



Ferratum™

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Ferratum Group

Interim Condensed Consolidated Financial Report

for the Period 1.1.2014 to 30.9.2014

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Business Overview 9 months ended 30.09.2014

Ferratum Oyj and its subsidiaries form a group, Ferratum Group, which is one of the leading microloan companies globally. Ferratum Group is a privately owned independent group; it does not belong to any other group in the financial or commercial sector. The group commenced its activities in May 2005 and has grown rapidly in 24 countries across Europe and the APAC region.

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.

Financial Highlights

Financial highlights, EUR	Jan - Sep 2014	Jan - Sep 2013
Revenue	49,429,408	43,418,211
Operating profit	8,466,033	5,743,547
Profit before tax	5,793,231	3,746,626
Net cash flows from operating activities	(6,527,008)	(4,526,457)
Net cash flows from investing activities	(932,939)	(453,842)
Net cash flows from financing activities	(391,558)	5,592,014
Net increase/decrease in cash and cash equivalents	(7,851,505)	611,715
Account receivables – consumer loans	56,594,224	45,419,837
Cash and cash equivalents	9,345,717	3,118,671
Total assets	74,272,069	55,008,104
Non-current liabilities	29,281,704	2,753,093
Current liabilities	25,467,425	36,527,948
Equity	19,522,940	15,727,063
Equity ratio %	26.3%	28.6%
Net debt to equity ratio	2.33	2.30
Profit before tax %	11.7 %	8.6 %

Key actions and developments

In the first nine months of 2014 Ferratum continued its positive growth trend with revenues increasing by 14,0% to EUR 49,4 million in the respective period (Jan - Sept 2013: EUR 43,4 million). The solid revenue growth that started in March this year continued also in Q3 with revenues increase month by month.

During the first nine months of 2014 Ferratum 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:

- The Group continues to use parts of the proceeds from the bond issued in Germany with a volume of EUR 25 million in October 2013 in the new Countries Germany and Romania.
- During the first nine months of 2014 Ferratum Bank launched its operations in Germany (Q1), Estonia (Q2) Latvia (Q2), Czech (Q3) and Bulgaria (Q3).
- Ferratum continued to diversify its product portfolio. In addition to the established microloan, Ferratum offers an installment loan (PlusLoan) with larger credits amounts and longer payback times, as well as a credit limit product. The expansion of the product portfolio provides Ferratum with the opportunity to attain better market access thus profiting from an increased number of customers. Especially the credit limit product showed a very strong performance.

In September 2014 the following changes regarding the parent company have taken place:

- The parent company, JT Family Holding Oy, has been renamed into Ferratum Oyj.
- A share split has been registered, i.e. instead of 11.112 shares Ferratum Oyj has now 18.890.400 shares.
- The share capital was increased from 10.000 € to 7.300.000 €.

Treasury Update

Ferratum Group ended the year 2013 with a record cash position of EUR 17.5 million. The existing credit lines were mostly unused. In May 2014 Ferratum issued a new Bond (series B2, maturity date: 23.05.2017) with 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 hereby the refinancing volume in PLN. As at September 30th 2014 the cash position was EUR 9.3 million.

Customer base

	Jan - Sep 2014	Jan - Sep 2013	Growth-%
Total accounts	2,809,715	1,770,039	58.70%
Registered Accounts	1,912,025	1,044,916	83.00%
Customers	897,690	725,123	23.80%
New customers	136,577	134,123	1.83%

CONSOLIDATED INCOME STATEMENT

EUR	Note	9 months ended 30 September	
		2014 (unaudited)	2013 (unaudited)
Revenue	5	49,429,408	43,418,211
Other income		79,556	67,394
Impairments on loans		(14,206,791)	(15,037,874)
Operating expenses:			
Selling, marketing and administration	6	(19,404,277)	(16,487,047)
Depreciations and amortization		(434,050)	(393,047)
Other operating expenses	7	(6,997,814)	(5,824,090)
Operating profit		8,466,033	5,743,547
Finance income	8	71,791	25,526
Finance costs	9	(2,744,592)	(2,022,447)
Finance costs – net		(2,672,801)	(1,996,921)
Profit before income tax		5,793,231	3,746,626
Income tax expense		(1,196,172)	(315,913)
Profit for the period		4,597,060	3,430,713
Earnings per share, basic and diluted	10	0,25	0,18
Profit attributable to:			
- owners of the parent company		4,597,060	3,430,713
- non-controlling interests		0	0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	9 months ended 30 September	
		2014 (unaudited)	2013 (unaudited)
Profit for the period		4,597,060	3,430,713
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation difference		(128,406)	(72,987)
Total items that may be reclassified to profit or loss subsequently		(128,406)	(72,987)
Total comprehensive income		4,468,654	3,357,726
Allocation of total comprehensive income to:			
- owners of the parent company		4,468,654	3,357,726
- non-controlling interests		0	0

The notes on pages 11 to 27 are an integral part of these condensed interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	30-Sep-2014 (unaudited)	30-Sep-2013 (unaudited)	31-Dec-2013 (audited)
Assets				
Non-current assets				
Property, plant and equipment		302,972	295,669	282,051
Intangible assets		3,557,439	2,515,617	3,104,905
Deferred income tax assets		989,599	1,708,615	1,865,580
Total Non-Current Assets		4,850,011	4,519,901	5,252,535
Current assets				
Accounts receivable – consumer loans	11	56,594,224	45,419,837	44,683,369
Other receivables		2,832,094	1,372,215	3,963,145
Income tax assets		650,024	577,480	335,643
Cash and cash equivalents (excluding bank overdrafts)		9,345,717	3,118,671	17,528,034
Total current assets		69,422,058	50,488,203	66,510,192
Total assets		74,272,069	55,008,104	71,762,727
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	12	7,300,000	10,000	10,000
Treasury shares	12	(142,315)	(104,599)	(142,315)
Reserves	12	(32,254)	(157,919)	(171,135)
Unrestricted equity reserve	12	2,372,952	3,067,590	3,067,590
Retained earnings		10,024,558	12,911,991	12,914,623
Total equity		19,522,940	15,727,063	15,678,763
of which relate to Non-controlling interests				
Liabilities				
Non-current liabilities				
Borrowings	13	29,114,511	2,398,037	26,244,738
Other payables		12,530	22,796	17,479
Deferred income tax liabilities		154,663	332,261	154,866
Total non-current liabilities		29,281,704	2,753,093	26,417,083
Current liabilities				
Income tax liabilities		707,965	13,611	455,909
Borrowings	13	17,055,365	26,460,930	19,538,425
Trade payables	14	3,035,143	7,212,268	7,282,034
Other current liabilities	14	4,668,952	2,841,139	2,390,513
Total current liabilities		25,467,425	36,527,948	29,666,882
Total liabilities		54,749,129	39,281,041	56,083,965
Total equity and liabilities		74,272,069	55,008,104	71,762,727

CONSOLIDATED STATEMENT OF CASH FLOW

EUR	9 months ended 30 September	
	2014 (unaudited)	2013 (unaudited)
<u>Cash flows from operating activities</u>		
PROFIT/LOSS FOR THE PERIOD	4,597,060	3,430,713
<u>Adjustments for:</u>		
Depreciation, amortization & impairment loss	434,050	393,047
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-	-
Unrealized foreign exchange gains (-) and losses (+)	(453,847)	39,252
Finance income and expenses	3,126,648	1,957,669
Tax on income from operations	1,196,172	315,913
Transactions without cash flow	(65,562)	-
<u>Working capital changes:</u>		
Increase (-) / decrease(+) in trade and other receivables	1,604,091	6,003,194
Increase (+) / decrease (-) in trade payables	(2,430,510)	29,386
Interest paid	(1,985,678)	(1,194,441)
Interest received	72,735	17,628
Other financing items	(117,470)	(199,182)
Income taxes paid	(357,352)	(1,207,534)
Loans granted	(122,684,820)	(113,680,839)
Proceeds from repayments of loans	110,537,475	99,568,736
Net cash from operating activities	(6,527,008)	(4,526,457)
<u>Cash flows from investing activities</u>		
Purchase of tangible and intangible assets	(932,939)	(579,387)
Proceeds from sale of tangible and intangible assets		(125,544)
Disposal of subsidiaries, net of cash disposed of		
Proceeds from sale of investments		
Net cash used in investing activities	(932,939)	(453,842)
<u>Cash flows from financing activities</u>		
Purchase of own shares	-	(88,469)
Proceeds from short-term borrowings	5,015,762	5,817,611
Repayment of short-term borrowings	(9,848,597)	(1,256,845)
Proceeds from long-term borrowings	6,405,494	2,721,368
Repayment of long-term borrowings	(1,269,579)	(811,085)
Dividends paid / distribution of equity reserve	(694,638)	(790,567)
Net cash used in financing activities	(391,558)	5,592,014
Net increase/decrease in cash and cash equivalents	(7,851,505)	611,715
Cash and cash equivalents at the beginning of the period	17,528,034	2,670,730
Exchange gains/(losses) on cash and cash equivalents	(330,811)	(163,774)
Net increase/decrease in cash and cash equivalents	(7,851,505)	611,715
Cash and cash equivalents at the end of the period	9,345,717	3,118,671

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity 1 - 9 / 2013 (unaudited), EUR	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	Total equity
Opening balance 01/01/2013 (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						3,430,713	3,430,713	3,430,713
Other comprehensive income								
Currency translation difference:				(19)	(163,220)	90,251	(72,987)	(72,987)
Total comprehensive income				(19)	(163,220)	3,520,965	3,357,726	3,357,726
Transactions with owners								
Dividend distribution						(790,000)	(790,000)	(790,000)
Acquisition of treasury shares		(88,469)					(88,469)	(88,469)
Share based payments						87,543	87,543	87,543
Total transactions with owners		(88,469)				(702,457)	(790,926)	(790,926)
Total equity 30/09/2013 (unaudited)	10,000	(104,599)	3,067,590	1,591	(159,510)	12,911,991	15,727,063	15,727,063

Changes in equity 1 - 9 / 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						4,597,060	4,597,060	4,597,060
Other comprehensive income								
Currency translation difference:				(2)	138,883	(267,287)	(128,406)	(128,406)
Total comprehensive income				(2)	138,883	4,329,773	4,468,654	4,468,654
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						70,162	70,162	70,162
Total transactions with owners	7,290,000		(694,638)			(7,219,838)	(624,476)	(624,476)
Total equity 30/09/2014 (unaudited)	7,300,000	(142,315)	2,372,952	1,827	(34,081)	10,024,558	19,522,940	19,522,940

(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 12/31/2013, 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 microloan companies globally. Is a privately owned independent group and it doesn't belong to any other group in the financial or commercial sector. 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, 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.

A copy of the consolidated financial statements can be obtained from the head office of Ferratum Group at Ratamestarinkatu 11 A, FI-00520 Helsinki.

These condensed interim financial statements were approved for issue on November 7th 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

These condensed interim financial statements for the nine months ended 30 September 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs.

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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. Interim period income tax for the nine month period ended September 30, 2014 has been accrued based on estimated annual effective income tax rate of 20,6% for the Ferratum Group.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The application of the company's accounting policies also requires the management to exercise its judgment in the process of applying the group's accounting policies. Areas that to a large extent contain such discretionary assessments or a high level of complexity or areas in which assumptions and estimates are important to the consolidated financial statements are disclosed in note 4.

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	30-Sep-2014	30-Sep-2013	31-Dec-2013
Loans and receivables:			
Cash and cash equivalents (i)	9,345,717	3,118,671	17,528,034
Accounts receivable – consumer loans	56,594,224	45,419,837	44,683,369
Other receivables	2,832,094	1,372,215	3,963,145
	68,772,034	49,910,723	66,174,549

(i) The balance is broadly diversified with almost 200 bank accounts in 24 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 30th September 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 30 September 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 479 thousand higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings.

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. They 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 anyway. During 9 months ended September 30th, 2014 and 9 months ended September 30th, 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 September 30th, 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 29% of the group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At 30 September 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 186 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 250 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 30 September 2014 including future interest payments is as follows. The amounts are undiscounted.

30 September 2014	Less than 12 months	Between 1 – 2 years	Between 2-5 years	Over 5 years
Bank borrowings	7,822,179			
Interest	73,750			
Bonds issued	7,484,680		4,907,124	25,000,000
Interest	3,073,319	2,454,807	4,454,807	2,000,000
Deposits from customers	1,769,359			
Derivatives	45,449			
Trade payables and other liabilities	8,366,611			
	28,635,347	2,454,807	9,361,930	27,000,000

30 September 2013	Less than 12 months	Between 1 – 2 years	Between 2-5 years	Over 5 years
Bank borrowings	10,135,782			
Interest	120,130			
Bonds issued	14,766,373	2,484,680		
Interest	1,380,825	1,572,550		
Deposits from customers	892,836			
Derivatives	56,094			
Trade payables and other liabilities	10,010,924			
	37,362,964	4,057,230		

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 9 months ended September 30th, 2014, Ferratum Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio below 3.

Gearing ratio	30-Sep-2014	30-Sep-2013	31-Dec-2013
Total liabilities	54,749,129	39,281,041	56,083,965
Less: cash and cash equivalents	9,345,717	3,118,671	17,528,034
Net debt	45,403,412	36,162,370	38,555,931
Total equity	19,522,940	15,727,063	15,678,763
Gearing ratio	2.3	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	30.9.2014	30.9.2014	31.12.2013	31.12.2013	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
Financial liabilities					
Items recognised at amortized cost					
Loans from financial institutions	7,822,179	8,057,915	9,717,276	9,674,172	Level 3
Bonds	36,578,338	36,892,496	36,065,887	35,483,937	Level 1
Items recognised at fair value through profit and loss					
Derivatives	31,049	31,049	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 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. Critical accounting estimate and judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, 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 31 December 2013, with the exception of changes in estimates that are required in determining the provision for income taxes for interim periods, as described under section accounting policies above.

5. 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, UK, Spain, Netherlands, Belgium, Sweden, Denmark, Germany and Finland. The East region includes Estonia, Lithuania, Latvia, Poland, Czech, Slovakia, Croatia, Bulgaria, Russia and Romania.

5.1 Business segments 2014

EUR	9 months ended 30 September			
	West	East	Other*	Group
Revenue	29,331,698	20,097,711	-	49,429,408
Other income	68,873	10,682	-	79,556
Operating expenses:				
Selling, marketing and administration	(10,834,414)	(7,478,941)	(1,090,921)	(19,404,277)
Impairments on loans	(8,011,741)	(6,195,050)	-	(14,206,791)
Depreciations and amortisation	(179,152)	(66,690)	(188,209)	(434,050)
Other operating expenses	(2,374,866)	(2,009,106)	(2,613,842)	(6,997,814)
Operating profit	8,000,398	4,358,607	(3,892,973)	8,466,033
Total segment assets	41,633,003	30,193,994	2,445,073	74,272,069
Total segment liabilities	34,789,586	11,913,554	8,045,988	54,749,129

5.2 Business segments 2013

EUR	9 months ended 30 September			
	West	East	Other*	Group
Revenue	23,573,002	19,845,208	-	43,418,211
Other income	7,961	18,720	40,713	67,394
Operating expenses:				
Selling, marketing and administration	(11,692,342)	(3,048,167)	(1,746,538)	(16,487,047)
Impairments on loans	(7,144,214)	(7,893,659)	-	(15,037,874)
Depreciations and amortisation	(183,113)	(40,684)	(169,251)	(393,047)
Other operating expenses	(2,468,571)	(905,735)	(2,449,784)	(5,824,090)
Operating profit	2,092,724	7,975,683	(4,324,859)	5,743,547
Total segment assets	32,976,050	20,006,366	2,025,688	55,008,104
Total segment liabilities	14,731,733	13,495,372	11,053,936	39,281,041

*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.

5.3 Geographical areas

EUR	Jan - Sep 2014	Jan - Sep 2013
Revenue, abroad	39,229,154	35,819,562
Revenue, domestic	10,200,254	7,598,649
Total Revenue	49,429,408	43,418,211

6. Selling, marketing and administration

EUR	Jan – Sep 2014	9 months 2013
Personnel expenses:	(7,852,469)	(6,953,572)
Salaries and other employee benefits (incl. bonuses)	(6,025,443)	(5,255,453)
Employee pension expenses	(240,587)	(306,907)
Other personnel expenses	(1,516,276)	(1,303,669)
Share-based payments equity settled (i)	(70,162)	(87,543)
Selling and marketing expenses	(6,172,688)	(4,772,850)
Lending expenses	(3,168,160)	(2,022,368)
Other administrative expenses	(2,210,960)	(2,738,257)
Total Selling, marketing and administration	(19,404,277)	(16,487,047)

(i) The full amount relates to equity settled share-based payments. There were no cash-settled share-based payments.

7. Other operating expenses

EUR	Jan - Sep 2014	Jan - Sep 2013
Rent and other office expenses	(1,082,959)	(895,212)
Travel expenses	(840,682)	(871,141)
Professional fees (excl. Audit)	(2,005,662)	(1,994,553)
Audit fees	(237,833)	(179,670)
Other expenses	(2,830,677)	(1,883,515)
Other operating expenses	(6,997,814)	(5,824,090)

8. Finance income

EUR	Jan - Sep 2014	Jan - Sep 2013
Interest income from cash and cash equivalents	71,791	25,526
Total finance income	71,791	25,526

9. Finance costs

EUR	Jan - Sep 2014	Jan - Sep 2013
Interest on borrowings	(3,081,881)	(1,768,646)
Derivatives held for trading – net gain / (loss)	14,400	7,150
Other finance expenses paid on borrowings	(4,294)	(129,355)
Foreign exchange loss on liabilities, realised	327,183	(131,597)
Total finance costs	(2,744,592)	(2,022,447)

10. 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 26.09.2014. The share split ratio was 1:1700.

EUR	Jan - Sep 2014	Jan - Sep 2013
Profit for the reporting period attributable to owners of the parent	4,597,060	3,430,713
Weighted average number of ordinary shares in issue	18,744,200	18,772,471
Earnings per share, basic and diluted	0,25	0,18

11. Accounts receivable – consumer loans

EUR	30-Sep-2014	30-Sep-2013	31-Dec-2013
Accounts receivable – consumer loans (gross)	99,110,434	77,644,089	82,371,449
Less: provision for impairment of loan receivables	(42,516,210)	(32,224,251)	(37,688,079)
Accounts receivable – consumer loans (net)	56,594,224	45,419,837	44,683,369

The Group does not have any individually impaired loan receivables. The ageing analysis of loan receivables which are collectively assessed for impairment is as follows:

EUR	30-Sep-2014			31-Dec-2013		
	GBV	Impairments	NBV	GBV	Impairments	NBV
Not due	30,534,903	(2,224,651)	28,310,252	17,768,761	(1,314,774)	16,453,987
1-90 days due	15,577,628	(3,684,565)	11,893,064	11,770,407	(3,106,821)	8,663,586
91-180 days due	6,435,860	(2,998,485)	3,437,375	10,992,578	(4,067,267)	6,925,311
> 181 days due	46,562,043	(33,608,510)	12,953,533	41,839,702	(29,199,218)	12,640,485
	99,110,434	(42,516,210)	56,594,224	82,371,449	(37,688,079)	44,683,369

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

EUR	Jan-Sep 2014	Jan-Sep 2013
Provision for impairment at 1 January	(37,688,079)	(19,143,565)
Provisions accruals	(14,206,791)	(15,037,874)
Amounts fully reserved and booked out	9,378,660	1,957,187
Provision for impairment at the end of period	(42,516,210)	(32,224,251)

12. 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					138,881
At 30-Sep-2014	18,890,400	7,300,000	(142,315)	2,372,952	(32,254)

(i) A share split has been registered on 26th September 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 139 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 September 30th, 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.

13. Interest bearing liabilities

EUR	30-Sep-2014	30-Sep-2013	31-Dec-2013
Non-current interest bearing liabilities			
Bank borrowings			
Bonds issued	29,114,511	2,398,037	26,244,738
Total Non-current interest bearing liabilities	29,114,511	2,398,037	26,244,738
Current interest bearing liabilities			
Bank borrowings	7,822,179	10,135,782	3,606,516
Bonds issued	7,463,827	15,432,312	14,821,149
Deposits from customers	1,769,359	892,836	1,110,760
Total Current interest bearing liabilities	17,055,365	26,460,930	19,538,425
Total interest bearing liabilities	46,169,876	28,858,966	45,783,163

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

14. Current non-interest bearing liabilities

EUR	30-Sep-2014	30-Sep-2013	31-Dec-2013
Current tax liabilities	707,965	13,611	455,909
Trade payables	3,035,143	7,212,268	7,282,034
Factoring trade payables	1,179,896	5,968,012	4,806,779
Other trade payables	1,855,247	1,244,256	2,475,255
Other current liabilities	4,668,952	2,841,139	2,390,513
Derivatives	31,049	48,944	45,449
Interest liabilities	1,653,746	582,305	559,147
Accrued employee expenses	685,708	688,578	568,918
Other current accrued liabilities on expenses, interest-free	2,298,449	1,521,312	1,217,000
Total current non-interest bearing liabilities	8,412,060	10,067,018	10,128,457

15. 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	Jan - Sep 2014	Jan - Sep 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	716,798	669,055
	716,798	669,055

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.

16. Commitments

EUR	Jan-Sep 2014	Jan-Sep 2013
Credit limit agreement		
Total amount of granted limit	5,111,000	7,500,000
Limit in use	4,860,332	7,461,000
Collateral on own debt		
Guarantees	32,391,804	12,812,145
Corporate pledge	3,000,000	3,000,000
Pledged subsidiary shares	11,000	10,000
Pledged investments	5,000	5,000

17. Events after the balance sheet date

During October 2014, selected key management employees were granted options to purchase total of 238,000 shares of the Company from the controlling party of the Company. The exercise period is from 15 January 2015 to 15 June 2016 and there are no vesting conditions attached to the options or shares.

Total fair value of the options at the grant date is approximately EUR 977 thousand and the valuation of the share options is made using Black and Scholes model taking into consideration the terms and conditions of the grant and the absence of a liquid market for the Company's shares. Given that there are no vesting conditions attached to the shares, the total fair value will be recognised as share-based compensation expense in the Company's profit or loss with a respective entry to equity on day one. This expense has no cash impact to the Company.

The credit line with Nordea has increased during October 2014 by EUR 2,5 million 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 4,5 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.

18. Approval of Interim report

The Ferratum Group Interim Report (9 months to September 30th, 2014) is 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