a twin-track strategy of strong organic growth bolstered by targeted acquisition.

Forward looking statements

Certain statements in this document are “forward-looking statements”. These statements are based on management’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements.

FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated interim statement of profit and loss for the six months ending 30 June 2015 and 30 June 2014.

	Six months ending 30 June		% change
	2015	2014	
	<i>(in millions of EUR)</i>		
Interest income	146.1	103.4	+41%
Interest expense	(13.4)	(9.5)	+41%
Net interest income	132.7	93.9	+41%
Net impairment losses on loans and receivables	(37.5)	(25.7)	+46%
General administrative expenses	(56.8)	(36.1)	+58%
Other (expense)/income	(1.0)	0.5	n.m.
Profit before tax	37.5	32.7	+15%
Corporate income tax for the reporting period	(7.7)	(7.1)	+8%
Profit from continuing operations	29.8	25.6	+16%
Discontinued operations			
Profit from discontinued operations, net of tax	5.6	1.4	>100%
Profit for the period	35.4	27.0	+31%

Interest income

The table below shows key drivers of interest income, or revenue, *i.e.* business volumes and interest rates.

	Six months ending 30 June		% change
	2015	2014	
	<i>(in millions of EUR)</i>		
Total value of loans issued	523.6	376.9	+40%
Average balance of outstanding net loans	262.4	199.0	+32%
Average interest rate on loans to customers	111%	104%	

Interest income, or revenue, for the Period was EUR 146.1 million, a 41% increase compared with EUR 103.4 million for the six months ending 30 June 2014. This reflects the 32% increase in the average balance of outstanding net loans and 7 percentage point increase in average interest rate. The value of loans issued increased across the majority of our markets, with higher growth seen in Poland, Georgia and Spain, where interest rates are also typically higher.

Interest expense

Interest expense for the Period was EUR 13.4 million, a 41% increase compared with EUR 9.5 million for the six months ending 30 June 2014. This increase is mainly due to the USD 200 million bond issuance in August 2014 and SEK 225 million bond issued in March 2015. The average balance of the Group's indebtedness in the Period increased to EUR 223.1 million from EUR 141.1 million, but the average interest rate charged in the Period reduced to 12.0% compared with 13.4% in the same period in 2014.

Net impairment losses on loans and receivables

Net impairment losses for the Period were EUR 37.5 million, a 46% increase compared with EUR 25.7 million for the six months ending 30 June 2014. The increase in net impairment losses primarily reflects the expansion of the Group's portfolio in both existing and new jurisdictions, as well as its application of prudent, conservative impairment policies. Net impairment losses represented 26% of interest income, a slight increase compared with 25% last year.

General administrative expenses

General administrative expenses for the Period were EUR 56.8 million, a 58% increase compared with EUR 36.1 million for the six months ending 30 June 2014, primarily reflecting an increase in personnel costs and in investments in marketing and brand awareness, as well as growth in debt collection costs and IT expenses. The increase in personnel costs was mainly attributable to the Group's expansion as it hired new employees in product development, risk, legal and finance. Marketing campaigns were used to maintain leading positions in existing markets. The Group has also been investing in its IT platforms to ensure the appropriate infrastructure is in place to support the development of the business.

The table below sets out a breakdown of the Group's general administrative expenses.

	Six months ending 30 June	
	2015	2014
	<i>(in millions of EUR)</i>	
Marketing and sponsorship	23.4	14.7
Personnel costs	14.6	10.2
IT expenses	5.4	2.3
Debt collection costs	3.2	1.5
Legal and consulting	1.9	1.3
Application inspection costs	1.6	1.9
Rent and utilities	1.2	0.7
Depreciation and amortization	0.5	0.4
Other	5.0	3.0
Total	56.8	36.1

For the first six months of 2015 and 2014, marketing and sponsorship expenses accounted for 41% in both periods, and personnel costs accounted for 26% and 28%, respectively, of general administrative expenses.

For the first six months of 2015 and 2014, variable costs (*i.e.*, all marketing and sponsorship costs, personnel costs, application inspection costs, IT expenses, debt collection costs, communication expenses and bank services) accounted for 90% of total administrative costs in both periods. Such costs strongly correlate to movements in loan sales.

Other (expense)/income

Other expense for the Period amounted to EUR 1.0 million. For the six months ending 30 June 2014, other income was EUR 0.5 million.

Profit before tax

For the reasons stated above, the Group's profit before tax for the Period was EUR 37.5 million, a 15% increase compared with EUR 32.7 million for the six months ending 30 June 2014. The profit before tax margin, *i.e.*, profit before tax as a percentage of interest income, was 26% for the Period and 32% for the six months ending 30 June 2014.

Corporate income tax

The Group's corporate income tax expense increased by 8% to EUR 7.7 million for the Period, compared with EUR 7.1 million for the six months ending 30 June 2014.

The table below sets out a breakdown of the Group's corporate income tax for the Period and 2014.

	Six months ending 30 June	
	2015	2014
	<i>(in millions of EUR)</i>	
Current tax	10.4	9.1
Deferred tax	(2.7)	(2.0)
Total	7.7	7.1

For the first six months of 2015 and 2014, the Group's effective tax rate was 20% and 22% respectively.

Profit from continuing operations

For the reasons stated above, the Group's profit from continuing operations for the Period was EUR 29.8 million, a 16% increase compared with EUR 25.6 million for the six months ending 30 June 2014.

Profit from discontinued operations, net of tax

In connection with the discontinuation of operations in Estonia and decisions to sell the Russia, United Kingdom and North America business segments, the results of operations in these segments were reflected separately as discontinued operations in the consolidated statement of profit and loss and other comprehensive income for the Period. In the same period in 2014, the United Kingdom and North America business segments were reflected separately as discontinued operations.

For the Period, the Group recorded a profit from discontinued operations, net of tax, of EUR 5.6 million, compared with a profit of EUR 1.4 million for the six months ending 30 June 2014.

Profit for the period

For the reasons stated above, profit for the Period was EUR 35.4 million, a 31% increase compared with EUR 27.0 million for the six months ending 30 June 2014.

Other financial data – Consolidated EBITDA

	As of 30 June		As of 31 December	
	2015	2014	2014	2013
	<i>(in millions of EUR)</i>			
Profit for the period per IFRS	35.4	27.0	46.3	35.8
(Income)/loss from discontinued operations	(5.6)	(1.4)	2.1	8.8
Goodwill write-off	0	0	0	0.6
Non-cash (gains)/losses due to market valuation of hedging obligations under IFRS	(4.5)	0.3	(1.5)	(0.1)
Provision for corporate income tax	7.7	7.1	11.6	8.3
Interest expense	13.4	9.5	23.8	15.3
Depreciation and amortization	0.5	0.4	0.9	0.7
Consolidated EBITDA⁽¹⁾	46.8	42.9	83.2	69.4

Note:

(1) Consolidated EBITDA is a non-IFRS measure that represents profits from continuing operations plus tax, plus interest, plus depreciation and amortization, as adjusted to income/loss from discontinued operations, non-cash gains and losses attributable to movement in the mark-to-market valuation of hedging obligations under IFRS and goodwill write-offs. Such a measure is not a financial measure that is calculated in accordance with IFRS, but in compliance with the definitions set in the Offering Memorandum of 4finance S.A. USD 200 million 11.75% Senior Notes due 2019. Consolidated EBITDA, as presented in this report, may not be comparable to similarly-titled measures that are reported by other companies due to differences in the way these measures are calculated.

Balance Sheet

The table below sets out the Group's condensed consolidated interim statement of its financial position.

	30 June 2015 (unaudited)	31 December 2014 (audited)	30 June 2014 (unaudited)
	<i>(in millions of EUR)</i>		
Cash and cash equivalents	51.1	33.7	21.0
Loans and advances due from customers	283.3	241.4	220.2
Assets held for sale	-	4.4	-
Property and equipment	2.9	2.1	1.9
Intangible assets	8.6	2.8	0.6
Goodwill	0.6	-	-
Deferred tax asset	13.6	10.7	6.3
Current tax assets	4.6	4.7	1.8
Financial instruments at fair value through profit or loss	10.2	18.6	-
Other assets	15.5	51.6	12.3
Total assets	390.5	370.0	264.1
Loans and borrowings	214.7	231.6	153.0
Liabilities held for sale	-	0.7	-
Corporate income tax payable	6.6	6.4	4.6
Provisions	1.6	-	0.9
Other liabilities	22.2	18.3	12.8
Total liabilities	245.1	257.0	171.3
Share capital	35.8	35.8	35.8
Retained earnings	142.7	107.6	88.7
Reorganization reserve	(32.6)	(32.6)	(32.6)
Currency translation reserve	(1.4)	0.9	(0.2)
Share based payment reserve	0.1	0.1	0.1
Obligatory reserve	0.2	0.1	0.1
Total equity attributable to the Group's equity holders	144.7	111.9	91.9
Non-controlling interests	0.8	1.1	0.8
Total equity	145.4	113.0	92.7
Total shareholders' equity and liabilities	390.5	370.0	264.1

Assets

The Group had total assets of EUR 390.5 million as of 30 June 2015, compared with EUR 370.0 million as of 31 December 2014, representing an increase of EUR 20.5 million, or 6%. This increase was mainly due to an increase of EUR 41.9 million in loans and advances due from customers and an increase of EUR 17.4 million in cash. Intangible assets increased by EUR 5.8 million as the Group invested in new product development. Partially offsetting these was a decrease of EUR 36.1 million in other assets, mainly related to the repayment of the '2015 Notes', and a decrease of EUR 8.4 million in financial instruments at fair value, related to foreign exchange hedging.

As of 30 June 2015 and 31 December 2014, 86% and 74% respectively of the Group's assets were self-liquidating (*i.e.*, loans and advances from customers and cash as a percentage of total assets).

Loan Portfolio

As of 30 June 2015, the Group's net loan portfolio equaled EUR 283.3 million, compared with EUR 241.4 million as of 31 December 2014, representing an increase of EUR 41.9 million, or 17%. The Group's loan portfolio accounted for 73% of total assets as of 30 June 2015 and 65% of total assets as of 31 December 2014.

Classification of the Group's Loan Portfolio

The following table sets out the classification of the Group's total loan portfolio in terms of performing and non-performing loan portfolios as of the dates indicated.

	30 June 2015				31 December 2014			
	Gross Amount	Allowance for doubtful debts	Net Amount	% of Net Portfolio	Gross Amount	Allowance for doubtful debts	Net Amount	% of Net Portfolio
	<i>(in millions of EUR, except percentages)</i>							
Performing loan portfolio	249.1	(22.1)	227.1	80.1%	208.3	(17.1)	191.3	79.2%
Non-performing loan portfolio	132.1	(75.8)	56.2	19.9%	108.5	(58.4)	50.1	20.8%
Total loan portfolio ⁽¹⁾	381.2	(97.9)	283.3	100%	316.8	(75.4)	241.4	100.0%

Note: (1) Loan amounts include accrued interest.

Performing Loan Portfolio

The following table shows the Group's performing loan portfolio (including performing interest) by product as of the dates indicated.

	30 June 2015		31 December 2014	
	Amount	% of Portfolio	Amount	% of Portfolio
	<i>(in millions of EUR, except percentages)</i>			
Performing loan portfolio by product: ⁽¹⁾				
Single Payment Loans	170.0	68.2%	150.4	72.2%
Instalment Loans	79.1	31.8%	57.9	27.8%
Total performing loan portfolio	249.1	100%	208.3	100.0%

Note: (1) Loan amounts include accrued interest.

Non-performing Loan Portfolio

The Group has written off any loans which have been overdue for more than 730 days.

As of 30 June 2015, the Group's total non-performing loan portfolio was EUR 132.1 million, which represents 8.9% of the value of loans issued between 1 April 2013 and 31 March 2015. Given the mostly short-term nature of the Group's lending, the performing loan portfolio at each reporting date consists primarily of loans maturing within 30 days, while non-performing loans are accumulated for 730 days. The Group's non-performing loan portfolio as of 30 June 2015 represented 35% of total gross loans outstanding as of that date. EUR 9.9 million, or 7.5%, of this was non-performing interest. The Group's total gross non-performing loan portfolio increased by EUR 23.6 million, or 22%, in the Period mainly as a result of the increase in loan issuance.

The following table sets out an analysis of the Group's non-performing loan portfolio (including non-performing interest) by product as of the dates indicated.

	30 June 2015	31 December 2014	30 June 2014
	<i>(in millions of EUR, except percentages)</i>		
Non-performing loan portfolio by product: ⁽¹⁾			
Single Payment Loans	104.0	84.9	74.2
Instalment Loans	28.1	23.6	19.7
Total non-performing loan portfolio	132.1	108.5	93.9
Value of loans issued ⁽²⁾	1,490.4	1,226.0	983.5
Non-performing loans as a share of value of loans issued	8.9%	8.8%	9.5%
.....			
Allowance for doubtful NPL debts	75.8	58.4	48.1
Allowance for doubtful NPL debts / non-performing loans	57%	54%	51%
Average Loss Given Default rate	47%	45%	40%

Notes:

(1) Loan amounts include accrued interest.

(2) The value of loans issued as of a particular date represent loans issued for the two-year period before commencement of the 90 day past-due period. Therefore, the applicable period for each reporting date is as follows: for 30 June 2015: 1 April 2013 to 31 March 2014; for 31 December 2014: 1 October 2012 to 30 September 2014; for 30 June 2014: 1 April 2012 to 31 March 2014.

Liabilities

The Group had total liabilities of EUR 245.1 million as of 30 June 2015, compared with EUR 257.0 million as of 31 December 2014, representing a decrease of EUR 11.9 million. The decrease was driven by a decrease in the value of loans and borrowings as the '2015 Notes' and some other loans were repaid, partially offset by the issuance of the '2018 Notes' and the increase in EUR amount of the '2019 Notes' due to the change in EUR/USD exchange rate.

Loans and borrowings

As of 30 June 2015, the Group had loans and borrowings of EUR 214.7 million, compared with EUR 231.6 million as of 31 December 2014. The Group's loans and borrowings accounted for 88% of total liabilities as of 30 June 2015 and 90% of total liabilities as of 31 December 2014.

The table below sets out the loans and borrowings by lender as of the dates indicated.

	30 June 2015	31 December 2014
	<i>(in millions of EUR)</i>	
Long term		
AS Trasta Komerbanka	3.2	6.2
2019 Notes	178.9	157.9
2018 Notes	25.2	-
Other ⁽¹⁾	3.1	12.6
Total long term	210.4	176.7
Short term		
AS Trasta Komerbanka	-	-
2019 Notes	-	7.3
2015 Notes	-	43.4
Other ⁽¹⁾	4.3	4.2
	4.3	54.9
Total	214.7	231.6

Note:

(1) 'Other' consists primarily of loans with related parties.

In May 2011, AS 4finance entered into credit line agreement No. KL-11/2011 (the 'TKB CLA') with AS Trasta Komerbanka ('TKB'), which allows borrowings of up to EUR 7.7 million (the 'TKB Credit Line'). As of 30 June 2015, the amount outstanding under the TKB Credit Line was EUR 3.2 million at an interest rate of 7%.

In August 2013, AS 4finance listed USD 170.0 million of 13% notes (the '2015 Notes') on the Irish Stock Exchange, which were due on 31 January 2015. The notes were fully repaid at maturity.

In August 2014, 4finance S.A. issued USD 200.0 million of 11.75% notes (the '2019 Notes') which are listed on the Irish Stock Exchange and are senior to all of the Group's future subordinated debt. As of 30 June 2015, the amount outstanding and accumulated interest under the 2019 Notes was EUR 178.9 million. The 2019 Notes will mature in August 2019.

In March 2015, 4finance S.A. issued SEK 225.0 million of 11.75% notes (the '2018 Notes') which are senior to all of the Group's future subordinated debt. The 2018 Notes were listed on the corporate bond list of Nasdaq Stockholm during August 2015. As of 30 June 2015, the amount outstanding and accumulated interest under the 2018 Notes was EUR 25.2 million. The 2018 Notes will mature in March 2018.

Equity

As of 30 June 2015, the Group's total equity amounted to EUR 145.4 million, compared with EUR 113.0 million as of 31 December 2014, representing an increase of EUR 32.4 million, or 29%, which was mainly attributable to the profits generated during the Period.

The Group has not paid any dividends to its shareholders within this period and its capital to assets ratio as of 30 June 2015 was 37%. The capital to net loan portfolio ratio as of 30 June 2015 was 51%, reflecting the Group's strong capitalisation.

Off-Balance Sheet Arrangements

The Group currently does not employ any off-balance sheet arrangements.

Condensed Consolidated Statement of Cash Flows for the Period

The table below sets out the Group's condensed consolidated interim statement of cash flows.

	Six months ending 30 June	
	2015	2014
	<i>(in millions of EUR)</i>	
Cash flows from/(used in) operating activities		
Profit before taxes	43.1	34.1
Adjustments for:		
Depreciation and amortization	0.6	0.4
Increase in impairment allowance on loans and advances due from customers	22.3	20.8
Write-off and disposal of intangible and property and equipment assets	0.1	-
Gains from sale of portfolio	0.1	-
Provisions (excluding doubtful debt allowance)	1.5	0.1
Interest and similar income	(1.2)	(0.3)
Interest and similar expenses	13.4	9.5
Profit before adjustments for the effect of changes to assets and liabilities	79.9	64.6
Adjustments for:		
Increase in loans and advances to customers	(62.8)	(63.0)
Decrease in other assets	12.4	4.2
Increase in accounts payable to suppliers, contractors and other creditors	3.0	0.8
Gross cash flows from operating activities	32.5	6.6
Corporate income tax paid	(10.1)	(9.8)
Net cash flows generated/ (used) in operating activities	22.4	(3.2)
Cash flows from/(used in) investing activities		
Purchase of property, equipment and intangible assets	(7.1)	(0.6)
Loans issued to related parties	(1.8)	(6.4)
Loans repaid from related parties	5.7	-
Interest received	1.3	0.0
Acquisition of subsidiaries, net of cash acquired	(1.4)	-
Net cash used in investing activities	(3.3)	(7.0)
Cash flows from/(used in) financing activities		
Loans received and notes issued	37.5	30.8
Repayment of loans	(26.2)	(6.8)
Interest payments	(12.9)	(9.8)
Dividend payments	(0.6)	(0.3)
Net cash flows from financing activities	(2.2)	13.9
Net increase in cash and cash equivalents	16.9	3.7
Cash and cash equivalents at the beginning of the period	34.4	17.1
Effect of exchange rate fluctuations on cash	(0.2)	0.2
Cash and cash equivalents at the end of the period	51.1	21.0

Net cash flows used in operating activities are calculated as profit before taxes, adjusted for non-cash and other items and the effect of changes to current assets and short-term liabilities, less corporate income tax paid. Net cash flows generated in operating activities in the Period increased to EUR 22.4 million from a cash usage of EUR 3.2 million in the same period last year. The changes mainly resulted from the increased profit in the Period and a greater decrease in other assets.

The Group's cash flows which were used in investing activities mainly include the purchase and disposal of property, equipment and intangible assets, loans issued and loans repaid. Net cash used in investing activities was EUR 3.3 million in the Period, less than last year as there was net loan repayment rather than issuance, which more than offset the increase in purchase of intangible assets.

The Group's cash flows from financing activities mainly reflect proceeds that were received from borrowings, the repayment of principal and interest on indebtedness, and the payment of dividends. The issuance of the '2018 Notes' accounted for most of the loans and notes received in the Period.

RECENT DEVELOPMENTS

Recent developments include significant and material information about the Group's development and any changes since its last quarterly report which was published on 30 April 2015.

New licenses and establishments

The Group commenced operations in Romania in June 2015 under the Zaplo brand. The legal entity Zaplo IFN S.A. was registered with the General Registry of non-banking financial institutions held by the National Bank of Romania in May 2015.

New companies have been established in Mexico and Moldova in July and August 2015 respectively to facilitate operations in those countries. To start lending activities in Mexico the company will have to obtain authorisation from the local state authorities.

Acquisitions and disposals

In May 2015 the Group acquired an operating company in Argentina, Prestamo Movil S.A., which is owned by 4finance Holding S.A. (90%) and AS 4finance (10%). The company's main business activity is consumer lending.

The Group transferred its USA business (4finance US Holding company, Inc. and its subsidiaries) out of direct ownership of 4finance Holding S.A. and as of July 2015 it is directly owned by PM LUX S.A., the new parent company of 4finance Holding S.A. (see below).

Litigations and contingent liabilities

No member of the 4finance Group is engaged in new legal or arbitration proceedings which may have a material effect on the Group's financial position or profitability.

Changes in the regulatory framework

The Consumer Rights Protection Law in Latvia was amended in May 2015 to introduce additional regulations on consumer lending, including a limit on the total cost of a loan for loans issued for period up to 3 months. This change is expected to become effective in January 2016.

On 26 August 2015, the President of Poland signed legislation which will limit total cost of credit on consumer lending products. The incoming regulation is expected to become effective in February 2016.

These regulatory changes have been in process for some time and we have made preparations to comply with the incoming requirements in both markets.

Changes in the ownership structure

Due to certain share contribution transactions of 4finance Holding S.A., its new parent company as of June 2015 is PM LUX S.A. (Luxembourg) which is further 100% owned by Tirona Limited, thus Tirona Limited remains the ultimate parent company of the Group. There have not been any changes in the structure of ultimate beneficial owners of Tirona since the last quarterly report.

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