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Ferratum Group

Unaudited condensed consolidated financial statements 2014

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Business Overview Fiscal Year ended December 31, 2014

Ferratum Oyj and its subsidiaries form a group, Ferratum Group, which is an international leading provider of mobile consumer loans. Ferratum Group headquartered in Helsinki, Finland is listed in the Prime Standard segment of the Frankfurt Stock Exchange.

The group commenced its activities in May 2005 and has grown rapidly in 25 countries across Europe, North America and the APAC region (20 countries with operational activities). Ferratum Group has 1 million active and former customers who have been granted one or more loans in the past and a total of 2.8 million total user accounts in its database (as of December 31, 2014).

Ferratum Group is operating under generally accepted ethical principles, and is one of the leading players in developing the credibility of microloan businesses and common industry processes. Ferratum Group has developed its business model and processes to be efficient and customer-oriented. The identification and scoring of customers are key factors in the business globally.

In September 2014 the holding company of Ferratum Group was renamed from JT Family Holding Oy to Ferratum Oyj and transformed from private limited liability company (Oy) to a public limited liability company (Oyj).

On February 6, 2015 Ferratum Group was listed in the Prime Standard of the Frankfurt Stock Exchange in Germany. Ferratum Group received as gross issue proceeds arising from the capital increase an amount of EUR 48.2 million.

Financial Highlights

Financial highlights, EUR	Jan - Dec 2014	Jan - Dec 2013
Revenue	70,508,257	58,198,340
Operating profit before IPO related items*)	11,787,661	n/a
Operating profit	10,611,419	7,328,569
Profit before tax	6,577,441	3,888,552
Net cash flows from operating activities	(9,901,999)	(8,175,772)
Net cash flows from investing activities	(1,947,103)	(990,045)
Net cash flows from financing activities	2,748,421	25,109,844
Net increase/decrease in cash and cash equivalents	(9,100,681)	15,944,027
Account receivables – consumer loans	61,490,354	44,683,369
Cash and cash equivalents	8,025,869	17,528,034
Total assets	79,145,952	71,762,727
Non-current liabilities	36,148,007	26,417,083
Current liabilities	21,602,129	29,666,881
Equity	21,395,815	15,678,763
Equity ratio %	27.0	21.8
Net debt to equity ratio	2.32	2.46
Profit before tax %	9.3	6.7

*) IPO (initial public offering) related expenses consist of two elements:

1. The total fair value of granted options (EUR 977 thousand) from the majority owner to employees in October 2014 the context of the IPO. These are recognized as share-based compensation expense in the Company's profit or loss. This expense has no cash impact to the Company.
2. Expenses - mainly legal and consulting fees - related to the preparation of the IPO. These have been split up into two parts: one part regarding the newly issued shares, which has been deducted from the proceeds of the capital increase and recognized directly in equity, and other part regarding the sale of existing shares which has been recognized in the income statement.

Calculation of Key Financial Ratios

$$\text{Equity ratio (\%)} = 100 \times \frac{\text{Total Equity}}{\text{Total Assets}}$$

$$\text{Net debt to equity ratio} = \frac{\text{Total Liabilities} - \text{Cash and cash equivalents}}{\text{Total Equity}}$$

$$\text{Profit before tax (\%)} = 100 \times \frac{\text{Profit before tax}}{\text{Revenue}}$$

Key actions and developments

During the fiscal year 2014 Ferratum Group worked continuously on strengthening and expanding its market position internationally. In concrete terms, the company focused on the following measures which already contributed to the group’s growth and profitability:

- Solid Funding: In 2014 the group has wider used the available proceeds from the bond issued in Q4 2013 in Germany with a volume of EUR 25 million. The net receivables from customers has subsequently increased to EUR 61.5 million at the end of 2014 compared to EUR 44.7 million at the end of 2013. Cash and cash equivalents remained strong with a volume of EUR 8.0 million as of December 31, 2014.
- In 2014 Ferratum Bank (with its credit institution license issued by Malta Financial Services Authority) launched its operations in Germany (Q1), Estonia (Q2) Latvia (Q2), Czech (Q3), Bulgaria (Q3) and Sweden (Q4). The EU banking license provides access to new external banking scoring databases, allows expanding the business to more countries with strict regulatory lending requirements and offers options to expand the product portfolio especially to take in deposits to support the profitable growth of Ferratum Group. Furthermore, the credit institution activities elevate the existing level of trustworthiness
- Ferratum Group continued to diversify its product portfolio. In addition to the established microloan, Ferratum Group offers an installment loan (PlusLoan) in eight countries as well as a credit limit product in four countries as per end of 2014. With these products Ferratum Group can offer higher loan amounts and longer terms which increases the revenues per customer. The product portfolio extension improves the market presence of Ferratum Group providing higher benefits from an increased number of customers.
- The markets for alternative and innovative lending models continue to grow. Thus organic growth in existing markets further supports Ferratum Group´s development.

Based on these growth drivers Ferratum Group continued its positive growth trend in 2014 with new record level in terms of revenues of EUR 70.5 million and operating profit of EUR 11.8 million. Very remarkable is the increasing growth momentum over the course of the year 2014 with 44% revenue growth from Q1 to Q4:

EUR	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Revenues (accumulated)	14,654,881	30,831,540	49,429,408	70,508,257
Revenues (quarterly)	14,654,881	16,176,658	18,597,869	21,078,849

In 2014 Ferratum Group had an overall positive cash flow from taxes of EUR 698 thousand due to the fact that Ferratum Group received EUR 1.6 million repaid taxes from previous years back.

Subsequent events

In the first two month 2015 the credit limit products have been launched in two more countries during the first two months of 2015. The product is now being offered in a total of six countries.

On January 30, 2015 Ferratum Group started operations in Canada. With the launch of Ferratum Group's services in Canada, the company is now active in 20 countries worldwide.

On February 6, 2015 Ferratum Group successfully completed its Initial Public Offering and got listed in the Prime Standard of Frankfurt Stock Exchange. Based on an issue price of EUR 17 per share, the total gross proceeds from the IPO amounted to EUR 110.8 million. An amount of EUR 48.2 million accrues to Ferratum Group as gross issue proceeds arising from the capital increase, being used to implement the growth strategy.

The offer included 6,517,188 ordinary shares with no nominal value, consisting of 2,833,560 newly issued shares of the company, 2,833,560 shares offered by the existing shareholders of Ferratum Group and further 850,068 shares from the two largest shareholders of Ferratum Group. Due to the capital increase from the newly issued shares the number of shares increased to 21,723,960 (incl. treasury shares). Jorma Jokela, CEO and founder of Ferratum Group, remains the company's majority shareholder holding 57.43% of the shares after the offering. As a consequence of the full exercise of the Greenshoe option, the free float amounts to 30.00%. The IPO is considered to be a very significant milestone for Ferratum Group and is supposed to strongly support Ferratum Group´s further development.

The proceeds from the IPO were immediately used in February 2015 to repay the used amounts of Ferratum Group´s variable refinancing facilities (Nordea, Svea). And the loan notes with a German insurance company with a total volume of EUR 5 million were notified, ie. these are now to be paid as per August 30, 2015. These two fist actions are a part of the planned change in the company's debt structure where deposits, in the future, shall replace a certain volume of capital market debt and thereby significantly reduce the groups funding cost.

Treasury Update

Ferratum Group ended the year 2014 with a cash position of EUR 8.0 million (2013: EUR 17.5 million). In 2014 Ferratum Group has issued a new Bond (series B2, maturity date: 23.05.2017) with a maturity of three years in Poland and paid back three bonds (series A1, A3 and A5) in May and June – all denominated in PLN. The strong liquidity position of the group allowed Ferratum to slightly reduce the refinancing volume in PLN.

The credit line with Nordea has during October 2014 increased from EUR 5 million to EUR 7.5 million. The group has provided additional collateral for the increased credit line. This includes a floating charge agreement with Ferratum Oyj, value EUR 7.5 million, and Ferratum Finland Oy, value EUR 2.5 million.

The new increased credit line agreement has been made between Nordea and Ferratum Capital Oy and is guaranteed by Ferratum Oyj.

Creditreform rating agency confirmed on September 24, 2014 the investment grade rating of Ferratum´s German Bond (WKN: A1X3VZ) with BBB-.

Customer base

	Jan - Dec 2014	Jan - Dec 2013	Growth-%
Total user accounts*)	2,816,758	1,872,868	50.40%
Registered Accounts	2,123,207	1,111,755	90.98%
Active/former Customers	958,755	761,113	25.97%
New customers	197,642	170,113	16.18%

*) Total user accounts 31/12/14, i.e. registered accounts and active/former customers. At the end of 2014 a thorough review of our user accounts was conducted and 417 thousand user accounts were eliminated from our database.

Personnel

At the year-end 2014, Ferratum Group employed 383 persons in 25 countries compared to 310 persons in 23 countries in 2013. The average number of personnel in 2014 was 346 (2013: 283 persons). The cost of salaries and wages was EUR 8.6 million (2013: EUR 6.9 million).

Significant future investments

Significant future investments will be made in establishing operations in new countries and in IT development projects necessary for operations.

Risk factors and risk management

The purpose of risk management is to decrease the probability of unexpected losses and threats against the reputation of the group and, in addition, contribute to the increase in profitability and shareholder value. The risks of the Ferratum Group operations can be divided into three main categories: credit risks (receivables from customers), market risks (including foreign exchange risk, interest rate risk and other price risk) and operational risks (such as IT risk and legal and regulatory risk and other operational risk).

Credit risks have been managed by developing risk management tools for the subsidiaries to evaluate the payment behavior of customers. These tools are used to only accept customers with solvency, which enables the control of the level of credit losses. The scoring system and the credit policies of its subsidiaries are managed by the central risk department. The risk department is also responsible for the measurement of the payment behavior of the credit portfolio on a daily, weekly and monthly basis. Risk provisioning and the calculation of the impairments are independently managed by the central finance department.

Market risks have been managed by the central finance team and its treasury function. The central treasury function is also in charge on the group cash flow planning and provides the necessary liquidity level to all group entities.

Operational risks; IT risk, legal and regulatory risk are of high relevance for Ferratum Group. Regulatory and legal risks are centrally managed by its legal function by creating a continuous cooperation with authorities of individual countries and relevant stakeholders. Potential or foreseeable changes in applicable laws are continuously analyzed and necessary changes in Ferratum Group´s legal structure proactively implemented.

The undisrupted and continuous operation of critical IT systems has been effectively guaranteed by different information security solutions. Ferratum Group has developed its processes and systems in order to offer customers, stakeholders and partners the most efficient and practical software to cater for the needs of the developing mobile consumer lending industry.

Ferratum Group operates with moderate and calculated risk. The Board of Directors monitors operations regularly and is ultimately responsible for the sufficiency of risk management and that the company has access to appropriate software, including instructions on the control and monitoring of risks. The CEO is responsible for the daily operations of the group. Each member of the Management Team is primarily responsible for identifying and controlling risks related to their functions according to instructions from the Board.

Ferratum Group follows proactively all legal changes which might take place in the countries where it operates and will adjust its operations accordingly, always taking into account the customer user experience.

Political risk is also a relevant risk factor for Ferratum Group. Currently Ferratum Group monitors closely the most recent developments in Russia. As part of risk reduction Ferratum Group has strongly reduced the amount of receivables from customers in Russia.

Future development

During the financial year 2015 Ferratum Group plans to launch business under the credit institution license in further countries where a credit institution license is required or may be required. Ferratum Group is expected to strengthen its position and further develop towards its vision to be the leading mobile bank. Focus areas of the 2015 development are deposit taking via Ferratum Bank, further improving mobile usability by introducing a new mobile bank application, new countries, and further roll out of Credit Limit and Plusloans into existing countries.

Shares of the company

There were 11,112 issued shares on December 31, 2013. There is one share series. As part of the preparation for Ferratum Group´s IPO in September 2014 the following changes regarding the parent company have taken place:

- The parent company, JT Family Holding Oy, has been renamed Ferratum Oyj.
- A share split (1:1700) has been registered, i.e. instead of 11,112 shares Ferratum Oyj had 18,890,400 shares at the end of 2014.
- The share capital was increased from EUR 10,000 to EUR 7,300,000.

All issued shares are fully paid. Each share has one vote, and equal rights to a dividend and claim on the company’s assets in proportion to the number of shares issued.

Purchase of own shares

The company owned 86 own shares at December 31, 2013. After the share split in September 2014 the new numbers of shares was 146,200 shares. No shares purchases or sales by Ferratum Oyj or any group company have taken place in 2014.

Board of Directors’ proposal for profit distribution

The Board of Directors has not yet made a proposal on profit distribution for 2014.

Company management and Auditor

Erik Ferm served as Chairman of the Board. Other members of the Board were Jorma Jokela, Lea Liigus, Juhani Vanhala and Kai Becker. The Managing Director was Jorma Jokela. The General Meeting elected PricewaterhouseCoopers Oy as the Company's auditor, with APA Mikko Nieminen as the auditor with principal responsibility.

CONSOLIDATED INCOME STATEMENT

EUR	Note	Year ended December 31 2014 (unaudited) before IPO related items	2014 (unaudited) IPO related items	2014 (unaudited) Total	2013 (audited)
Revenue	4	70,508,257		70,508,257	58,198,340
Other income		156,929		156,929	136,670
Impairments on loans		(20,372,148)		(20,372,148)	(21,598,446)
Operating expenses:					
Personnel expenses (i)		(10,790,673)	(977,027)	(11,767,700)	(8,760,443)
Selling and marketing expenses		(9,608,371)		(9,608,371)	(5,961,239)
Lending costs		(4,569,326)		(4,569,326)	(2,850,851)
Other administrative expenses		(3,032,685)		(3,032,685)	(3,629,055)
Depreciations and amortization		(627,789)		(627,789)	(526,844)
Other operating expenses	5	(9,876,533)	(199,215)	(10,075,748)	(7,679,563)
Operating profit		11,787,661	(1,176,242)	10,611,419	7,328,569
Finance income	6	98,978		98,978	75,025
Finance costs	7	(4,132,956)		(4,132,956)	(3,515,042)
Finance costs – net		(4,033,978)		(4,033,978)	(3,440,017)
Profit before income tax		7,753,683	(1,176,242)	6,577,441	3,888,552
Income tax expense		(986,636)		(986,636)	(341,606)
Profit for the period		6,767,047	(1,176,242)	5,590,805	3,546,946
Earnings per share, basic and diluted	8			0,30	0,19
Profit attributable to:					
- owners of the parent company				5,590,805	3,546,946
-					

(i) The amount of personal expenses includes EUR 1,072,378 of equity settled share-based payments according to IFRS 2. The major part of these expenses (EUR 977,027) were incurred as part of IPO related costs, the remaining part (EUR 95,351) related to old option programs to employees launched during 2007-2010. There were no cash-settled share-based payments. The share based payments reflect the calculated benefit of options granted and shares sold to employees from major shareholder and are not cash relevant for Ferratum Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31	
EUR	**Note**	**2014 (unaudited)**	**2013 (unaudited)**
Profit for the period		5,590,805	3,546,946
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation difference		(251,492)	(229,252)
Total items that may be reclassified to profit or loss subsequently		(251,492)	(229,252)
Total comprehensive income		5,339,313	3,317,694
Allocation of total comprehensive income to:			
- owners of the parent company		5,339,313	3,317,694

The notes on pages 12 to 31 are an integral part of these condensed interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	31-Dec-2014 (unaudited)	31-Dec-2013 (audited)
Assets			
Non-current assets			
Property, plant and equipment		293,658	282,051
Intangible assets		4,383,520	3,104,905
Deferred income tax assets		2,090,870	1,865,580
Total Non-Current Assets		6,768,048	5,252,536
Current assets			
Accounts receivable – consumer loans	9	61,490,354	44,683,369
Other receivables		2,193,944	3,963,145
Income tax assets		667,737	335,643
Cash and cash equivalents (excluding bank overdrafts)		8,025,869	17,528,034
Total current assets		72,377,904	66,510,191
Total assets		79,145,952	71,762,727
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	10	7,300,000	10,000
Treasury shares	10	(142,315)	(142,315)
Reserves	10	(392,343)	(171,135)
Unrestricted equity reserve	10	2,372,952	3,067,590
Retained earnings		12,257,521	12,914,623
Total equity		21,395,815	15,678,763
of which relate to Non-controlling interests			
Liabilities			
Non-current liabilities			
Borrowings	11	35,982,447	26,244,738
Other payables		10,803	17,479
Deferred income tax liabilities		154,757	154,866
Total non-current liabilities		36,148,007	26,417,083
Current liabilities			
Income tax liabilities		1,103,516	455,909
Borrowings	11	12,969,964	19,538,425
Trade payables	12	4,319,499	7,282,034
Other current liabilities	12	3,209,151	2,390,513
Total current liabilities		21,602,130	29,666,881
Total liabilities		57,750,137	56,083,964
Total equity and liabilities		79,145,952	71,762,727

CONSOLIDATED STATEMENT OF CASH FLOW

EUR	Year ended December 31 2014 (unaudited)	2013 (audited)
<u>Cash flows from operating activities</u>		
PROFIT/LOSS FOR THE PERIOD	5,590,805	3,546,946
<u>Adjustments for:</u>		
Depreciation, amortization & impairment loss	627,789	526,844
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-	196,152
Unrealized foreign exchange gains (-) and losses (+)	(85,595)	312,192
Finance income and expenses	4,119,573	3,127,825
Tax on income from operations	986,636	341,606
Transactions without cash flow	(1,013,430)	(67,976)
<u>Working capital changes:</u>		
Increase (-) /decrease(+) in trade and other receivables	98,066	4,480,095
Increase (+) / decrease (-) in trade payables	(176,716)	(2,188,309)
Interest paid	(4,213,652)	(2,203,604)
Interest received	92,374	25,949
Other financing items	(94,153)	(431,291)
Income taxes paid	(923,471)	(968,064)
Taxes received back	1,622,345	
Loans granted	(174,872,660)	(162,968,684)
Proceeds from repayments of loans	158,340,090	148,094,549
Net cash from operating activities	**(9,901,999)**	**(8,175,772)**
<u>Cash flows from investing activities</u>		
Purchase of tangible and intangible assets	(1,962,268)	(1,279,508)
Proceeds from sale of tangible and intangible assets	15,165	136,635
Disposal of subsidiaries, net of cash disposed of		40,259
Proceeds from sale of investments		112,568
Net cash used in investing activities	**(1,947,103)**	**(990,045)**
<u>Cash flows from financing activities</u>		
		(126,186)
Purchase of own shares		8,997,633
Proceeds from short-term borrowings	2,753,467	(7,107,177)
Repayment of short-term borrowings	(11,508,016)	(4,117)
Proceeds from long-term borrowings	12,197,608	25,000,000
Repayment of long-term borrowings		(859,743)
Dividends paid / distribution of equity reserve	(694,638)	(790,567)
Net cash used in financing activities	**2,748,421**	**25,109,844**
Net increase/decrease in cash and cash equivalents	**(9,100,681)**	15,944,027
Cash and cash equivalents at the beginning of the period	17,528,034	2,670,730
Exchange gains/(losses) on cash and cash equivalents	(401,484)	(1,086,723)
Net increase/decrease in cash and cash equivalents	(9,100,681)	15,944,027
Cash and cash equivalents at the end of the period	8,025,869	17,528,034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity 1 - 12 / 2013 (audited), EUR	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent		Total equity
Opening balance 01/01/2013 (audited)	**10,000**	**(16,130)**	**3,067,590**	**1,610**	**3,709**	**10,093,483**	**13,160,263**		**13,160,263**
Comprehensive income									
Profit or loss						3,546,946	3,546,946	0	3,546,946
Other comprehensive income									
Currency translation difference:				(71)	(176,674)	(52,508)	(229,252)	0	(229,252)
Total comprehensive income				**(71)**	**(176,674)**	**3,494,438**	**3,317,693**	**0**	**3,317,693**
Transactions with owners									
Dividend distribution						(790,000)	(790,000)		(790,000)
Acquisition of treasury shares		(126,186)					(126,186)	0	(126,186)
Share based payments						116,702	116,702	0	116,702
Other changes				290			290	0	290
Total transactions with owners		**(126,186)**		**290**	**-**	**(673,298)**	**(799,194)**	**0**	**(799,194)**
Total equity 31/12/2013 (audited)	**10,000**	**(142,315)**	**3,067,590**	**1,829**	**(172,964)**	**12,914,572**	**15,678,711**	**0**	**15,678,763**

Changes in equity 1 - 12 / 2014 (unaudited), EUR	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent		Total equity
Opening balance 01/01/2014 (audited)	**10,000**	**(142,315)**	**3,067,590**	**1,829**	**(172,964)**	**12,914,623**	**15,678,763**		**15,678,763**
Comprehensive income									
Profit or loss						5,590,805	5,590,805		5,590,805
Other comprehensive income									
Currency translation difference:				(9)	(221,199)	(30,285)	(251,492)	(0)	(251,492)
Total comprehensive income				**(9)**	**(221,199)**	**5,560,520**	**5,339,313**	**(0)**	**5,339,313**
Transactions with owners									
Distribution of Equity reserve (i)			(694,638)				(694,638)		(694,638)
Increase of share capital(ii)	7,290,000					(7,290,000)	0		0
Share-based payments						1,072,378	1,072,378		1,072,378
Total transactions with owners	**7,290,000**		**(694,638)**			**(6,217,622)**	**377,740**	**(0)**	**377,740**
Total equity 31/12/2014 (unaudited)	**7,300,000**	**(142,315)**	**2,372,952**	**1,820**	**(394,163)**	**12,257,521**	**21,395,815**	**(0)**	**21,395,815**

(i) The Board of Directors made a decision not to distribute dividends from the Profit earned during the year ended and Retained earnings as at December 31, 2013, but to distribute the presented amount out of the invested funds in the unrestricted equity reserve as a return of capital

(ii) The Board of Directors made a decision to increase the Share capital of the Company by 7.29 million EUR from funds available in Retained earnings

1. General information

Ferratum Group is one of the leading providers of mobile consumer loans globally. It is a privately owned independent group and it doesn't belong to any other group in the financial or commercial sector. Ferratum Group is operating under generally accepted ethical principles, and is one of the leading players in developing the credibility of mobile consumer lending and common industry processes, has developed its business model and processes to be efficient and customer-oriented. The identification and scoring of customers are key factors in the business globally.

The parent company, Ferratum Oyj (business identity code 1950969-1), is headquartered in Helsinki, Finland. The registered address is Ratamestarinkatu 11 A, FI-00520 Helsinki.

2. Summary of significant accounting policies

2.1 Basis of preparation

This financial statements release for the year ended December 31, 2014 has been prepared in accordance with IAS 34 Interim financial reporting. The accounting policies adopted are consistent with those of the previous financial year except as described below, and are not repeated in this condensed interim report.

The group has adopted the following new and revised standards during the year:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- FRS 12 Disclosure of interests in other entities
- IAS 27 (revised 2011) Separate financial statements
- IAS 28 (revised 2011), Associates and joint ventures

In addition, there have been some amendments to existing standards. None of the new or revised standards or amendments had impact on the reported income statement and the statement of financial position.

Taxes on income are accrued using the tax rate that would be applicable to total annual profit or loss. Income tax for the year ended December 31, 2014 has been accrued based on estimated annual effective income tax rate of 15% for the Ferratum Group.

The preparation of financial statements in accordance with IFRS requires the management to use certain critical accounting estimates. The application of the company's accounting policies also requires the management to make assumptions and exercise its judgment in the process of applying the group's accounting policies. These assumptions and estimates affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this financial statements release, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

2.2 Impairment of financial assets

Ferratum Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

The criteria that Ferratum Group uses to determine that there is objective evidence of impairment loss include:

(a) a significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider or

(d) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Ferratum Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that consider on the basis of the group's grading process asset type, past-due status and other relevant factors). Each entity of Ferratum Group tracks its historical data of collected amounts and unpaid amounts on receivables. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The provision for impairment of loan receivables are recognised in the financial statements based on historical trends and collective assessment of groups of microloans with similar credit risk characteristics. When receivables are impaired, the receivable's carrying amount is reduced to the receivable's recoverable amount. Impairment losses are recognised through an allowance account to reduce the asset's carrying amount to the present value of expected cash flows. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year. When the loans have been 100% revers, they are written off.

3. Financial risk management

3.1 Financial risk factors

Ferratum Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Ferratum Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Ferratum Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The Board is responsible for the overall effectiveness of the risk management function, which function is however carried out by all the members of the group's management.

(a) Credit risk

Ferratum Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the group by failing to discharge an obligation. Credit risk is the most important risk for the group's business; accordingly management carefully manages its exposure to this risk. Credit exposures arise principally through the group's participation in short-term lending. The group's principal credit risk exposures relating to on-balance sheet financial assets analysed by class and IAS 39 categorisation, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

EUR	31-Dec-2014	31-Dec-2013
Loans and receivables:		
Cash and cash equivalents (i)	8,025,869	17,528,034
Accounts receivable – consumer loans	61,490,354	44,683,369
Other receivables	2,193,944	3,963,145
	71,710,167	**66,174,548**

(i) The balance is broadly diversified with over 200 bank accounts in 25 countries

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The fair value of loans and receivables are equivalent to their carrying amounts. The table represents a worst case scenario of credit risk exposure to the group at December 31, 2014 and 2013, without taking account of any collateral held or any other credit enhancements attached.

Loans and advances to customers

Credit risk is managed centrally. Scoring and credit policies in are centrally steered by the risk team. Measuring and monitoring the performance of the countries credit portfolio´s actual risk KPI´s is done on different aggregation levels on a daily, weekly and monthly rhythm. Credit Risk is managed and controlled on the basis of established credit processes, and within a framework of credit policy. Credit grading and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality. Credit decisions are always based on the ethical principles set by the central risk team and the business credit policy as well as being in accordance to the rules of crediting. Every agreement of crediting requires an individually shaped decision. To assess the potential customers' creditworthiness, the credit score is calculated for each new application received. An application scorecard is used for the assessment of new customers and a behavior scorecard is used for the assessment of repeated customers. Based on the obtained credit score, customers are grouped into risk classes that determine the possible credit decision.

Ferratum Group centrally calculates reserving needs for group accounting purposes and also supports subsidiaries in calculating their local reserving requirements. The reserving requirements are calculated based on Gross Roll Rate Model and Transition Matrices (mathematical model of Markov Chains), which measures the probability of delinquency based on payment behavior and calculates the required risk provisions for impairment of loan receivables (reserves) accordingly. The reserving needs based on the reserve model get impaired with the market value of bad debt, i.e. expected or recent sales prices for overdue loans.

(b) Market risk

Ferratum Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

Foreign exchange risk

Ferratum Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Transaction risk arises from future commercial transactions, recognised assets and liabilities. Translation risk arises from net investments in foreign operations.

Ferratum Group treasury's risk management policy is to hedge the main FX exposures in non-euro currencies. Management has set up a policy to require Ferratum Group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the group treasury. At the reporting date, the group companies mainly had transactions in their respective functional currencies, and accordingly, the transaction risk in the group companies was minimal.

The group has several investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Intra-group loans between the parent and other group companies are usually denominated in the group companies' functional currencies, which creates some transaction risk that is not eliminated in consolidation.

As result from intra-group borrowings, main foreign exchange risk arises from Polish Zloty. At December 31, 2014, if euro had weakened/strengthened by 10% against the Polish zloty with all other variables held constant, pre-tax profit for the period would have been EUR 483 thousand higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2013: EUR 310 thousand).

Currency exposure arising from the net assets of the Ferratum Group's foreign operations is managed primarily through borrowings in local currencies or occasionally hedging with financial instruments.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Ferratum Group's main interest rate risk arises from long-term borrowings which are issued at fixed and variable rates. These expose Ferratum Group to cash flow interest rate risk which is partially offset by having a short term loan portfolio as main asset in the group. Increasing refinancing cost can be potentially covered by according price changes in new lending whereby the spread between lending interest and borrowing interest is comparably high. During the year ended December 31, 2014 and year ended December 31, 2013, Ferratum Group's borrowings at variable rate were denominated in PLN and EUR.

Ferratum Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, Ferratum Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the group occasionally manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. As per December 31, 2014 part of the interest rate risk arising from the credit line from Nordea was hedged using a floating-to-fixed interest rate swap. This interest rate swap has the economic effect of converting borrowings from floating rates to fixed rates. The swap's nominal value was EUR 5,000,000 covering 25% of the group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At December 31, 2014, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, pre-tax profit for the period would have been EUR 129 thousand higher/lower, mainly as a result of lower/higher interest expense on variable interest liabilities.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of Ferratum Group in and aggregated by Ferratum Group finance. Ferratum Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the group treasury. Ferratum Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the group had unused credit lines amounting to EUR 240 thousand.

Ferratum Group has entered into one factoring agreement in Finland, whereby a portfolio of loan receivables is transferred to counterparty against a cash payment. The risks and benefits related to the transferred assets are not, however, transferred given that the group has repurchase obligation in case of customer's default. Accordingly, the transferred assets continue to be presented as the group's accounts receivables, and a financial liability to the transferee is recognised.

Repayment schedule for financial liabilities as of December 31, 2014 including future interest payments is as follows. The amounts are undiscounted.

31 December 2014	**Less than 12 months**	**Between 1 – 2 years**	**Between 2-5 years**	**Over 5 years**
Bank borrowings	10,680,502			111,000
Interest	444,554	2,054	6,161	2,054
Corporate loan	5,000,000			
Interest	261,816			
Bonds issued	2,415,724		28,714,954	
Interest	2,554,442	2,442,994	4,221,497	
Deposits from customers	2,136,800			
Derivatives	23,875	23,875	71,626	
	23,517,712	**2,468,922**	**33,014,237**	**113,054**

31 December 2013	**Less than 12 months**	**Between 1 – 2 years**	**Between 2-5 years**	**Over 5 years**
Bank borrowings	4,717,276			
Interest	578,973			
Corporate loan				5,000,000
Bonds issued	9,821,149	2,498,616	23,746,122	
Interest	2,797,741	2,108,178	5,605,479	
Deposits from customers	1,110,760			
Derivatives	45,449			
	19,071,348	**4,606,794**	**29,351,601**	**5,000,000**

3.2 Capital management

Ferratum Group's objectives when managing capital are to safeguard Ferratum Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the Group's stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure Ferratum Group may adjust the amount of dividends paid to shareholders, issue new bonds or sell assets to reduce debt.

Ferratum Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total liabilities (including 'current and non-current liabilities' as shown in the consolidated balance sheet) less cash and cash equivalents.

During the year ended December 31, 2014, Ferratum Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio below 3.

Gearing ratio	**31-Dec-2014**	**31-Dec-2013**
Total liabilities	57,751,861	56,083,964
Less: cash and cash equivalents	8,025,869	17,528,034
Net debt	49,725,992	38,555,930
Total equity	21,394,091	15,678,763
Gearing ratio	2.3	2.5

3.3 Carrying values and fair values of financial instruments

Financial assets and liabilities valued at fair value, and for which fair value is disclosed in the notes, are classified on three levels, depending on the estimated reliability of the valuation method:

LEVEL 1: A quoted market price for identical instruments in an active market where the group can access at the measurement date.

LEVEL 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

LEVEL 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table shows the carrying amounts and fair values of the group's financial instruments and their level of measurement, where the carrying amount is not a reasonable approximation of the fair value due to the short maturity:

Financial instruments	31-Dec-2014	31-Dec-2014	31-Dec-2013	31-Dec-2013	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
Financial liabilities					
Items recognised at amortized cost					
Loans from financial institutions	10,680,502	10,916,239	9,717,276	9,674,172	Level 3
Bonds	36,130,678	36,622,797	36,065,887	35,483,937	Level 1
Items recognised at fair value through profit and loss					
Derivatives	119,376	119,376	45,449	45,449	Level 2

Derivatives consist of interest rate swaps whose fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

Bonds are measured directly by reference to their market price in an active market.

Loans from financial institutions are fair valued based on the present value of the estimated future cash flows using the approximate interest rate for which Ferratum Group would get loan at the reporting date. These are categorized within level 3, given that credit spread is a significant unobservable input based on the management estimation.

Carrying values for the group's loans and receivables and trade and other short term liabilities are reasonable approximation of their fair value and accordingly, fair value is not presented.

4. Segment information

Ferratum Group has two operating reportable segments. Operating segments are based on Group's management structure which consists of two geographical regions: West and East. The West region includes Australia, New Zealand, Canada (launched in January 2015), UK, Spain, Netherlands, Belgium (active until 2013), Sweden, Denmark, Germany and Finland. The East region includes Estonia, Lithuania, Latvia, Poland, Czech, Slovakia, Croatia, Bulgaria, Russia and Romania.

4.1 Business segments 2014

	Year ended December 31			
EUR	**West**	**East**	**Other**	**Group**
Revenue	42,376,860	28,131,397	-	70,508,257
Other income	138,529	111,983	(93,583)	156,929
Operating expenses:				
Selling, marketing and administration	(15,343,504)	(11,053,084)	(2,581,494)	(28,978,082)
Impairments on loans	(11,272,563)	(9,099,585)	-	(20,372,148)
Depreciations and amortisation	(242,324)	(117,850)	(267,615)	(627,789)
Other operating expenses	(2,824,686)	(3,124,157)	(4,126,905)	(10,075,748)
Operating profit	12,832,312	4,848,704	(7,069,597)	10,611,419
Total segment assets	44,953,038	31,701,461	2,491,453	79,145,952
Total segment liabilities	39,484,025	13,916,025	4,350,087	57,750,137

4.2 Business segments 2013

	Year ended December 31			
EUR	**West**	**East**	**Other***	**Group**
Revenue	33,594,917	24,603,423	-	58,198,340
Other income	24,619	21,339	90,713	136,670
Operating expenses:				
Selling, marketing and administration	(16,099,874)	(3,350,467)	(1,751,247)	(21,201,588)
Impairments on loans	(11,970,260)	(9,628,186)	-	(21,598,446)
Depreciations and amortisation	(247,196)	(53,310)	(226,338)	(526,844)
Other operating expenses	(3,445,228)	(1,318,739)	(2,915,596)	(7,679,563)
Operating profit	1,856,978	10,274,060	(4,802,469)	7,328,570
Total segment assets	48,627,825	19,286,295	3,848,607	71,762,727
Total segment liabilities	38,580,418	13,385,500	4,118,046	56,083,964

* Includes administration and other services of the parent company, as well as all other income and expenses, assets and liabilities not allocated to operating segments.

4.3 Geographical areas

EUR	2014	2013
Revenue, abroad	55,364,389	47,627,726
Revenue, domestic	15,143,868	10,570,614
Total Revenue	70,508,257	58,198,340

5. Other operating expenses

EUR	2014	2013
Rent and other office expenses	(1,568,334)	(1,224,806)
Travel expenses	(1,233,334)	(1,076,971)
Professional fees (excl. Audit)	(3,084,439)	(2,370,967)
Audit fees	(348,013)	(291,458)
Other expenses	(3,841,629)	(2,715,362)
Other operating expenses	**(10,075,748)**	**(7,679,563)**

6. Finance income

EUR	2014	2013
Interest income from cash and cash equivalents	98,978	64,380
Derivative held for trading – net gain / (loss)		10,645
Total finance income	**98,978**	**75,025**

7. Finance costs

EUR	2014	2013
Interest on borrowings	(4,115,041)	(2,760,367)
Derivatives held for trading – net gain / (loss)	(73,927)	
Other finance expenses paid on borrowings	(12,192)	(406,231)
Foreign exchange loss on liabilities, realized	68,204	(348,444)
Total finance costs	(4,132,956)	(3,515,042)

8. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares. The group does not have any instruments that would have dilutive impact on the earnings per share.

The weighted average number of ordinary shares in issue has been calculated taking into account the share split that was registered on September 26, 2014. The share split ratio was 1:1700.

EUR	2014	2013
Profit for the reporting period attributable to owners of the parent	5,590,805	3,546,946
Weighted average number of ordinary shares in issue	18,744,200	18,765,345
Earnings per share, basic and diluted	**0,30**	**0,19**

Taking into account the new number of shares after the IPO (21,577,760 – treasury shares excluded) completed on February 6, 2015, the earnings per share based on profit for the year ended December 31, 2014 is EUR 0.26 (2013: EUR 0.16). Before the IPO related items the earnings per share were EUR 0.36 based on 18,744,200 shares and EUR 0.31 based on 21,577,760 shares.

9. Accounts receivable – consumer loans

EUR	31-Dec-2014	31-Dec-2013
Accounts receivable – consumer loans (gross)	105,671,443	80,871,449
Less: provision for impairment of loan receivables	(44,181,089)	(36,188,079)
Accounts receivable – consumer loans (net)	61,490,354	44,683,369

The group does not have a material amount of individually impaired loan receivables. The ageing analysis of loan receivables which are collectively assessed for impairment is as follows:

EUR	31-Dec-2014			31-Dec-2013		
	GBV	Impairments	NBV	GBV	Impairments	NBV
Not due	37,376,215	(2,395,374)	34,980,842	17,768,761	(1,314,774)	16,453,987
1-90 days due	18,330,285	(4,986,513)	13,343,772	11,770,407	(3,106,821)	8,663,586
91-180 days due	6,956,152	(3,484,713)	3,471,438	10,992,578	(4,067,267)	6,925,311
> 181 days due	43,008,791	(33,314,489)	9,694,302	41,839,702	(29,199,218)	12,640,485
	105,671,443	(44,181,089)	61,490,354	82,371,449	(37,688,079)	44,683,369

The group uses allowance account to recognize the impairment losses on consumer loans. Reconciliation of movements in the allowance account is as follows:

EUR	2014	2013
Provision for impairment at January 1	(37,688,079)	(19,143,565)
Provisions accruals	(20,372,148)	(21,598,446)
Amounts fully reserved and booked out	13,879,138	3,053,932
Provision for impairment at the end of period	(44,181,089)	(37,688,079)

10. Share capital and other reserves and distributions to equity holders of the parent

EUR	Number of shares (i)	Share capital	Treasury share	Unrestricted equity reserve	Other reserves
At 1-Jan-2013	18,890,400	10,000	(16,130)	3,067,590	5,320
Share issue					
Acquisition of treasury shares			(126,186)		
Currency translation differences					(176,455)
At 31-Dec-2013	18,890,400	10,000	(142,315)	3,067,590	(171,135)
Share issue					
Distribution of Equity reserve				(694,638)	
Increase of share capital		7,290,000			
Currency translation differences					(221,208)
At 31-Dec-2014	18,890,400	7,300,000	(142,315)	2,372,952	(392,343)

(i) A share split has been registered on September 26, 2014 with a split ratio of 1:1700. The number of shares presented in the table reflects this split on each reported date, i.e. instead of 11.112 shares Ferratum Oyj has now 18.890.400 shares.

The cumulative translation differences EUR -221 thousand in the Statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-Euro area business units.

On December 31, 2014 Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.8 % of the share capital and voting rights. No consideration is paid to the treasury shares in a distribution of equity. The treasury shares are to be used for share purchase plans.

The unrestricted equity reserve contains the amount paid for shares in a share issue and the amount when converting convertible capital notes to shares. Other reserves include legal reserves in Ferratum Group companies.

11. Interest bearing liabilities

EUR	31-Dec-2014	31-Dec-2013
Non-current interest bearing liabilities		
Bonds issued	35,982,447	26,244,738
Total Non-current interest bearing liabilities	35,982,447	26,244,738
Current interest bearing liabilities		
Bank borrowings	3,417,441	3,606,516
Bonds issued	7,415,724	14,821,149
Deposits from customers*	2,136,800	1,110,760
Total Current interest bearing liabilities	12,969,964	19,538,425
Total interest bearing liabilities	**48,952,411**	**45,783,163**

* In the annual report 2013 the amount was included in Bank borrowings under Current interest bearing liabilities.

12. Current non-interest bearing liabilities

EUR	31-Dec-2014	31-Dec-2013
Current tax liabilities	1,103,516	455,909
Trade payables	4,319,499	7,282,034
Factoring trade payables	1,179,896	4,806,779
Other trade payables	3,139,603	2,475,255
Other current liabilities	3,209,151	2,390,513
Derivatives	119,376	45,449
Interest liabilities	463,464	559,147
Accrued employee expenses	866,230	568,918
Other current accrued liabilities on expenses, interest-free	1,760,081	1,217,000
Total current non-interest bearing liabilities	**8,632,166**	**10,128,456**

13. Related party disclosure

Ferratum Group is controlled by Jorma Jokela, who owns 83% of the parent company's shares. The remaining shares are held by investors and key management personnel.

Related parties of Ferratum Group are members of the board, senior management team, their close family members and the companies in which the member of the board or senior management team has significant influence.

Transactions with related parties

EUR	2014	2013
Purchase of goods from related parties – Entity controlled by key management personnel		
purchase of services from related parties – Entity controlled by key management personnel	1,076,087	817,049
	1,076,087	817,049

Ferratum Group has business relationships with related party companies. The acquired services include administration services, project management, advisory and consulting services, IT services, legal counseling, flight travel services and warehousing services. Related party transactions have been carried out on generally accepted market terms and they have been based on market price of goods and services.

14. Commitments

EUR	2014	2013
Credit limit agreement		
Total amount of limits granted to Ferratum	7,611,000	7,500,000
Limit in use	7,263,061	7,461,000
Collateral on own debt		
Guarantees	32,199,814	12,812,145
Corporate pledge	10,000,000	3,000,000
Pledged subsidiary shares	11,000	10,000
Pledged investments	5,000	5,000

15. Approval of the IFRS unaudited condensed consolidated financial statements 2014

The IFRS unaudited condensed consolidated financial statements 2014 are approved and submitted by the company's Management Board composed of:

Erik Ferm

Chairman of the Board

Lea Liigus

Member of the Board

Jorma Jokela

CEO, Member of the Board

Kai Becker

Member of the Board

Juhani Vanhala

Member of the Board

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