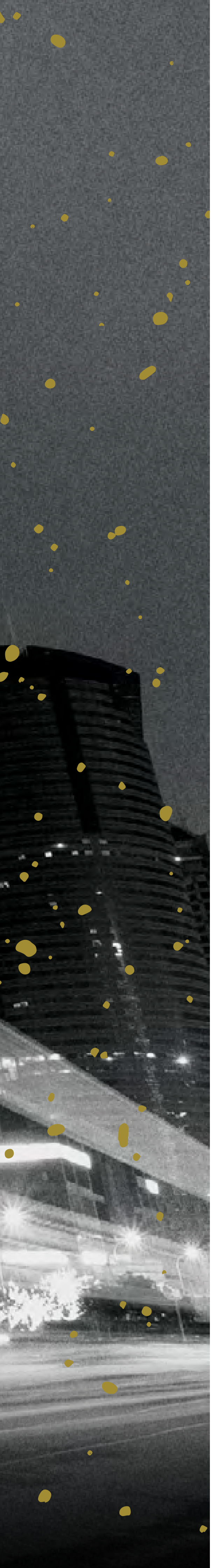
ferratum

ANNUAL REPORT 2017



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INTRODUCTION

Building a bank for the future

Ferratum is an international digital lender building an online financial ecosystem that transcends the hassle of physical banking and financial transactions.

Our data-driven approach to credit-scoring and knowing our customers puts Ferratum at the forefront of the smart banking revolution.

Our mission is to provide the best consumer interface for lending and banking processes and 24/7 personal customer service accessible online through our website, mobile apps and those of our partners.

We are the future of banking. Today.

Responsible lending

Ferratum has always been committed to upholding its reputation as a responsible lender. We pride ourselves on our professionalism and operate to the highest ethical standards. Our goal is to deliver a sustainable service by assessing the behaviour of our customers properly and lending responsibly. We do this through a commitment to openness and transparency, in complete compliance with the regulations of every country we operate in. Ferratum has always sought to provide information to its customers in a simple and clear way, enabling them to easily understand the costs of the loans they may want to apply for.

We only issue loans, both short and long term, where we expect that the borrower can reasonably afford to repay the debt. Although our loan approval process typically takes just minutes, our lending decisions are the result of a careful assessment of the borrower's financial position and their ability to repay loans, to ensure that loans are granted on the basis of sound and ethical reasoning. Our rigorous credit scoring and identification system is demonstrated by an average approval rate of consumer loan applications of 15% as of the end of 2017.

Scoring and credit decision-making is made centrally, using an automated credit assessment based on big data analytics and self-learning algorithms, that have been continuously updated and refined through years of experience in this sector. The improvements Ferratum have made are reflected in our performance indicators: the share of current loans in our portfolio (net book value) increased to 80.4% in 2017 from 79.2% in 2016.

Ferratum at a glance

Consumer loans

Business loans

Mobile bank

13 years of profitable growth

1.9m active & former customers

25 Countries

€222m FY 2017 revenue

+44% Year-on-year revenue growth

+55% Year-on-year profit growth

Founded Helsinki 2005

EU Banking Licence

Frankfurt Prime Standard

THE MARKETS WE ARE IN

Digital lending

Enabling individuals and small businesses to pursue their ambitions has always been a motivating factor for us, inspiring us to create better, more convenient products that our customers' needs. We have spent the last 12 months getting this right, focusing in on lending products that make more sense in the markets we are in. Using our CRM and what we have learned about our customers, we are continuing to shift our business toward longer-term lending across both our consumer and business segments. Our local knowledge and central efficiency is improving every product line by optimising the lifetime value of the customer, helping them to achieve their goals. Internally, our focus has also been to manage collections more efficiently, ultimately to minimise our credit losses. We believe a combination of these factors will sustain a solid platform, upon which the rest of the business can grow.

Mobile banking

Simple, real-time, global, mobile. These are the core principles that underpin our vision of what banking should be. It is what we are continuously working towards, to make the concept a reality for all our customers. We have made significant investments in our customers' experience in the Mobile Bank in the last year, both in terms of the everyday experience of using our Mobile Bank application but also in the support services that ensure a hassle-free experience. We understand that technology is changing very rapidly, as are customer expectations. The pace of this evolution means we must keep investing and innovating.

And this goes beyond everyday banking. The modern consumer looks for a host of financial services on their mobile phone, choosing suppliers who can provide the most simple and hassle-free applications. So, we are working with partners to offer a 'Plug-and-Play' mobile platform that can enable exactly this: an ever-growing ecosystem of financial services and applications, plugged into a robust, secure, scalable operating system, that can be bespoke to our partners' and customers' needs. In 2017, we successfully partnered with Thomas Cook Money to launch Sumo, an all-in-one mobile banking app. This was a significant milestone for us, as it marked the first stage of a new growth strategy to extend Ferratum's reach and relevance to the audiences of broader financial and non-financial brands.

Ferratum aspires to be the solution of choice for customers and partners. We are looking to set new standards for digital banking and to be at the forefront of the modern banking revolution. We believe our commitment to innovation already sets us apart and we are invested in making our vision reality.

Legal and regulatory environment

Ensuring compliance with regulatory requirements in all the jurisdictions we operate in is an overarching consideration in Ferratum's overall business strategy. As a responsible lender, Ferratum ensures that it holds the necessary licenses in each market that it is present in, and we work closely with local authorities to ensure total compliance with relevant laws, policies, and regulations.

Ferratum proactively follows all legal and regulatory changes in its countries of operation and will adjust its activities accordingly without undermining the customer experience. We lend responsibly, carefully considering the financial position of all potential borrowers, recognising the formal guidelines of each individual market. Ferratum Bank p.l.c., one of the subsidiaries within the Group, also accepts deposits from retail customers, and is accordingly subject to tighter regulatory requirements that have been designed to provide a very high level of protection for depositors.

The Group will continue to closely monitor the regulatory environment in co-operation with its local advisors in every country in which it is active to ensure its ongoing compliance with local applicable laws and regulations. For 2018, Ferratum believes the most significant impact will result from the adoption of the General Data Protection Regulation (GDPR). Ahead of implementation, Ferratum has reviewed all its internal data processes and onboarding procedures to comply with its requirements.

In 2012 the Group successfully obtained a pan-European banking licence, which provides Ferratum with a framework through which it can offer banking services on a cross-border basis within the EEA. This enables Ferratum to offer services that require a licence in many major jurisdictions across the European continent in a manner that would not be otherwise possible.

General Data Protection Regulation (GDPR)

Like many businesses, we are very reliant on data; and must ensure that we are using it effectively and responsibly. In preparation for the European General Data Privacy Regulation (GDPR) on 25 May 2018, we initiated a cross-company compliance project, addressing the security, storage and management of all our employees' and customers' data.

We are currently reviewing all internal personal data processes regarding employees and customers. Data flows are being reviewed and process maps created, to show the flow of data and information associated with business processes.

We are also evaluating our data processing policies to ensure these are up to date. In terms of our customers, we will be updating our customer journey processes in accordance with GDPR requirements, including privacy notices and data subjects' consent. Similarly, the processes regarding on-boarding of new employees was changed due to a new platform and is set up in compliance with GDPR. For our partners/vendors, all agreements are undergoing assessment to ensure the GDPR requirements are met and enforceable. Employees will be educated on the importance of data protection during on-boarding and refreshed either annually or on a more frequent basis.

LETTER TO SHAREHOLDERS

Dear Shareholders,

Ferratum continues to make excellent progress, both strategically and operationally. Not only has 2017 delivered new records in terms of financial performance, Ferratum has continued to expand significantly and execute on our corporate growth strategy. We launched our first partnership with Thomas Cook Money, providing a white label version of our Mobile Bank for holidaymakers in Sweden; we entered two strategically important new countries with new ventures in Nigeria and Brazil; and we continued to invest and innovate to improve the user experience and the performance of our Mobile Financial Platform. We have also continued to streamline our structure and operations to ensure we remain efficient as we grow, which helped us to deliver full-year results at the upper end of our fiscal guidance.

Our digital lending business has gone from strength to strength, providing a firm foundation for our future growth. We have continued to shift towards longer-term loans and the results so far have been very promising: our consumer products, PlusLoan and Credit Limit, as well as our SME lending service have contributed significantly to overall revenue growth of 44% in 2017, a total of EUR 221.6million. These products currently make up 80% of our total revenue share and are now firmly established as the core drivers of growth in our lending business.

We also launched our Mobile Bank in France and Spain, increasing the number of markets in which the Mobile Bank is being offered to 5 European countries. We continued to centralise our systems and infrastructure, to make more effective use of data. This has allowed us to continue to innovate, providing our customers with the services they are looking for, and improve the loan terms offered. Equally, it has allowed us to manage our portfolio more efficiently overall, so we are running a leaner, more efficient business.

With an operating profit (EBIT) of EUR 31.8 million, which was up 51% from last year's figure, Ferratum achieved an EBIT margin for the period of 14.4%, in line with our guidance.

Ferratum's vision is about making banking simple, real-time, mobile and accessible to everyone, anywhere, anytime. Our growth strategy is centered on this philosophy and in 2017 we showcased the first example of how our vision is becoming a reality. In December, we were thrilled to announce a strategic partnership with Thomas Cook Money to launch, Sumo, an all-in-one holiday mobile banking app, white labeled and powered by Ferratum Bank. Currently piloted in Sweden, this is a clear demonstration of the scope for leveraging Ferratum's API architecture to create mobile financial solutions for the audiences of third-party brands.

Looking ahead, we expect 2018 to be another year of geographic expansion and product innovation. We expect growth to be supported by the roll-out of new white label platforms globally, including the launch of Sumo in the UK, and by connecting with new international partners. We will also continue to build the Mobile Bank by launching in new countries, further increasing deposit volumes and cross-selling opportunities.

Based on a highly profitable core business and large cash reserves, Ferratum is in an excellent position to pursue its ambition to become a leading international mobile bank offering more than money to its clients and partners.

We hope that you will continue to accompany us on this journey to make banking and lending more straightforward and accessible for all our customers. I would like to thank all our shareholders for the trust they have placed in us, and in particular our employees who work tirelessly to develop and grow our business globally.

Jorma Jokela
CEO Ferratum Group

FINANCIAL COMMENTARY

Financial Highlights

44%	Annual revenues up 44% year on year to EUR 221.6 million
51%	Operating profit (EBIT) rose 51% year on year to EUR 31.8 million
14.4%	EBIT margin improving to 14.4%
33.3m	Operating cash flow of EUR 33.3 million
+57%	EPS (basic) increased 57% to EUR 0.93 per share
20m	Successful issuance of EUR 20 million bond
131.8m	Ferratum Group well-funded with ample available liquidity EUR 131.8 million cash as at 31 December 2017

Operational Highlights

Improvements in organisation and management have driven profit and growth

Consumer lending performing well with strong growth in Credit Limit and PlusLoan

Prime Loan launched in Finland, adding to Ferratum's suite of consumer lending products

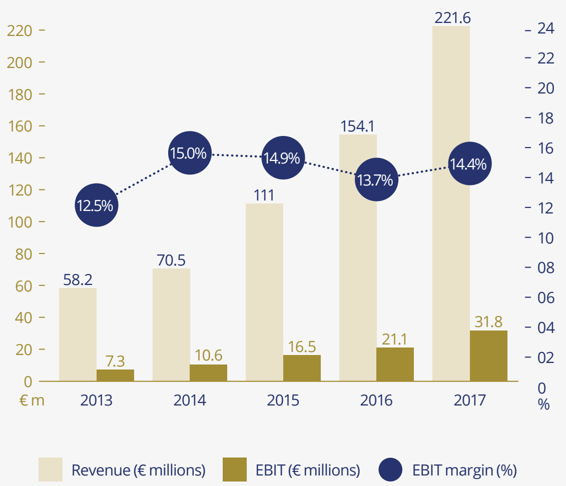
NBV of loan portfolio as at 31 December 2017 grew year on year by 40% to EUR 257 million

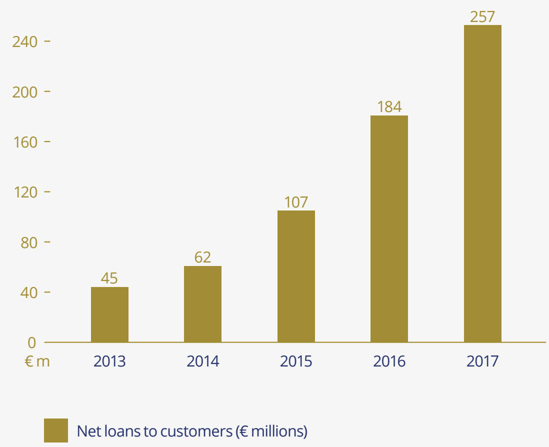
Portfolio quality further improved: impaired loan coverage ratio reduced to 23.4%

Ferratum Mobile Bank launched in Spain and France – key markets for future growth

Launch of Sumo: Ferratum's first Banking-as -a-Service venture with Thomas Cook Money

Growth in revenue and credit volume





PLATFORM MODEL BASED ON CORE VALUES

Ari Tiukkanen
Chief Operations Officer

Corporate strategy update

At Ferratum, we believe in mobile solutions. We believe people want easy, simple and fast access to products and services - whether this is ordering a taxi, booking a holiday or paying a bill. And they want to be able to do this anywhere in the world, on the go or at home.

Our mission has always been to make banking as easy to use as an email app, which is why we have invested in a core, central platform, that is fundamental to our business model and our corporate strategy. This Mobile Financial Platform will not only form the basis of Ferratum Bank, Ferratum Money, Ferratum Investments and Ferratum Business, it is the 'Plug-and-Play' mobile solution for our partners to provide financial services, irrespective of their legacy financial or IT systems.

Our Mobile Financial Platform will have three critical components, based on our core values, to deliver the best customer experience. It is going to offer a fully digitised means for customer identification; an inter-connected customer scoring mechanism, that assesses the eligibility of customers for financial products and; a smooth and simple interface, that delivers fast and convenient experience.

We believe our Mobile Financial Platform addresses the various problems associated with legacy infrastructures. Where legacy systems process data and logic within both the consumer-facing interface and back, data storage end, it means that systems slow down, causing delays for the customer.

Within our Platform, we have developed a new 'logic' layer, which collects, processes and sorts data using 100 different microservices, each with their own API. There is also an additional 'link' layer, which connects all external, third-party data to this logic layer.

And all of this takes place in real time.

By separating the logic, or decision-making, layers from the customer interface and the back-end, Ferratum can offer bespoke platforms to selected partners, tailored to what they need, without compromising the speed of the customer experience. Whether our partners' priority is to offer add-on insurance for holidays or overdraft services, Ferratum can provide a core platform that can be easily adopted – a Plug-and-Play solution. It also means the front and back-end systems are free of processing data. This 'agnostic' interface and data engine are much easier to refresh or replace, should partners need to do so.

And because our model can be tailored, it can reach scale – offering our partners and customers the combination of data processing and user experience while ensuring that we as a business are able to open new, consistent channels of revenue and growth. It provides Ferratum the opportunity to reach customers further afield than our traditional markets, be that via established brands with a global customer reach or more local bodies, offering services to mass markets more locally.

Our mission remains the same: making mobile banking simple, real-time, global and mobile. Research into understanding the modern mobile user and investment into our Mobile Financial Platform Model provides the foundation behind a strategy that can deliver long-term revenues and growth beyond our own balance sheet.

PARTNERSHIP WITH THOMAS COOK MONEY

In 2017, Sumo was launched in Sweden, the first ever mobile banking app designed for holidays, in partnership with Thomas Cook Money.

Leveraging the Mobile Financial Platform and our Banking-As-A-Service concept ("BaaS"), our plug-and-play solution, we have made it possible for Thomas Cook Money to offer banking services to its customers. The app simplifies how holidaymakers plan and save for their travels and manage their spending before, during and after their vacations. Sumo includes a fee-free multi-currency current account, and comes with a complimentary, intelligent, contactless Mastercard debit card, as well as new, innovative features to save up for and finance customers' dreams and aspirations.

The launch of Sumo demonstrates how Ferratum utilises its Mobile Financial Platform to enlarge the addressable market for its products and services. Offering BaaS allows Ferratum to benefit from the global brand and reach of Thomas Cook to access new, large and ready-made customer groups. BaaS partnerships have the potential to generate substantial revenues and boost growth by leveraging the trust, existing customer relationships and marketing power of partner brands to sell financial services through their go-to-market channels. This is a great example of how banking services can be offered to targeted audiences and as such, make mobile banking more attractive and relevant to a broader range of consumers.

Ferratum's Mobile Bank has been adapted to cater for the specific features in the Sumo app. It is running the necessary APIs to provide banking services today, but also giving the option to add additional functionality in the future. As an example, Roam, Thomas Cook Money's pay-as-you-go travel insurance app, will be rolled out as part of the UK launch, further demonstrating the ease with which Ferratum can bolt on such additional features and services.

Sumo represents Ferratum's first BaaS venture. This ready-made platform and supporting IT infrastructure means that any company (financial and non-financial) can create their digital banking solution with Ferratum, and leverage our BaaS offering. We have built the necessary internal processes and trained our staff to ensure seamless integration with any new partners in the future.

Jussi Mekkonen
Chief Executive of
Ferratum Bank p.l.c.

BUILDING THE BANK OF THE FUTURE

Mobile bank update

Customers – especially younger generations - expect to be able to do more with their mobile devices: from payments and money transfers, to managing current accounts and savings. Tapping to pay for your morning coffee is only one aspect of mobile banking's potential. Smartphones are now at the heart of people's financial lives. Mobile phones and digital banking apps are transforming the relationship between banks and customers, and traditional branch banking already feels like an anachronism in the face of this emerging digital reality.

Ferratum has been leading the way in this fast-evolving new world. Our vision for mobile banking is paperless, frictionless, cross border banking that puts the customer in control of the banking relationship. Customers will have an array of financial products available on-demand, on mobile, with access to customer services teams as and when they are needed, irrespective of language or location. In 2016, our initial launch in Germany, Sweden and Norway attracted customer deposits of more than €100 million, far exceeding Ferratum's initial expectations. Building on this success, we expanded into France and Spain in 2017, and are looking to maintain this momentum into 2018 and beyond.

As bank branches become a thing of the past, we are investing in the tools to meet customers where the demand is: online. We have invested in the customer's user experience by creating a robust technical platform, that supports a seamless on-boarding process, minimising bureaucracy and paperwork. We have developed a Mobile Bank app that provides easily the features that customers are looking for. And we have a dedicated customer service team who are available 24/7.

To realise the full potential of mobile banking, we must continue innovating. Following the successful launch of Sumo, our Mobile Bank in partnership with Thomas Cook Money offering financial services for holiday-makers, we believe the next frontier of innovation is in areas such as cryptocurrencies, crypto wallet and split bill technology.

We are looking for ways we can reduce costs and transcend national borders, enabling customers to transfer money globally in real-time, with little to no cost, regardless of currency. These will be powerful tools that will give our customers in developed markets greater convenience and flexibility. Moreover, they will help us reach larger populations, especially under-banked and under-served customers in emerging markets.

Looking ahead to 2018, we will continue focusing on innovations to keep banking simple, real-time, global and mobile, be that to open accounts, provide a business loan or allow a peer-to-peer investment. We will be looking further afield to new markets and seeking new partners. Our priority is to keep pace with the rapidly evolving demands of our customers, making sure we can offer what they want, how they want it.

LENDING PRODUCTS AND STRATEGY

Digital lending update

Since the business was established in 2005 we have transformed our offering for customers, focusing on moving up the credit curve and have been successful at attracting higher quality, longer duration borrowers. We believe these actions, backed by our investments in technology, will support sustainable long-term growth.

With a customer base spanning 25 markets in Europe, APAC, Africa, North and South America, we have focused our efforts on getting things right in larger markets based on population.

This has firstly meant rebalancing our loan portfolio in each market. We have used the intelligence gained from offering Microloans to properly understand the behaviours and expectations of our customers, to assess whether these customers are better suited to longer-term products, such as PlusLoan and Credit Limit. We continuously assess the level of credit losses relative to revenues and our lending strategy is designed to optimise the customer lifetime value for Ferratum.

A second focus for the Digital Lending business has been to ensure collections are up-to-date and credit losses are minimised, in the medium to long term. Our centralised customer service and collections teams work closely together to monitor loan repayment behaviour, to ensure customers are receiving the support they need to manage repayments. The priority is to preserve and protect customer relationships, but where this is not possible, to minimise losses by working with professional debt collection agencies. This has been a critical part of our thinking in the last twelve months and we are confident it will establish an even stronger foundation for the business to continue to grow.

Thirdly, we have taken a fresh look at our key markets to make sure that what we are offering is fit for purpose. Our strategic focus on long-term loans is echoed by our customers' preference for these products, evidenced by the positive growth in the Credit Limit product over the past 12 months, especially in the Nordics. Similarly, PlusLoan has delivered strong revenue growth in big markets such as the UK. Looking ahead and further afield, we expect this strategy to take root in our white label and international partner initiatives, particularly in markets where the focus will remain on the quality of lending, over volume.

The way we have chosen to reshape our lending business broadens the competitive landscape in which we operate. We are now very clearly competing with higher-profile lenders, including larger established financial institutions. However, the reshaping of our loan portfolio has also enabled us to access new sales channels such as comparison websites used by more traditional lenders. This allows Ferratum to compete more directly with traditional, less technologically sophisticated peers and we welcome the challenge and opportunities that this competition presents.

Saku Timonen
Head of Lending

Ferratum lending

Microloan

- Loan amount 25 - 1,000
- Duration 7 - 90 days
- Bullet loan

PlusLoan

- Loan amount 300 - 5,000
- Duration 2 - 36 months
- Multipart instalment

PrimeLoan

- Loan amount 3,000 - 20,000
- Term 1 - 10 years
- Multipart instalment

CreditLimit

- Loan amount, up to 3,000
- Open ended
- Digital revolving credit line

Ferratum investments

P2P

We offer an opportunity to participate in loan portfolios consisting of loans already approved and dispersed.

Ferratum business

SME loans

- Loan amount up to 250,000
- Duration 6 - 18 months
- Multipart instalment

Ferratum bank

- Mobile Bank

NIGERIA

We successfully launched our Microloan product in Nigeria in partnership with Interswitch Limited ("Interswitch") in September 2017, a milestone for our international growth strategy. Based in Lagos, Interswitch builds and manages transaction infrastructure and provides secure electronic payment solutions. Partnering with Interswitch provides us with a platform to provide accessible credit in Nigeria for individuals traditionally underserved by mainstream finance.

A significant portion of the Nigerian population is underbanked, providing a clear opportunity to improve financial inclusion with a partner who shares our goals and ambitions. The Nigerian economy has traditionally been cash driven but is now experiencing rapid growth in mobile money transactions, from an average monthly transaction value of USD 5 million in 2011 to USD 142.8 million in 2016. A surge in e-commerce and smart phone penetration underlined the strategic logic and revenue potential of entering this market.

Our relationship with Interswitch is representative of the type of partnership we look for. Interswitch is an established and well-respected player, with an in-depth understanding and knowledge of the socio-political context in the region. Almost all banks are connected to InterSwitch, making the company an easily accessible e-payment network in Nigeria.

Both Interswitch and Ferratum are a valuable addition to each others' ecosystems. It is still early days but we are optimistic about our future cooperation.

ORGANISATIONAL IMPROVEMENTS

Obtaining feedback and self-reflection is an essential process for organisations to make sure they are operating in a way that is economic, efficient and effective. Ferratum is no different. We have proactively sought to learn from our successes and challenges over the past 13 years to improve how we operate as an organisation.

The centralisation of our customer service, marketing, IT and back-office operations has been ongoing since 2016, and in the last 12 months, we have successfully streamlined a number of processes so that the experience and outcome for the customer is more consistent.

For example, in marketing, Ferratum first launched its smart marketing initiative in Q2 2017. Based on the core objective of centralisation, we have restructured media buying and rationalised in marketing and distribution channels, resulting in an overall decrease of marketing costs from 19% of revenue in 2016 to 14% of revenue in 2017. We have also invested in an improved Data Management Programme to store and manage customer data, that will ultimately streamline our marketing approach towards individual customers, based on their needs, expectations and behaviours.

In terms of customer service and IT, our new platform has enabled better on-boarding of customers, where the data is stored on a central database, such that customers can be identified quickly and their enquiries can be addressed more efficiently. We have allocated dedicated country personnel for each market, responsible for customers in those markets, regardless of the products they have, who are guided and led by a central team based in Helsinki.

Together, these two pillars have significantly improved the customer journey in the last 12 months. Finally, we have spent the last 12 months enhancing our approach to collecting from our customers and managing our receivables. These two areas are of paramount importance to Ferratum as they determine the overall quality of our lending portfolio and mitigate the risks of non-performing loans.

With over 13 years of data we have learnt a great deal about our customers and their borrowing patterns. With our new centralised data systems, we can define and service our customers better, making sure we dedicate time to those who require more extensive customer service to help repay loans. Our central customer services team work closely with our collections team, to proactively review and manage individuals' accounts, responding to customers' individual needs in order to minimise losses.

At the same time, we can identify earlier which receivables need to be managed externally. With the intelligence gained from our collections and customer service team, we refer a proportion of non-performing loans to a panel of large, international debt portfolio buyers. Similarly, we are considering more forward-flow agreements that will further reduce the occurrence of non-performing loans and level of credit losses for Ferratum.

This rigorous approach to credit management, underpinned by centralised data systems have allowed us to better understand and manage our customers, ensuring they are being offered the products and services that are best suited to them.

CORPORATE RESPONSIBILITY AT FERRATUM

Ferratum is committed to the development of its corporate responsibility (CR) credentials. Ferratum's CR framework is defined by four core values and several material objectives designed to frame and direct its CR activity across all markets and our CR reporting and communications.

What are Ferratum's Values?

Ferratum's core values define the character of our business and the building blocks upon which we account for success. Our values form the foundations upon which we are judged as a commercial enterprise, and through which we are rewarded by the support and loyalty of all our stakeholders.

We summarise these values in four ways:

Ethics - we hold ourselves to the highest ethical standards with a commitment to transparency and openness in our dealings with all of our stakeholders.

Professionalism - we operate to strict professional codes of conduct in all of our markets, with clear lines of responsibility. As an organisation, we are constantly learning, and our operational model ensures that our employees are empowered to act with integrity.

Innovation - this is at the heart of Ferratum's corporate strategy and drives our ambition to be at the forefront of the digital banking revolution. In order to innovate, we actively encourage new ideas and foster a culture of learning through trial and error.

Profitability - profit should not an end in itself and at Ferratum we believe in growth with a sense of proportion to deliver sustainable profitability. We assess every opportunity, every innovation, every new market against strict criteria to ensure that every decision is results-driven and consistent with our ambition of building scalable solutions. We do not invest for the sake of it, we empower our people to grow our presence and profile in every market with a clear understanding that the speed with which we move is closely aligned with each market opportunity.

We believe everyone at Ferratum has a responsibility to uphold these values, across all levels of the Group. Our clear operational model and dedication to adapting and improving our CR framework enables us to drive innovation, encouraging new ideas and scalable solutions that drive the profitability of the Group.

Responsibility materiality analysis

At the end of 2017, Ferratum initiated a responsibility materiality analysis by launching an online survey to its internal and external stakeholders. This survey invited feedback on where Ferratum should concentrate on in its responsibility in stakeholders' views. The areas assessed included: (i) economic, societal and governance topics (ii) procurement; (iii) environmental topics; (iv) social issues and; (v) responsible lending. Of the responses received from the online survey, 40% were customers, 33% employees and 27% partners and investors. In addition to the online survey, there were additional in-depth interviews conducted with employees, investors, partners and customers.

Participants in these sessions were asked to provide further detailed feedback about the areas where Ferratum should concentrate in acting responsibly, what the critical areas for improvement were and how Ferratum could improve in its responsibility communications.

Ferratum's management validated the stakeholder survey results from their importance to the business bearing in mind wider societal expectations and Ferratum's ability to address the topics. The responsibility materiality matrix displays the importance of the topics to stakeholders and management respectively.

Responsibility themes and objectives

The key topics identified from the materiality analysis have been categorised as follows:

- Responsible lending
- Employee wellbeing and development
- Ethical business practices and transparent communications
- Value for customers and investors

We lend responsibly

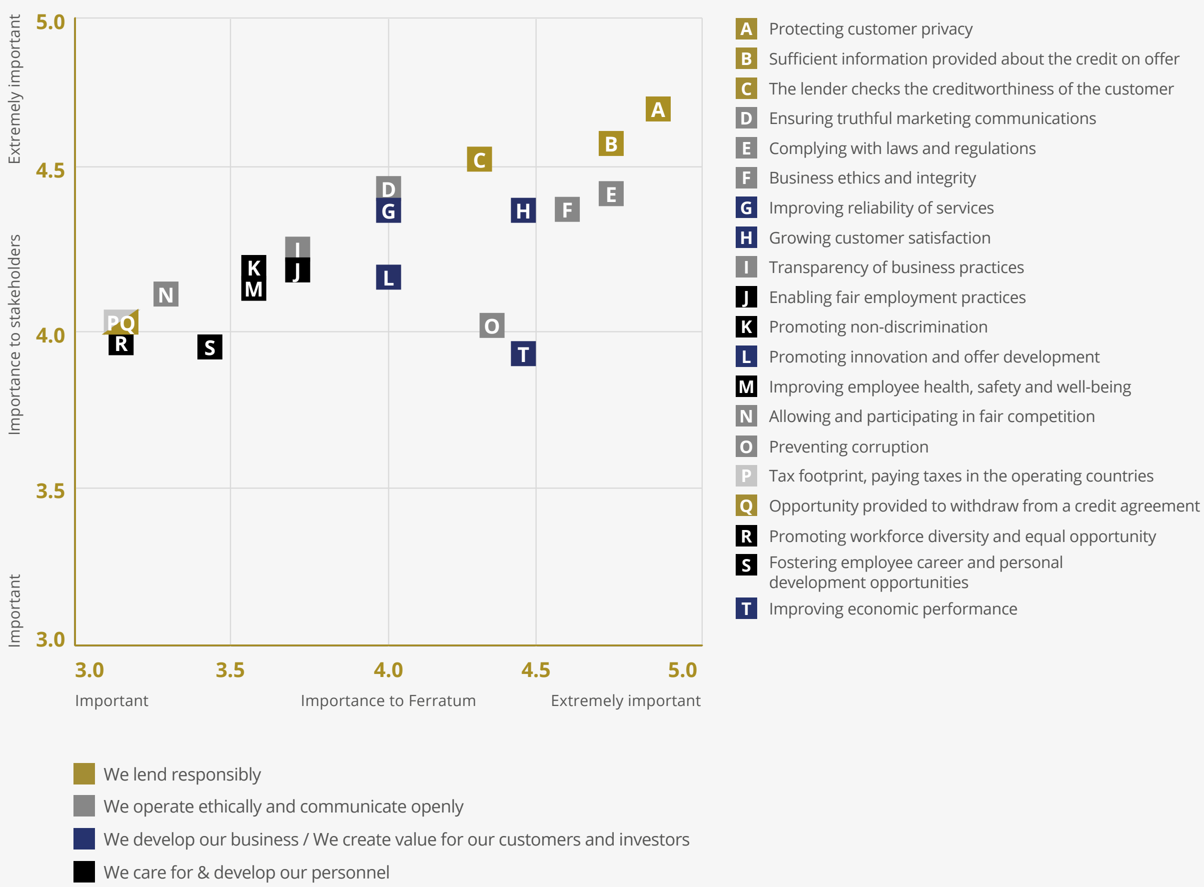
Ferratum is committed to ensuring its marketing practices and lending decisions are clear, consistent and transparent.

Our priority is to protect our customers' data and privacy, ensuring that sufficient and relevant information is provided to them when they access any of our lending products. Our sophisticated loan scoring system, that accesses internal and publicly available data, combined with our self-learning algorithms, assesses customer affordability and product suitability. This technology is at the heart of our decision-making process and ensures we are providing only the most suitable products to our customers.

We care for and invest in our colleagues

Ferratum currently employs 857 employees across 26 offices, up from 692 in 2016. The business believes in inspiring, engaging and developing its people professionally. As a business, we aspire to create an environment where people feel respected and empowered, with the opportunity to deliver their best. At the heart of this is ensuring there are fair employment practices in place, implemented by a central human resources team. These policies provide the framework for equal opportunity within the workplace, promoting diversity and non-discrimination. Beyond formal policies, Ferratum also provides health and well-being benefits to foster a working culture that is balanced and fit for the modern workforce.

Ferratum's responsibility materiality matrix



In 2017, Ferratum's human resources function continued its review of its group-wide processes and procedures to ensure they remain fit for purpose. As part of our drive to promote honest and open communications, we initiated our very first group-wide employee survey, obtaining feedback from our people across all our offices. We were pleased with the 91% participation rate and the fact that the level of leadership skills and managers' support at Ferratum was widely commended.

Looking ahead, we will be implementing further leadership and management training programmes and development reviews for all our offices, so our colleagues can continue their professional development.

We operate ethically and communicate openly

We believe clear and transparent communication is the foundation of building long-term, trusted relationships with customers, employees and investors. Complying with laws and regulations is the minimum standard for us. Conducting business in a fair and ethical manner, operating with integrity and proactively participating fairly in competitive markets is what we do every day. As part of this approach, we have developed a formal process for complaints and whistleblowing, to ensure management is made aware quickly and effectively of any relevant issues. No incidents of acting against laws and regulations and company policies were reported through Ferratum's internal whistleblowing channel in 2017.

We create value for our customers and investors

Financial responsibility and conducting our business in a responsible way is the cornerstone and prerequisite for social and environmental responsibility. Ferratum has delivered over 13 years of profitable growth and a diverse variety of operations, offering a variety of products to customers with different needs across 25 countries of operation.

Our ongoing investment in technology and proprietary Mobile Financial Platform is essential to maintain a virtuous circle of improved reliability and efficiency across our investments, services and products, which in turn enables us to meet our customers' needs. Our customer satisfaction levels have improved significantly in the last 12 months and we believe that this, in part, has contributed to our profits steadily improving every year.

Financial value created in 2017

EUR 26 million in salaries and EUR 9 million in other benefits

EUR 3.2 million in taxes

EUR 1.5 million paid on customer deposits

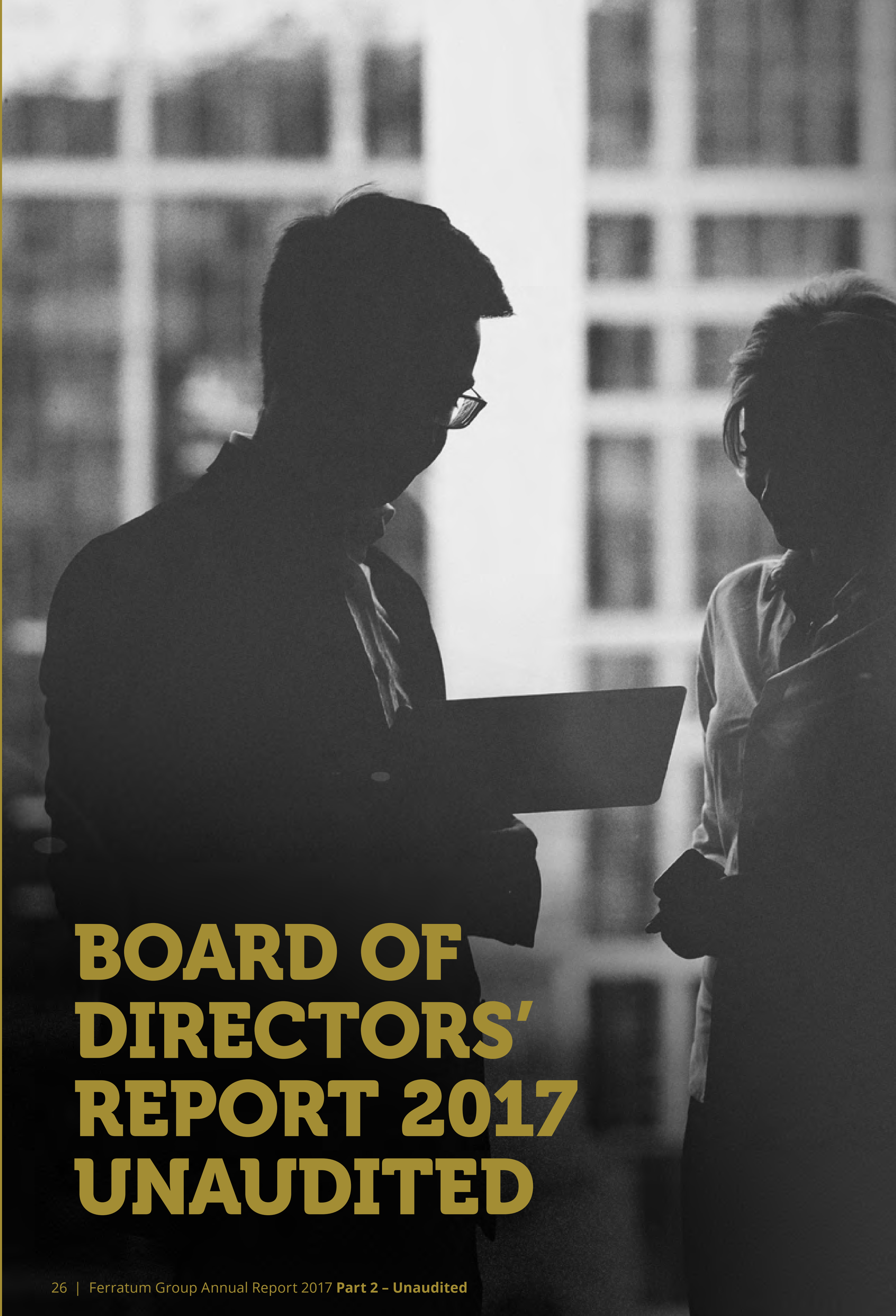
EUR 3.9 million paid as dividends to shareholders

EUR 8.7 of financing costs

Read more about Ferratum's responsibility on page 88 in the non-financial information statement in Part 2.

Next steps

The next phase of development of our responsibility programme, is to determine the key performance indicators (KPIs) that will allow us to measure our progress and improvements in these areas. These will be confirmed by the Board of Directors in 2018, providing a clear and transparent framework for us to evaluate our progress by the end of the next financial year. KPI's will include those from the Global Reporting Initiative, the most widely used responsibility reporting framework, and Ferratum's own indicators.



BOARD OF DIRECTORS' REPORT 2017 UNAUDITED

Company structure and business model

Ferratum Oyj and its subsidiaries form Ferratum Group ("Ferratum" or the "Group") which is an international provider of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. Ferratum, headquartered in Helsinki, Finland was founded in May 2005 and has expanded its operations across Europe, North America, South America, Africa and the Asia-Pacific region.

Ferratum Bank p.l.c. is a wholly owned subsidiary of Ferratum Oyj and a credit institution licensed by the Malta Financial Services Authority (MFSA), allowing all Ferratum's products and services to be passported to EEA member states. This license has been passported to 12 (Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Latvia, Norway, Poland, Slovakia, Spain and Sweden) of the 25 countries the Group operates in.

Ferratum is a pioneer in digital and mobile financial services technology, currently operating in 25 countries, offering a variety of financial services including: digital consumer and business lending; mobile banking services; investments and; white label and partnered mobile bank platforms. Ferratum has more than 780,000 active customers (as at December 31, 2017).

As a digital lender, Ferratum offers a comprehensive product portfolio to retail customers, who are able to apply for consumer credit in amounts varying between EUR 25 and EUR 20,000 and small businesses instalment loans up to EUR 250,000 with a term of six to eighteen months.

Ferratum's Mobile Bank, launched in 2016, is an innovative Mobile Banking offering a range of banking services, including real time digital payments and transfers, within a single app. It is currently available in five European markets and customer deposits totalled EUR 174.3 million as on 31 December 2017.

The Mobile Financial Platform is at the heart of Ferratum's growth strategy. The technology and infrastructure developed means the platform is ready-made and can be offered as a bolt-on, allowing Ferratum's partners to effectively 'plug-and-play' a bespoke range of financial services via mobile. This offer of 'Banking-as-a-Service' means any company, irrespective of sector, can offer banking services to customers to non-financial brands.

Ferratum Group is listed on the Prime Standard of Frankfurt Stock Exchange under the symbol 'FRU.'

Financial highlights

Financial highlights, EUR '000	Jan - Dec 2017	Jan - Dec 2016
Revenue	221,638	154,128
Operating profit	31,838	21,142
Profit before tax	23,244	14,728
Net cash flows from operating activities before movements in loan portfolio and deposits received	109,148	50,857
Net cash flow from operating activities	33,324	23,733
Net cash flow from investing activities	(11,329)	(8,266)
Net cash flow from financing activities	38,990	40,857
Net increase in cash and cash equivalents	60,985	56,324
Profit before tax %	10.5	9.6

Financial highlights, EUR '000	31 Dec 2017	31 Dec 2016
Accounts receivable - loans to customers (net)	257,406	184,346
Deposits from customers	174,301	101,436
Cash and cash equivalents	131,832	73,059
Total assets	436,595	295,683
Non-current liabilities	64,167	72,246
Current liabilities	267,185	135,563
Total equity	105,243	87,875
Equity ratio %	24.1	29.7
Net debt to equity ratio	1.90	1.53

Calculation of key financial ratios

$$\text{Equity ratio (\%)} = 100 \text{ X } \frac{\text{Total equity}}{\text{Total assets}}$$

$$\text{Net debt to equity ratio} = \frac{\text{Total liabilities – cash and cash equivalents}}{\text{Total equity}}$$

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

Key Developments and Progress

Growth in the core business

In 2017, Ferratum continued to grow its lending business by expanding its product offering in its existing countries and shifting away from short-term products to longer-term loans. In addition, Ferratum expanded its operations into two new countries, Brazil and Nigeria. The launch in Nigeria was made in partnership with Interswich which is a Lagos based payments solution provider to which all Nigerain banks are connected, making it the most accessible e-payment network in the country.

In 2017, the Credit Limit product was introduced in Brazil, offering flexible revolving credit of up to local customers. Total revenue share of this product line has grown to 46.8%, up from 43.1% in 2016, and is now offered in nine markets internationally. Similarly, as part of the transition towards providing larger loans over a longer-term, revenue share of SME and Plus Loan has increased to 5.9% and 27.2% respectively across all the markets where they are currently offered.

Revenues from Microloans decreased by 17%, reflecting Ferratum's strategy to move towards longer term products and optimise the customer life-time value.

Ferratum also expanded its small-to-medium enterprise ("SME") lending offering, Ferratum Business, to the UK and Australia responding to the growing demand among SMEs for alternative funding solutions. Revenues for SME lending grew by 209% in 2017.

The Group also announced its first white label partnership with Thomas Cook Money, launching its Mobile Bank, designed for Thomas Cook's customers, in Sweden.

New Products

In 2017, Ferratum Bank introduced the Mobile Bank in France and Spain, two of Europe's largest retail banking markets. The Mobile Bank facilitates cross-selling across Ferratum's product portfolio and is expected to bolster revenue growth from its lending operations. This revolutionary Mobile Bank assembles customers' full financial within a single app, offering a range of services, including real time digital payments and transfers.

The launch of Ferratum's first Banking-as-a-Service ("BaaS") venture, in partnership with Thomas Cook Money, the financial services division of Thomas Cook, enables Ferratum to access new, ready-made customer groups, leveraging the partners brand, reach and go-to-market channels. Ferratum expects these partnerships to become a future profit driver, generating new revenue streams.

Ferratum also launched Prime Loan, Ferratum's largest loan product offered to private customers in Finland in 2017. This adds to the company's growing suite of consumer lending products, and is expected to roll out in Sweden and Denmark in 2018.

Adjusted targets achieved

Based on the positive contribution from all products, Ferratum increased its revenue to EUR 221.6 million and achieved an operating profit of EUR 31.8 million. Having achieved the upper end of 2017 fiscal guidance Ferratum is well positioned for further growth in 2018.

Significant events after the reporting date

As of 1 January 2018, Ferratum Group will adopt IFRS 9 as a reporting standard to account for receivables on its balance sheet, replacing its current reporting based on IAS 39. The core change is that IFRS 9 requires to build credit loss provisions based on expected losses whereas risk provisions under IAS 39 were based on incurred losses.

Although Ferratum used already an expected loss model the conversion has effects on the timing of risk provisions and the classification of overdue loans.

One important change for Ferratum is that the expected loss is now based on its present value, therefore discounting any expected recoveries in future.

IAS 39	Gross AR	Reserves	Net AR	%
Not due	216,988	(10,159)	206,829	4.7%
1-90 days due	29,895	(7,668)	22,227	25.6%
91-180 days due	20,904	(9,228)	11,676	44.1%
> 181 days due	68,456	(51,782)	16,674	75.6%
Total	**336,243**	**(78,837)**	**257,406**	**23.4%**

IFRS 9	Gross AR	Reserves	Net AR	%
Not due	158,368	(4,695)	153,673	3.0%
1-90 days due	72,398	(17,649)	54,749	24.4%
91-180 days due	21,474	(12,768)	8,706	59.5%
> 181 days due	84,004	(52,988)	31,016	63.1%
Total	**336,243**	**(88,100)**	**248,143**	**26.2%**

Difference (IAS 39 vs IFRS 9)	Gross AR	Reserves	Net AR	
Not due	(58,620)	5,464	(53,156)	-
1-90 days due	42,502	(9,981)	32,521	-
91-180 days due	570	(3,540)	(2,970)	-
> 181 days due	15,548	(1,206)	14,341	-
Total	**-**	**(9,263)**	**(9,263)**	**-**

The overall impact to the risk provisions as at the 1st of January 2018 will be an increase of EUR 9.3 million. This is a one-off accounting charge which will not affect the 2018 profit and loss statement and will be debited directly to the equity of the Group. The impact of the IFRS 9 conversion on Equity is lower than the increased risk provision, as there will be an additional impact of deferred tax reflecting the timing difference of these reserve changes on profitability. This impact is approximately EUR 3 million. The one-off increase in risk provisions may trigger temporarily lower credit losses in the profit and loss statement, as the risk provision level for expected losses in the future is now higher.

Treasury update

Ferratum ended the reporting period with a strong cash position of EUR 131.8 million (31 December 2016: EUR 73.1 million) due to high growth in deposit volume.

During 2017, Ferratum continued to diversify its funding base through the increase of one bond and the of one new bond. In June 2017, Ferratum Bank p.l.c., the Maltese banking subsidiary of Ferratum Oyj, successfully concluded a tap issue of EUR 15 million of senior unsecured callable floating rate bonds due March 2020 from the existing EUR 60 million bond issuance programme of Ferratum Bank p.l.c. The tap issue was priced at 102.50 per cent of the nominal amount and increased the volume of the existing senior unsecured bond, issued by Ferratum Bank p.l.c. in December 2016 with ISIN FI400023283, from EUR 25 million to EUR 40 million. The net proceeds from the tap issue are to be used for the general corporate purposes of Ferratum Bank p.l.c.

In July 2017, Ferratum Capital Germany GmbH issued a EUR 20 million 4% senior unsecured bond due October 2018 following a successful private placement with institutional investors in Germany and Poland. The proceeds will principally be used to finance Ferratum's lending activities globally and for general corporate purposes. The bond is listed on the Frankfurt Stock Exchange (Open Market) with ISIN: DE000A2GS104.

Ferratum now offers deposit products in five European countries: France, Germany, Norway, Spain and Sweden. As at 31 December 2017, total customer deposits had increased by 72% to EUR 174.3 million (31 December 2016: EUR 101.4 million). In addition to the strong cash position, the Group had unused credit lines amounting to EUR 10.5 million as at 31 December 2017.

Creditreform AG reiterated its rating of BBB+ for Ferratum in March 2017 (and in March 2018) with a stable outlook.

Foreign exchange risk, mainly arising from fluctuations of the Polish Zloty, Swedish Krona and Czech Koruna against the euro, has been managed by using derivative instruments.

Customer base

	Jan - Dec 2017	Jan - Dec 2016	Growth in %
Total customers*	1,876,144	1,561,687	20
New customers	314,457	330,145	-4.8
Active customers**	782,220	695,440	12

*Active and former customers who have been granted one or several loans in the past or has an open Mobile Bank account. ** Customers with a Mobile Bank account and lending customers who have had an open balance in the last 12 months. If loans are >24m overdue, the customer is not considered active.

Personnel

At the end of 2017 Ferratum employed 857 people (833 Full Time Equivalents) compared with 692 people in 2016. The average number of personnel in 2017 was 738 (2016: 635). Payroll expenses amounted to EUR 35.4 million (2016: EUR 24.8 million).

Significant investments

The primary use of funds in Ferratum is for the growth of the lending portfolio which increased from EUR 184.3 to EUR 257.4 in 2017. Besides this, investments were made in software, thus the intangible assets increased from EUR 12.7 million to EUR 20.0 million in 2017.

Risk factors and risk management

Ferratum takes moderate and calculated risks in conducting its business. The prudent management of risks minimizes the probability of unexpected losses and threats to the reputation of the Group. Therefore, it can enhance profitability and shareholder value.

The Board of Directors monitors operations regularly and is ultimately responsible for adequate risk management and ensuring that the company has access to the appropriate software, including instructions on controlling and monitoring risks. The CEO is responsible for the daily operations of the Group. Each member of the Directors Team ultimate bears responsibility for identifying and controlling the risks related to their functions in line with instructions from the Board.

Ferratum proactively follows all legal changes that might occur in the countries it operates in and adjusts its operations accordingly, while always considering customer and user experience.

The risks of Ferratum's operations can be divided into three main categories: credit risks (receivables from customers), market risks (including foreign exchange risks, interest rate risks and other price risks) and operational risks (such as IT risks, legal and regulatory risks and other operational risks).

Exposure to credit risks arises principally from Ferratum's short-term lending activities. The risk is managed by proprietary risk management tools which assist subsidiaries in evaluating the payment behaviour of customers. These tools which are continuously updated and refined, ensure that only solvent customers are accepted, thereby controlling the level of credit losses. The scoring system and the credit policies of the Group's subsidiaries are managed by the central risk department. The risk department is also responsible for the measurement of the payment behaviour 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 arise from open positions in interest rate and currency products. They are managed by the central treasury department, which is also responsible for Group cash flow planning and ensures the necessary liquidity level for all Group entities. Ferratum uses derivative financial instruments to hedge certain risk exposures (see note 3: Financial Risk Management).

Operational risks, IT risks as well as legal and regulatory risks are of high relevance for Ferratum. Regulatory and legal risks are managed centrally by the Group's legal function in close cooperation with the authorities in the respective countries and relevant stakeholders. Potential or foreseeable changes in applicable laws are analyzed on an ongoing basis and any necessary modifications to Ferratum's operations are implemented proactively.

The smooth and continuous operation of critical IT systems is effectively guaranteed by various information security solutions. Ferratum has developed its processes and systems in order to offer its customers, stakeholders and partners the most efficient and practical software designed to cater to the demands of the developing mobile consumer lending industry.

Shares of the company

Largest shareholders

The following table summarizes the largest shareholders excluding nominee registered shareholders not exceeding five percent ownership in Ferratum Oyj on 31 December 31, 2017.

Largest shareholders	Holdings	% of holdings	% of voting rights
Jokela, Jorma*	12,027,970	55.37%	55.74%
Dorval AM**	1,105,012	5.09%	5.12%
Carmignac Gestion**	1,084,397	4.99%	5.03%
Ferratum Oyj	146,200	0.67%	0.00%
Vanhala, Juhani	104,301	0.48%	0.48%
Jokisaari, Milla	27,417	0.13%	0.13%
Pääkkönen, Roope	21,645	0.10%	0.10%
Sjöman, Caj-Eric	19,000	0.09%	0.09%
Kuikka, Sylvi	11,645	0.05%	0.05%
Gylfe, Ernst	2,000	0.01%	0.01%
Buenaventura Oy	400	0.00%	0.00%
Total	**14,549,987**	**66.98%**	**66.75%**

* Jokela, Jorma holds directly 240,000 shares (1.10%), through European Recruitment Company OÜ 5,729,235 shares (26.37%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 12,027,970 shares which corresponds to 55.37% of all shares of the company. The shares held by European Recruitment Company OÜ and JT Capital Limited are nominee-registered.
** according to latest notification of major shareholdings.

Holdings of the Board of Directors in Ferratum Oyj on 31 December, 2017

Name		Holdings	% of holdings
van Groos, Pieter	Chairman	34,800	0.16%
Ferm, Erik	Member	151,158	0.70%
Vanhala, Juhani	Member	106,551	0.49%
Hakanen, Jouni	Member	2,250	0.01%
Jokela, Jorma*	Member	12,027,970	55.37%
Liigus, Lea	Member	180,310	0.83%
Wang, Christopher	Member	0	0.00%
Total		**12,503,039**	**57.55%**

* Jorma Jokela holds directly 240,000 shares (1.10%), through European Recruitment Company OÜ 5,729,235 shares (26.37%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 12,027,970 shares which corresponds to 55.37% of all shares of the company. The shares held by European Recruitment Company OÜ and JT Capital Limited are nominee-registered.

Holdings of the Directors Team in Ferratum Oyj on 31 December, 2017

Name		Holdings	% of holdings
Jokela, Jorma*	Chief Executive Officer	12,027,970	55.37%
Liigus, Lea	Head of Legal and Compliance	180,310	0.83%
Timonen, Saku	Head of Consumer Lending	147,300	0.68%
Krause, Clemens	Chief Financial Officer	146,500	0.67%
Tiukkanen, Ari	Chief Operations Officer	79,000	0.36%
Mekkonen, Jussi	CEO, Ferratum Bank p.l.c.	50,000	0.23%
Total		**12,631,080**	**58.14%**

*Jorma Jokela holds directly 240,000 shares (1.10%), through European Recruitment Company OÜ 5,729,235 shares (26.37%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 12,027,970 shares which corresponds to 55.37% of all shares of the company. The shares held by European Recruitment Company OÜ and JT Capital Limited are nominee-registered.

Distribution of holdings by number of shares held on 31 December, 2017

Lower Limit	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1-100	3	13.04%	100	0.00%
101-500	6	26.09%	1,358	0.01%
501-1 000	0	0.00%	0	0.00%
1 001-5 000	2	8.70%	5,096	0.02%
5 001-10 000	1	4.35%	9,924	0.05%
10 001-50 000	5	21.74%	98,567	0.45%
50 001-100 000	0	0.00%	0	0.00%
100 001-500 000	5	21.74%	1,014,968	4.67%
500 001 and over	1	4.35%	20,593,947	94.80%
Total	**23**	**100.00%**	**21,723,960**	**100.00%**
Nominee registered	5		11,342,533	52.21%
Treasury shares held by Ferratum Oyj	1		146,200	0.67%

Distribution of holdings by group on 31 December, 2017

Sector	Total number of shares (book-entries)		Total number of shares (nominee-registered)		Total number of shares	% of share capital
Non-financial corporations	146,400	0.67%	0	0.00%	146,400	0.67%
Financial and insurance corporations	3,096	0.01%	543,467	2.50%	546,563	2.52%
Households	426,926	1.97%	0	0.00%	426,926	1.97%
Shares registered in the member states of the Euro area			20,603,871	94.84%	20,603,871	94.84%
Total	**576,422**	**2.65%**	**21,147,338**	**97.35%**	**21,723,760**	**100.00%**

Board of Directors' Proposals for Profit Distribution

The profit for the 2017 financial year of Ferratum Oyj amounted to EUR 18,469,816. Distributable equity of the parent company at the end of the financial year stood at EUR 53,139,380.

The Board of Directors proposes to the Annual General Meeting that, for the financial year ended 31 December, 2017, the company will distribute a per share dividend of EUR 0.18 to a total of EUR 3,883,997 after which distributable equity would stand at EUR 49,255,383.

Compared with year-end 2017, no significant changes in the company's financial position have taken place. The liquidity of the company is sound and, according to the Board, the proposed dividend distribution does not jeopardize the solvency of the company.

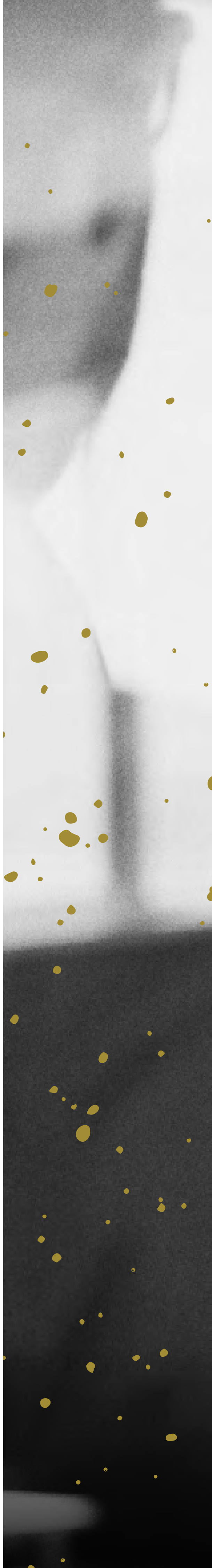
Corporate Governance Statement

Ferratum's Corporate Governance Statement has been prepared in accordance with the reporting requirements set out by the Corporate Governance Code 2015 issued by the Finnish Securities Market Association. The Corporate Governance Statement is published separately from the Board of Directors' report and it is available on Ferratum's website at: www.ferratumgroup.com/en/about-us/corporate-governance/corporate-governance-statement

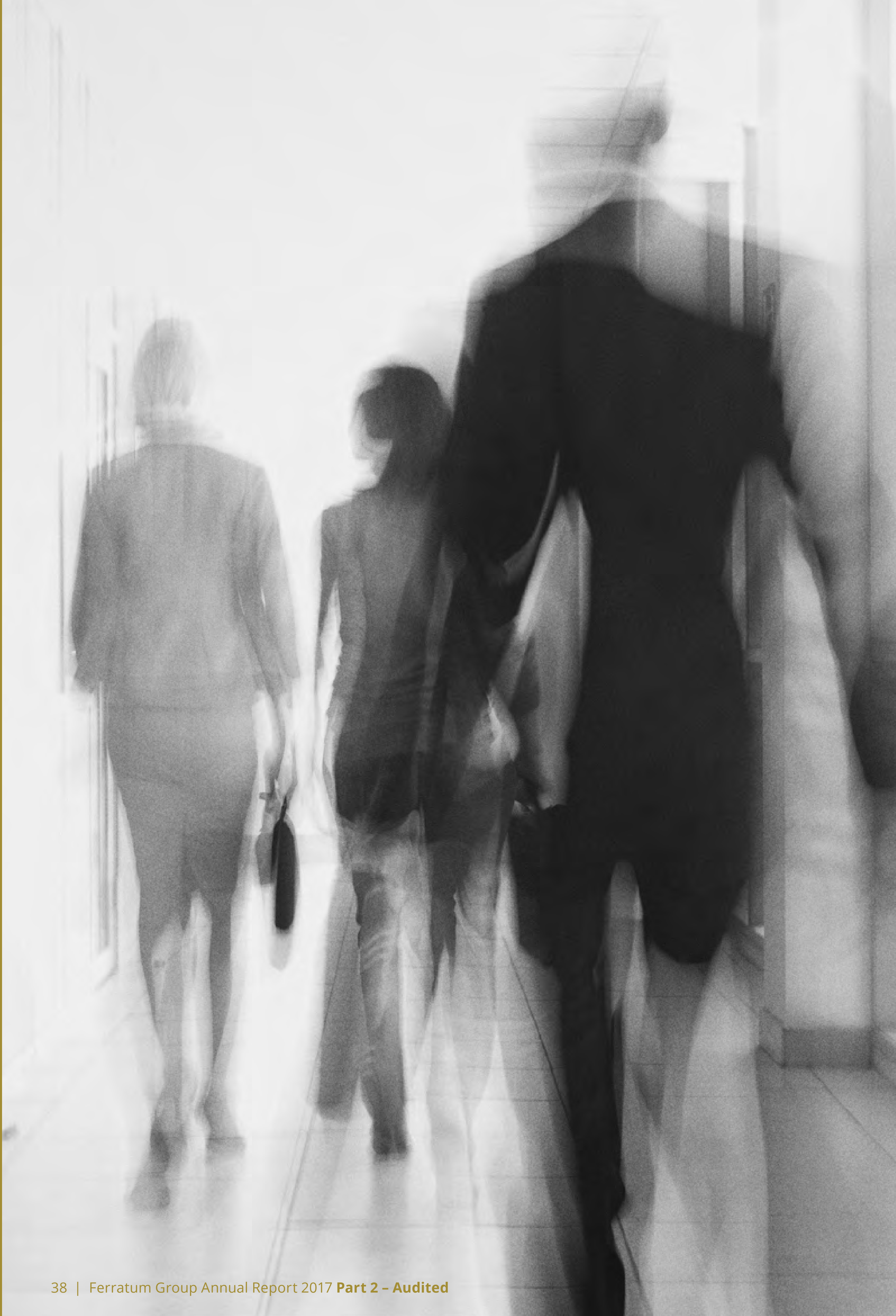
Company Management and Auditor

Pieter van Groos served as Chairman of the Board. Other members of the Board were Jorma Jokela, Lea Liigus, Juhani Vanhala, Jouni Hakanen, Christopher Wang and Erik Ferm.

The Chief Executive Officer was Jorma Jokela. The Annual General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with APA Mikko Nieminen as the auditor with principal responsibility.



FINANCIAL STATEMENTS 2017 AUDITED



Consolidated income statement for the period 1 January to 31 December, 2017

EUR '000	Note	Year ended 31 December 2017	2016
Revenue	5	221,638	154,128
Other income		534	64
Impairments on loans		(75,629)	(47,964)
Operating expenses:			
Personnel expenses	6	(35,375)	(24,761)
Selling and marketing expenses		(37,184)	(29,918)
Lending costs		(10,145)	(8,001)
Other administrative expenses		(2,205)	(2,204)
Depreciations and amortization	7	(2,811)	(1,547)
Other operating expenses	8	(26,986)	(18,655)
Operating profit		**31,838**	**21,142**
Financial income	9	97	161
Finance costs	10	(8,691)	(6,575)
Finance costs – net		(8,594)	(6,414)
Profit before income tax		**23,244**	**14,728**
Income tax expense	11	(3,185)	(1,768)
Profit for the period		**20,058**	**12,961**
Earnings per share, basic	12	0.93	0.60
Earnings per share, diluted	12	0.92	0.60
Profit attributable to:			
– owners of the parent company		20,058	12,961
– non-controlling interests (NCI)		0	0

Consolidated statement of comprehensive income for the period 1 January to 31 December, 2017

EUR '000	Note	Year ended 31 December 2017	2016
Profit for the period		20,058	12,961
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation difference		(1,359)	(965)
Total items that may be subsequently reclassified to profit or loss		(1,359)	(965)
Total comprehensive income		**18,699**	**11,996**
Allocation of total comprehensive income to:			
– owners of the parent company		**18,699**	11,996
– non-controlling interests (NCI)		0	0

The notes 1 - 27 are an integral part of these financial statements.

Consolidated statement of financial position

EUR '000	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,482	2,761
Intangible assets	14	20,037	12,736
Government stocks		8,851	11,450
Deferred tax assets	15	3,757	3,480
Total non-current assets		**36,128**	**30,426**
Current assets			
Accounts receivable - loans to customers	16	257,406	184,346
Other receivables		10,554	7,298
Derivative assets		156	
Current tax assets		519	555
Cash and cash equivalents	17	131,832	73,059
Total current assets		**400,468**	**265,257**
Total assets		**436,595**	**295,683**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	40,134	40,134
Treasury shares	18	(142)	(142)
Reserves	18	(2,240)	(1,202)
Unrestricted equity reserve	18	14,708	14,708
Retained earnings		52,783	34,377
Total equity		**105,243**	**87,875**
of which related to non-controlling interests			
Liabilities			
Non-current liabilities			
Borrowings	19	64,049	72,246
Deferred tax liabilities	15	118	
Total non-current liabilities		**64,167**	**72,246**
Current liabilities			
Current tax liabilities	20	1,867	1,143
Deposits from customers		174,301	101,436
Borrowings	19	69,741	18,469
Derivative liabilities		790	182
Trade payables	20	9,838	4,958
Other current liabilities	20	10,648	9,376
Total current liabilities		**267,185**	**135,563**
Total liabilities		**331,352**	**207,809**
Total equity and liabilities		**436,595**	**295,683**

Consolidated statement of cash flow

	Year ended 31 December	
EUR '000	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss for the period	**20,058**	**12,961**
Adjustments for:		
Depreciation and amortization	2,811	1,547
Finance costs, net	8,594	6,414
Tax on income from operations	3,185	1,768
Transactions without cash flow	1,263	399
Impairments on loans	75,629	47,964
Working capital changes:		
Increase (-) / decrease (+) in other current receivables and government stocks	(813)	(16,848)
Increase (+) / decrease (-) in trade payables and other current liabilities (excl. Interest liabilities)	6,991	4,404
Interest paid	(6,892)	(4,434)
Interest received	41	163
Other financing items		(385)
Income taxes paid	(1,720)	(3,094)
Net cash from operating activities before movements in loan portfolio and deposits received	**109,148**	**50,857**
Deposits received	72,865	98,426
Movements in the portfolio:		
Movements in gross portfolio	(89,233)	(91,120)
Fully impaired portfolio write-offs	(59,456)	(34,431)
Net cash from operating activities	**33,324**	**23,733**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(10,863)	(8,347)
Proceeds from sale of tangible and intangible assets		81
Purchase of investments and other assets	(466)	
Net cash from investing activities	**(11,329)**	**(8,266)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	24,817	
Repayment of short-term borrowings	(100)	(198)
Proceeds from long-term borrowings	35,000	49,338
Repayment of long-term borrowings	(18,133)	(6,125)
Dividends paid / distribution of funds	(2,594)	(2,158)
Net cash from financing activities	**38,990**	**40,857**
Net increase in cash and cash equivalents	**60,985**	**56,324**
Cash and cash equivalents at the beginning of the period	73,059	17,452
Exchange gains/(losses) on cash and cash equivalents	(2,212)	(717)
Net increase/decrease in cash and cash equivalents	60,985	56,324
Cash and cash equivalents at the end of the period	**131,832**	**73,059**

Consolidated statement of changes in equity

Changes in equity Jan-Dec 2016 (EUR '000)	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance 1 Jan 2016	10,134	(142)	44,708	9	(646)	23,577	77,638	0	77,638
Comprehensive income									
Profit or loss						12,961	12,961	0	12,961
Other comprehensive income									
Currency translation difference					(1,099)	134	(965)	0	(965)
Total comprehensive income					**(1,099)**	**13,095**	**11,996**	**0**	**11,996**
Transactions with owners									
Increase of share capital	30,000		(30,000)				0	0	0
Distribution of funds						(2,158)	(2,158)	0	(2,158)
Transfers between items				536		(536)	0	0	0
Share-based payments (Note 23)						399	399	0	399
Other changes				(1)		(0)	(1)	0	(1)
Total transactions with owners	**30,000**		**(30,000)**	**535**		**(2,295)**	**(1,760)**	**0**	**(1,760)**
Total equity 31 Dec 2016 (Note 18)	**40,134**	**(142)**	**14,708**	**544**	**(1,746)**	**34,377**	**87,875**	**0**	**87,875**

Changes in equity Jan-Dec 2017 (EUR '000)	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance 1 Jan 2017	40,134	(142)	14,708	544	(1,746)	34,377	87,875	0	87,875
Comprehensive income									
Profit or loss						20,058	20,058	0	20,058
Other comprehensive income									
Currency translation difference					(1,212)	(148)	(1,359)	0	(1,359)
Total comprehensive income					**(1,212)**	**19,910**	**18,699**	**0**	**18,699**
Transactions with owners									
Increase of share capital									
Distribution of funds						(2,594)	(2,594)	0	(2,594)
Transfers between items				173		(173)	0	0	0
Share-based payments (Note 23)						1,263	1,263	0	1,263
Other changes									
Total transactions with owners				**173**		**(1,504)**	**(1,331)**	**0**	**(1,331)**
Total equity 31 Dec 2017 (Note 18)	**40,134**	**(142)**	**14,708**	**717**	**(2,957)**	**52,783**	**105,243**	**(0)**	**105,243**

1. GENERAL INFORMATION

Ferratum Group is one of the leading international providers of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. It is an independent Group and does not belong to any other Group in the financial or commercial sector. Ferratum Group operates under generally accepted ethical principles, is one of the leading players in developing the credibility of mobile consumer lending and common industry processes, and 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.

The financial year for all Group companies is the calendar year and it ended on December 31, 2017. The Board of Directors of Ferratum Group approved these financial statements for publication on March 26, 2018. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Ferratum Group's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are presented in thousands EUR, except as otherwise indicated.

During the year ended December 31, 2017, there have been some amendments to existing standards. None of the new or revised standards or amendments had an impact on the reported income statement and the statement of financial position.

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. 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: Critical accounting estimates and judgments.

Standards, interpretations and amendments to published standards which are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements, but have not yet become effective. Ferratum Group has not early adopted these revisions to the requirements of IFRSs as approved by the EU and the Group's directors are of the opinion that, with the exception of IFRS 9, 'Financial instruments,' there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 9 Financial instruments (effective date for annual periods beginning on or after January 1, 2018)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

Ferratum Group will apply IFRS 9 as issued in July 2014 initially on 1 January 2018.

Classification and measurement of financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, Ferratum Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. A financial asset is classified into one of these categories on initial recognition.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

Ferratum Group will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to Ferratum Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how Ferratum Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Ferratum Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, Ferratum Group will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- features that modify consideration for the time value of money - e.g. periodic reset of interest rates.

Interest income on the Ferratum Group's micro-credit facilities is a product of process fees, rescheduling fees, reminder fees and other fees charged on revolving credit products. All these fees are set at the discretion of Ferratum Group at country or territory level in order to reflect the nature of the respective markets, taking cognisance of the credit risk associated with the service provided. Ferratum Group will assess whether these features are consistent with the SPPI criterion by considering a number of factors, including whether:

- the borrowers are able to repay the loans without significant penalties;
- the market competition ensures that the level of fees charged are consistent between lending institutions; and
- any regulatory or customer protection framework is in place that requires lending institutions to treat customers fairly.

Impact assessment

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows.

- Trading assets and derivative assets held for risk management, classified as held-for-trading and measured at FVTPL under IAS 39, will also be measured at FVTPL under IFRS 9;
- Loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39, will also be measured at amortised cost under IFRS 9;
- Held-to-maturity investment securities measured at amortised cost under IAS 39 will also be measured at amortised cost under IFRS 9; and
- Investment securities that are designated as at FVTPL under IAS 39 will continue to be measured at FVTPL under IFRS 9.

Classification and measurement of financial liabilities

IFRS 9 retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment - Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

Under IFRS 9, no impairment loss is recognised on equity investments. There is no transition impact to Ferratum Group since under its current investment strategy the Group does not hold equity investments.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'stage 2'; and financial assets for which there is objective evidence of impairment, and which considered to be in default or otherwise credit impaired, would be classified as 'stage 3'.

Ferratum Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. Ferratum Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Ferratum Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to Ferratum Group if the commitment is drawn down and the cash flows that Ferratum Group expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that Ferratum Group expects to recover.

IFRS 9 defines financial assets that are credit-impaired in a similar way to financial assets that are impaired under IAS 39 (see Note 16).

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, Ferratum Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative information and analysis based on Ferratum Group's historical experience.

Ferratum Group's framework is aligned with the nature of its micro-credit exposures and its underlying credit risk management practices. Ferratum Group's micro-credit facilities are not managed on a credit by credit basis, due to the high volume of relatively low value and homogenous exposures. As a result, it is not feasible to include qualitative information based on an expert credit assessment performed on an individual credit basis.

Ferratum Group will primarily identify whether a significant increase in credit risk has occurred for an exposure, as follows:

- For loans and advances to customers, which are managed on a portfolio basis for credit risk purposes, Ferratum Group will measure significant increase in credit risk based on a qualitative assessment driven by the delinquency status of borrowers (days past due). Ferratum Group will presumptively consider that a significant increase in credit risk occurs when an asset is more than 30 days past due.
- For loans and advances to banks and investments in debt securities, Ferratum Group will apply the low credit risk simplification to all its exposures, thus they are not subject to the requirements in respect of significant increase in credit risk assessment.

Definition of default

Under IFRS 9, Ferratum Group will consider a financial asset to be in default in the following cases:

- with respect to loans and advances to customers, Ferratum Group deems two separate definitions should be adopted to take into account the specific characteristics of its micro-credit products:
  - with respect to micro-credit facilities with bullet repayment or instalment loan characteristics, exposures are considered defaulted where the borrower is more than 90 days past due on any material credit obligation to Ferratum Group.
  - with respect to revolving micro-credit facilities, exposures are considered defaulted once the customer is overdue on minimum monthly payments by 60 days or more; or
- with regards to loans and advances to banks and investments in debt securities respectively, a payment by the counterparty or issuer is more than 1 day past due.

Renegotiated loans

Ferratum Group may consider the rescheduling of selected loans and advances to customers in order to maximise collection opportunities and minimise the risk of default. This process commences when a customer applies to extend the repayment date where repayment difficulties against the original terms have already materialised, or are likely to materialise. The upfront payment of a rescheduling fee is a pre-condition for rescheduling to be granted and for the loan term to be extended.

Moreover, upon rescheduling Ferratum Group does not revise the key substantive terms and conditions of the respective loan in order to facilitate recoverability after taking into consideration the individual's financial situation, but simply provides the individual customer with a standard extension to the maturity date. The significant terms and conditions of the loan are not altered, for instance, through moratorium on fees or waiver of fees. A significant level of individual customers apply and request the extension of the loan term; and considering that each loan transaction is individually insignificant, the monitoring of each individual customer's financial situation is impracticable. Management considers historical experience and other factors when determining whether rescheduled loans are forborne loans. Such historical experience demonstrates that very high repayment rates are associated with rescheduled loans.

Taking cognisance of the principles highlighted above, rescheduling of loans granted by Ferratum Group is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the micro-credit. Consequently, renegotiated loans are not considered credit impaired and are not classified as stage 3 assets.

Expected credit losses

Ferratum Group calculates its ECLs on a collective basis, given that its portfolio of micro-credit facilities is composed of homogenous groups of loans that are not considered individually significant, using three main components:

- PD;
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models and will be adjusted to reflect forward-looking information as described below.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. With respect to non-revolving credit facilities, the contractual life of the facility is applied. In contrast, with respect to revolving credit facilities, the lifetime of such exposures is defined as the point where 95% of Ferratum Group's historical defaults have materialised; thus, the lifetime of such assets may be longer than 12 months.

The EAD represents the total balance of loans receivable at the reporting date, taking into account the total amount receivable from borrowers inclusive of principal and interest. This is deemed an adequate representation of the expected balance at default in the case of Ferratum Group's micro-credit facilities given that Ferratum Group models its ECLs on a collective basis with EAD not being individually modelled on a loan by loan basis. Additionally, in the case of revolving credit facilities Ferratum Group also factors in expected drawdowns of committed facilities.

In the case of micro lending facilities with bullet repayment characteristics, Ferratum Group utilises roll-rate methodology in order to estimate its PDs. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as unrecoverable. This methodology is applied at territory or country level with adaptations to reflect the different nature of the respective markets in which Ferratum Group operates. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable (PD).

In the case micro-credit facilities with characteristics similar to instalment loans or revolving facilities, Ferratum Group utilises curve-stitching methodology in order to estimate its PDs. Under this approach, an analysis of historical default data is carried out in order to estimate cumulative monthly loss rates at various snapshot dates. Subsequently, statistical analysis is employed in order to combine curves with different historical performance windows into a single PD curve over the expected lifetime of the micro-credit exposures. This methodology is also applied at territory or country level in order to incorporate adaptations to reflect the nature of the different markets in which Ferratum Group operates. Under this approach, loans are also grouped into ranges according to the number of days past due, with an individual lifetime PD curve being calculated for each range.

LGD represents the magnitude of the likely loss suffered by Ferratum Group in the event of default. Since Ferratum Group's short term micro-credit facilities are unsecured in nature, Ferratum Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Moreover, Ferratum Group's LGD incorporates elements in relation to the Group's ability to dispose of overdue loan facilities to third parties in certain territories at a price that is dependent on the credit quality of the portfolio, current investor appetite in the market and the economic trends in the particular country or territory. They will be calculated on a discounted cash flow basis using the contractual interest rate as the discounting factor.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof, consistent with the Ferratum Group's income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawndown and a financial asset is recognised.

Forward-looking information

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objective of IFRS 9.

Ferratum Group performs a historical analysis and identifies the key economic variables affecting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD and LGD may vary by financial instrument.

The development of multiple scenarios is necessary to capture the non-linear relationship between different forward looking scenarios and corresponding expected credit loss outcomes.

Three scenarios are considered to capture non-linearity across credit portfolios. The three scenarios include a baseline view driven by a consensus among professional industry forecasts and two additional outer "less likely" scenarios – an "upside" and a "downside". The key scenario assumptions are set using forecasts from external economists and are constructed based on a set of key assumptions such as GDP growth, inflation and policy rates.

The scenarios are probability-weighted based on a mixture of quantitative analysis and management judgement, with reference to an assessment of the economic risk landscape. This helps ensure that the IFRS 9 scenarios are unbiased and maximise the use of independent information.

As a result, the ECL recognised in the financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the development of multiple economic scenarios. The probability-weighted amount is a higher number than would result from using only the baseline (most likely) economic scenario. This illustrates that expected losses have a non-linear relationship to the many factors which influence credit losses such that more favourable macroeconomic factors do not reduce defaults as much as less favourable macroeconomic factors increase defaults.

Disclosures

IFRS 9 will require extensive new disclosures, in particular concerning credit risk and ECLs, on a regular basis.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively. Ferratum Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

Transitional impact

Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of Ferratum Group's equity at 1 January 2018 is approximately EUR 6.3 million, representing:

- a reduction of approximately EUR 9.3 million related to impairment requirements;
- an increase of approximately EUR 3 million related to deferred tax impacts.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require Ferratum Group to revise its accounting processes and internal controls and these changes are not yet complete;
- the new systems and associated controls in place are not yet operational;
- Ferratum Group has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework;
- Ferratum Group is refining and finalising its models for expected credit loss ("ECL") calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until Ferratum Group finalises its first financial statements that include the date of initial application.

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting rules, creating a stronger link with risk management strategies and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks, but do not explicitly address macro hedge accounting strategies, which are particularly important for banks. As a result, IFRS 9 includes an accounting policy choice to continue applying IAS 39 hedge accounting requirements.

Ferratum Group does not currently deploy any hedging strategies aimed to mitigate or offset risks that arise from its activities, and accordingly, none of its strategies satisfy hedge accounting criteria in terms of IAS 39. Accordingly, Ferratum Group expects that IFRS 9 will have no impact in this regard.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018)

IFRS 15 replaces the IAS 18 Revenue and establishes a new comprehensive framework for recognition of revenue arising from contracts with customers. The core principle of the new framework is that an entity should recognize revenue representing the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 Revenue from Contracts with Customers applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; insurance contracts within the scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. [IFRS 15:5]

IFRS 15 introduces a five-step model for revenue recognition that focuses on the "transfer of control" rather than current "transfer of risks and rewards." The new model consists of the following steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 should have no significant impact on Ferratum Group's financial statements, since the Group's revenue is fully related to interest income recognized mainly according to the effective interest rate within the scope of IFRS 9 Financial Instruments.

IFRS 16 Leases issued in January 2016 (effective for annual periods beginning on or after January 1, 2019)

IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases. The standard introduces a single lessee accounting model that requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. At the same time, the standard has no substantial changes to lessor accounting. Lessors continue to classify leases as operating or finance. The adoption of the new standard should have no significant impact on Ferratum Group's financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Ferratum Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to Ferratum Group's accounting policies.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Ferratum Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the senior management team that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

The financial statements of the individual entities in the Group are prepared using the currency which is mainly used in the economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euro (EUR), which is both the functional currency and the presentation currency of the parent company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in the income statement or other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are recognized in the financial statements at their cost of acquisition less depreciation (carrying amount). The cost of acquisition includes costs directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Fixed assets are depreciated according to the straight-line method, so that the assets' original cost is depreciated to the residual value over the estimated useful life, which can be for Machinery and Equipment, as well as for Other tangible assets between 3 – 8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating (expenses)/income (net) in the income statement.

2.6 Intangible assets

Intangible assets of Ferratum Group are mainly immaterial rights (licenses, trademarks, etc.) and capitalized software development costs.

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives, which are:

IT software:	**2 – 10 years**
Trademarks:	**3 – 5 years**
Licenses:	**2 – 10 years**
Development costs:	**2 – 5 years**

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Ferratum Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense incurred. Development costs recognized as assets are amortized over their estimated useful lives.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2.8 Financial assets

2.8.1 Classification of financial assets

Ferratum Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'account receivables – loans to customers', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Ferratum Group's management has the positive intention and ability to hold to maturity, other than:

(a) those that upon initial recognition are designated as at fair value through profit or loss;

(b) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in profit or loss and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in profit or loss.

2.8.2 Recognition, derecognition and measurement of financial assets

Ferratum Group recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

Ferratum Group derecognizes a financial asset or a portion of financial asset when it loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. Ferratum Group derecognizes a financial liability when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires. The evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for derecognition transactions.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.9 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 amortized cost (accounts receivable – loans to customers)

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 recognized are not included in a collective assessment of impairment.

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 is recognized in the financial statements based on historical trends and collective assessment of groups of loans with similar credit risk characteristics. These loan receivables include the loan principal amount as well as related accrued fees (processing, prolonging, reminders and overdue fees). When receivables are impaired, the receivable's carrying amount is reduced to the receivable's recoverable amount. 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 recognized in profit or loss. 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 recognized, the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year. When the loans have been 100% impaired, they are written off.

The mentioned above principles are applied to all different types of loans provided by Ferratum Group to its customers.

2.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Ferratum Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings and deposits from customers

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs, after which it is included in the amortized cost of the loan. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Ferratum Group recognises deposits from customers as a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. Deposits to customers are recognised initially at fair value, being the fair value of consideration received, and are subsequently measured at amortised cost. Ferratum Group derecognises deposits from customers from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Revenue recognition

Ferratum Group generates its revenue from its lending activities by charging one or more of the following fees to the customer: processing fee (representing interest yield on the initial loan period), prolonging fees (representing interest yield for any extension of the repayment date for the original maturity date of the loan), reminder fees and overdue fees. The fees mentioned are an integral part of the creation of the financial asset (accounts receivable - loans to customers) and represent interest income by nature.

Revenues are recognized when:

(a) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(b) the amount of the revenue can be measured reliably.

The recognition of revenues is based on the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

After signing the contract with the customer, the Group first assesses the probability that the fees charged can be recovered and that the economic benefits from the fees (i.e. the effective interest income accrued on the basis of the contractual fees) will flow to the Group. This assessment involves uncertainty estimation as it is based on the Group's statistics and historical information on customer behavior. The identification and credit scoring model allows the Group to create a customer default and risk profile for every single customer any time a loan request comes in. This is a critical step in the assessment of whether or not the economic benefits associated with the issuance of the consumer loan will flow to the Group, as the scoring model rejects non-creditworthy loan requests.

After this assessment, when it has been concluded that it is probable that economic benefits will flow to the Group, the Group assesses whether the amount of revenue can be measured reliably. The loan contracts comprise explicit terms for the loans granted i.e. the loan amount, maturity and repayment schedules and the associated fees which are used as a basis for revenue recognition. Given that the cash flows are contractually based, the amount of revenue can be measured reliably.

Revenue recognition using the effective interest rate calculations starts on day zero based on the estimated cash flows and payment dates in accordance with what is agreed in the contract. On the day when the loan is issued, the revenue recognition method accounts for the interest accrual for the first day, and subsequently, on a day to day basis. The effective interest rate is based on the number of days between the day on which the loan is paid out and the day on which the loan is contractually due.

2.16 Financial income and costs

Interest income and expense for all interest-bearing financial instruments, except microloans, are recognized within ‘finance income’ and ‘finance costs’ in profit or loss using the effective interest method.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.17 Other income from operations

Revenues that are not part of actual net sales, such as revenue from the sale of non-current assets, are recorded under other income from operations.

2.18 Share-based payments

Option plans, introduced in 2015, 2016 and 2017, are designed to provide long-term incentives for key management and employees to deliver long-term shareholder returns and increase their commitment to the company. Under the plans, participants are granted options with a defined fixed exercise price which only vest if the EBITDA in the audited consolidated statements under IFRS of the company has grown by an average of 25% a year during the four financial years prior the commencement of the exercising period of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option may be converted into one ordinary share.

The fair value of the options is independently determined on the grant date using the Black and Scholes model taking into consideration the terms and conditions of the grant. The material model inputs for options includes the exercise price, the term of the option, the share price on the grant date and the expected price volatility of the underlying shares. The expected dividend yield and the risk-free interest rate for the term of the option did not have a material effect on the option value on the grant date.

The options granted are booked as an employee benefit expense and as an increase in equity. This expense is recognized in income statement over the service period and has no cash impact on the company. The number of options is checked on each financial statement date and any changes to original amounts are recorded in the income statement and a corresponding adjustment is made to the equity.

2.19 Derivative instruments

The derivative contracts are initially recognized at fair value on the date they enter into operation. Subsequent measurement is also based on their fair value. The fair value of derivatives is calculated by discounting the future cash flows at the current interest rate on the balance sheet date. Interest rate and foreign exchange swaps and futures contracts are part of the Group’s risk management policy, but the Group does not apply hedge accounting under IAS 39 to derivative instruments. The derivatives are included in the balance sheet as other receivables and payables. Unrealized and realized gains and losses arising from changes in fair value are recognized in the income statement in financial income and expenses in the period during which they arise. Accumulated interest income or expenses from swaps and futures contracts that have taken place during the financial period are also recognized in the income statement under financial items.

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 program focuses on the unpredictability of financial markets and seeks to minimize 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, whose function is, however, carried out by all of the members of the Group’s management.

(a) Credit risk

Ferratum Group takes on exposure to credit risk, which is the risk that a 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 analyzed by class and IAS 39 categorization, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

EUR '000	31 Dec 2017	31 Dec 2016
Loans and receivables:		
Cash and cash equivalents (i)	131,832	73,059
Accounts receivable - loans to customers	257,406	184,346
Government stocks	8,851	11,450
Derivative assets	156	
Other receivables	10,554	7,298

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 on December 31, 2017, and 2016, without taking account of any collateral held or any other credit enhancements attached.

Other receivables consist usually of still open receivables from bad debts sales and prepayments for services, e.g. IT maintenance, IT hosting, license and insurance prepayments etc. For OTC (over-the-counter) derivative financial instrument contracts, Ferratum Group has derivative master framework agreements with the main counterparties concerning currency and interest rate derivative financial instruments. These agreements permit netting and allow for termination of the contract on the occurrence of certain events of defaults and termination events.

The cash and cash equivalents are broadly diversified with over 200 bank accounts in about 25 countries, which had the following Fitch ratings:

EUR '000	31 Dec 2017	31 Dec 2016
AA	168	168
AA-	10,402	24,840
A+	77,679	21,289
A	5,243	629
A-	1,463	6,462
BBB+	8,382	612
BBB	14,371	9,923
BBB-	852	354
BB+	7	7
B	13	7
No rating available	13,251	8,769
Total	**131,832**	**73,059**

Loans and advances to customers

Credit risk is managed centrally. Scoring and credit policies are steered centrally by the risk team. Measuring and monitoring the performance of the countries' credit portfolio's actual risk KPIs 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 with 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 repeat customers. Based on the credit score obtained, customers are grouped into risk classes that determine the possible credit decision.

Ferratum Group calculates reserving needs centrally for Group accounting purposes and also supports subsidiaries in calculating their local reserving requirements. The reserving requirements are calculated based on the 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 are 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 are the risks 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, recognized 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. On 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 monetary transactions in foreign currencies is managed primarily through foreign exchange swaps and futures contracts.

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 a result of intra-group borrowings, main foreign exchange risk arises from the Polish zloty. On December 31, 2017, if the 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 2,248 thousand higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2016: EUR 2,098 thousand).

Based on the various scenarios, the Group occasionally manages its cash flow foreign exchange risk by using foreign exchange swaps and futures contracts. As per December 31, 2017, part of the foreign exchange risk arising from the net assets denominated in Polish zloty (PLN) was hedged by using a PLN-EUR foreign exchange futures contracts. The futures contract's nominal value was EUR 34,862 thousand, covering 61% of the Group's net assets denominated in Polish zloty.

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 a 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, 2017, Ferratum Group's borrowings at a variable rate were denominated in EUR.

EUR '000	31 Dec 2017	31 Dec 2016
Fixed interest rate borrowings	69,400	62,002
Variable interest rate borrowings	64,390	28,712
Total borrowings	**133,790**	**90,714**

Ferratum Group analyzes its interest rate exposure on a continuous 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, 2017, part of the interest rate risk arising from the credit Group's variable rate borrowings were hedged using a floating-to-fixed interest rate swap. The swap's nominal value was EUR 5,000,000 covering 8% of the Group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

On 31 December, 2017, if interest rates on 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 600 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 and aggregated by Ferratum Group finance. Ferratum Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure that 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, currency restrictions, for example. Surplus cash held by the operating entities over and above the balance required for working capital management is 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. On the reporting date, the Group had unused credit lines amounting to EUR 11 million.

Ferratum Group has entered into forward flow agreements in Denmark, Estonia, Finland, Latvia and Sweden, whereby a portfolio of overdue loan receivables is transferred to a counterparty against a cash payment.

The repayment schedule for financial liabilities as of December 31, 2017, including future interest payments, is as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date.

The amounts are undiscounted.

31 Dec 2017	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	24,983			
Interest	1,068			
Bonds issued	45,000	25,000	40,000	
Interest	5,920	2,978	592	
Deposits from customers	174,301			
Interest	2,514			
Trade payables and other current liabilities	20,486			
Total, without derivatives	**274,273**	**27,978**	**40,592**	**0**
Interest rate derivatives	(43)	(43)		
Gross settled foreign exchange futures contracts				
- Inflow(-)	(49,784)			
- Outflow	50,582			

31 Dec 2016	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	358			
Interest	36			
Bonds issued	18,148	25,000	50,000	
Interest	4,874	4,368	2,463	
Deposits from customers	101,436			
Interest	1,535			
Trade payables and other current liabilities	14,515			
Total, without derivatives	**140,902**	**29,368**	**52,463**	**0**
Interest rate derivatives	(45)	(45)	(45)	
Gross settled foreign exchange futures contracts				
- Inflow(-)	(20,002)			
- Outflow	20,180			

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 31 December, 2017, Ferratum Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio below 3.

Net debt to equity ratio	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	131,832	73,059
Government stocks	8,851	11,450
Borrowings due within 1 year	(244,042)	(119,904)
Borrowings due after 1 year	(64,049)	(72,246)
Net debt	**(167,408)**	**(107,642)**
Cash and Government stocks	140,682	84,508
Gross debt - fixed interest rates	(243,701)	(163,438)
Gross debt - variable interest rates	(64,390)	(28,713)
Net debt	**(167,408)**	**(107,642)**

EUR '000	Cash and CE	Government Stock	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2016	17,452	-	(3,543)	(48,739)	(34,830)
Cash flow	56,324	11,450	(116,362)	(23,507)	(72,095)
Foreign exchange adjustments	(717)				(717)
Net debt as at 31 December 2016	**73,059**	**11,450**	**(119,904)**	**(72,246)**	**(107,642)**
Cash flow	60,985	(2,599)	(124,137)	8,197	(57,555)
Foreign exchange adjustments	(2,212)				(2,212)
Net debt as at 31 December 2017	**131,832**	**8,851**	**(244,042)**	**(64,049)**	**(167,408)**

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 on 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, EUR '000	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016	Level of fair value measurement
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	
Financial assets					
Items recognized at amortized cost					
Government stocks	8,851	8,867	11,450	11,477	Level 1
Items recognized at fair value through profit and loss					
Foreign exchange derivative	156	156	0	0	Level 2
Financial liabilities					
Items recognized at amortized cost					
Loans from financial institutions	24,983	24,983	358	358	Level 3
Bonds	108,807	114,475	90,356	92,403	Level 1
Deposits from customers	174,301	174,301	101,436	101,436	Level 3
Items recognized at fair value through profit and loss					
Foreign exchange derivative	705	705	136	136	Level 2
Interest derivative	85	85	46	46	Level 2

The fair value of foreign exchange and interest derivatives 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 the loan on the reporting date. These are categorized within level 3, given that credit spread is a significant unobservable input based on management's estimation.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The amounts recognized in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of financial statements. The judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are either disclosed below or in the remaining notes to the financial statements.

4.1 Impairment losses on loan and advances

Ferratum Group reviews its loan portfolio on an on-going basis to assess whether there is any objective evidence of impairment. Objective evidence that individual loans and advances are impaired includes observable data that comes to the attention of the Group about loss events, such as repayments falling into arrears. Objective evidence that a group of loans and receivables may be impaired includes probabilities of default associated with the credit status of that group and measurable economic conditions which may influence future cash flows from the assessed loans. Management uses estimates based on historical loss experience for assets with credit risk characteristics similar to those in the assessed group when forecasting future cash flows. The methodology and assumptions for estimating the amount and timing of future cash flows are reviewed regularly in the light of actual loss experience.

4.2 Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payments transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The assumptions and models used for estimating fair value for share-based payments transactions are disclosed in Note 23.

5. SEGMENT INFORMATION

Ferratum Group's operating segments are based on the major product types provided by Ferratum: Microloans, PlusLoans, Credit Limit, Ferratum Business (SME) and Mobile bank (incl. Mobile Bank, FerBuy, Primeloan and Ferratum P2P).

Attributable product margin is defined and calculated as a difference between the revenue, other income and directly attributable costs of each product segment. Non-directly attributable costs are allocated according the share in revenue and finance costs are allocated according the portfolio size of related types of products, i.e. their share in total accounts receivable - loans to customers.

5.1 Business segments in 2017

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Mobile bank*	Total
Revenue	43,886	60,315	103,774	13,135	529	221,638
Share in revenue, %	19.8	27.2	46.8	5.9	0.2	100.0
Other income	37	50	86	11	350	534
Directly attributable costs:						
Impairments	(21,822)	(22,880)	(27,534)	(3,078)	(315)	(75,629)
Marketing	(5,527)	(9,807)	(17,480)	(3,202)	(1,168)	(37,184)
Attributable profit margin	**16,574**	**27,679**	**58,846**	**6,865**	**(604)**	**109,359**
Attributable profit margin, %	37.8	45.9	56.7	52.3		49.3
Non-directly attributable costs:						
Personnel expenses	(6,657)	(9,149)	(15,741)	(1,992)	(1,836)	(35,375)
Lending costs	(2,014)	(2,767)	(4,761)	(603)		(10,145)
Other administrative expenses	(319)	(438)	(754)	(95)	(598)	(2,205)
Depreciation and amortization	(376)	(517)	(889)	(113)	(916)	(2,811)
Other operating income and expenses	(4,879)	(6,706)	(11,538)	(1,460)	(2,403)	(26,986)
Total non-directly attributable costs	**(14,245)**	**(19,577)**	**(33,684)**	**(4,263)**	**(5,752)**	**(77,521)**
Operating profit	**2,329**	**8,101**	**25,163**	**2,602**	**(6,357)**	**31,838**
Gross profit margin, %	5.3	13.4	24.2	19.8		14.4
Unallocated finance income						97
Finance expenses	(1,099)	(2,358)	(4,137)	(1,086)	(12)	(8,691)
Unallocated finance expense						
Finance costs, net	(1,099)	(2,358)	(4,137)	(1,086)	(12)	(8,594)
Profit before income tax	**1,230**	**5,743**	**21,026**	**1,516**	**(6,369)**	**23,244**
Net profit margin, %	2.8	9.5	20.3	11.5		10.5
Accounts receivable - loans to customers	32,541	69,829	122,520	32,148	368	257,406
Unallocated assets						179,189
Unallocated liabilities						331,352

*Includes Mobile Bank, FerBuy, Primeloan and Ferratum P2P

5.2 Business segments in 2016

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Mobile bank*	Total
Revenue	52,837	30,232	66,444	4,251	364	154,128
Share in Revenue, %	34.3	19.6	43.1	2.8	0.2	100.0
Directly attributable costs:						
Impairments	(19,779)	(9,709)	(17,204)	(909)	(363)	(47,964)
Marketing	(5,444)	(7,887)	(13,562)	(1,547)	(1,477)	(29,918)
Attributable profit margin	**27,614**	**12,636**	**35,678**	**1,795**	**(1,476)**	**76,246**
Attributable profit margin, %	52.3	41.8	53.7	42.2		49.5
Non-directly attributable costs:						
Personnel expenses	(8,149)	(4,663)	(10,248)	(656)	(1,046)	(24,761)
Lending costs	(2,749)	(1,573)	(3,457)	(221)		(8,001)
Other administrative expenses	(682)	(390)	(858)	(55)	(219)	(2,204)
Depreciation and amortization	(404)	(231)	(508)	(32)	(371)	(1,547)
Other operating income and expenses	(5,507)	(3,151)	(6,926)	(443)	(2,564)	(18,591)
Total non-directly attributable costs	**(17,492)**	**(10,009)**	**(21,997)**	**(1,407)**	**(4,200)**	**(55,105)**
Operating profit	**10,122**	**2,627**	**13,681**	**387**	**(5,676)**	**21,142**
Gross profit margin, %	19.2	8.7	20.6	9.1		13.7
Unallocated finance income						161
Finance expenses	(1,223)	(1,380)	(2,632)	(442)	(23)	(5,700)
Unallocated finance expense						(875)
Finance costs, net	(1,223)	(1,380)	(2,632)	(442)	(23)	(6,414)
Profit before income tax	**8,899**	**1,247**	**11,049**	**(54)**	**(5,699)**	**14,728**
Net profit margin, %	16.8	4.1	16.6			9.6
Accounts receivable - loans to customers	39,554	44,626	85,123	14,287	755	184,346
Unallocated assets						111,338
Unallocated liabilities						207,809

*Includes Mobile Bank, FerBuy, Primeloan and Ferratum P2P

5.3 Revenue domestic

EUR '000	2017	2016
Revenue, international	180,435	121,230
Revenue, domestic	41,203	32,898
Total revenue	**221,638**	**154,128**

5.4 Revenue of business segments geographically

In addition to operating segments represented by different types of products the management of Ferratum Group continues analysis of revenue by geographical principle. All the countries where the Group has operating activities are combined into four regions. The detailed list of countries within each region together with the total regions' revenues for the year ended 31 December 2017 and the year ended 31 December 2016 are presented in the following table.

EUR '000		2017	2016
Region 1	Finland, Sweden, Denmark, Norway	88,726	60,566
Region 2	Netherlands, UK, New Zealand, Australia, Canada	46,330	28,161
Region 3	Estonia, Latvia, Lithuania, Poland, Czech, Slovakia, Russia	54,393	45,034
Region 4	Bulgaria, Romania, Croatia, Spain, Germany, France, Mexico, Brazil	32,189	20,367
Total revenue		**221,638**	**154,128**

6. PERSONNEL EXPENSES

EUR '000	2017	2016
Salaries and other employee benefits (incl. bonuses)	(26,172)	(18,425)
Statutory pension costs	(882)	(667)
Other personnel expenses	(7,057)	(5,270)
Share-based payments equity settled	(1,263)	(399)
Total personnel expenses	**(35,375)**	**(24,761)**

7. DEPRECIATION AND AMORTISATION

EUR '000	2017	2016
Tangible assets		
Machinery & Equipment	(262)	(180)
Other tangible assets	(81)	(71)
Total tangible assets	**(343)**	**(251)**
Intangible assets		
Trademarks and licenses	(2)	(2)
Internally generated software development costs	(1,018)	(516)
IT Software	(1,447)	(777)
Total intangible assets	**(2,467)**	**(1,295)**
Total depreciation and amortization	**(2,811)**	**(1,547)**

8. OTHER OPERATING EXPENSES

EUR '000	2017	2016
Rent and other office expenses	(4,087)	(3,385)
Travel expenses	(2,378)	(1,821)
Professional fees (excl. Audit)	(9,536)	(6,521)
Audit fees	(564)	(463)
Other expenses	(10,421)	(6,465)
Total other operating expenses	**(26,986)**	**(18,655)**

Audit fees and other services from audit companies

EUR '000	2017	2016
PwC		
Audit fees	480	343
Non-audit fees:		
Tax advice	47	16
Other services	739	831
Other audit companies		
Audit fees	84	120
Non-audit fees:		
Other services	172	179
Total audit fees	**564**	**463**
Total non-audit fees	**958**	**1,026**

PricewaterhouseCoopers Oy has provided non-audit services to entities of Ferratum Group in total 11 thousand euros during the financial year 2017. These services included auditors' statements (11 thousand euros), tax services (0 thousand euros) and other services (0 thousand euros).

9. FINANCE INCOME

EUR '000	2017	2016
Interest income from cash and cash equivalents	38	161
Derivatives held for trading – net gain / (loss)	59	
Total finance income	**97**	**161**

10. FINANCE COSTS

EUR '000	2017	2016
Interest on borrowings	(7,917)	(5,364)
Derivatives held for trading – net gain / (loss)	(8)	(8)
Other finance expenses paid on borrowings	(1,151)	(329)
Foreign exchange loss on liabilities, realized	384	(875)
Total finance costs	**(8,691)**	**(6,575)**

11. INCOME TAX EXPENSES

EUR '000	2017	2016
Current tax:		
Current tax on profits for the year	(3,982)	(2,124)
Adjustments in respect of prior years	606	(595)
Other direct taxes	(56)	(43)
Total current tax	**(3,433)**	**(2,762)**
Deferred tax:		
Origination and reversal of temporary differences	270	1,022
Impact of change on the corporate tax rates	(22)	(27)
Total deferred tax	**248**	**995**
Total income tax expense	**(3,185)**	**(1,768)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

EUR '000	2017	2016
Profit before tax	**23,244**	**14,728**
Tax calculated at Finnish tax rate	(4,649)	(2,946)
Tax effects of:		
– Difference between Finnish tax rate and rates in other countries	3,263	1,697
– Income not subject to tax	562	131
– Expenses not deductible for tax purposes	(1,569)	(1,069)
– Utilization of previously unrecognized tax losses	498	1,970
– Tax losses for which no deferred income tax asset was recognized	(1,819)	(937)
Reassessment of recoverability of deferred tax assets	-	36
Re-measurement of deferred tax – change in corporate tax rates*	(22)	(27)
Changes in tax provisions	-	15
Adjustment in respect of prior years	606	(595)
Other direct taxes	(56)	(43)
Tax charge	**(3,185)**	**(1,768)**

* The corporate income tax decreased in Slovakia from 22% to 21% and in the United Kingdom from 20% to 19%, during the year 2017. The corporate income tax rate increased in Germany from 29.72% to 29.79% in 2017. As a result, deferred tax assets and liabilities relating to operations in these countries have been valued at the new tax rate. The full effect of the change has been recorded in the income statement.

EUR '000	2017	2016
Losses on carried forward balance on 31 December	**15,064**	**14,365**
of which		
– expires in one year	17	540
– expires in two years' time	4,574	709
– expires in later than two years	10,473	13,116

The company has in total EUR 1,279,000 of losses carried forward for which no deferred tax assets has been recognized with maturity of 3 years (EUR 1,078,000) and 4 years (EUR 201,000).

12. 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.

Diluted earnings per share are calculated by adjusting the weighted average number of all shares to assume conversion of all options granted to employees. Options are considered to be potential ordinary share since each option may be converted into one ordinary share.

EUR '000	2017	2016
Profit for the reporting period attributable to owners of the parent	20,058	12,961
Weighted average number of ordinary shares in issue	21,578	21,578
Adjustment for calculation of diluted earnings per share:		
Options	174	104
Diluted weighted average number of ordinary shares in issue	21,752	21,682
Earnings per share, basic, EUR	**0,93**	**0,60**
Earnings per share, diluted, EUR	**0,92**	**0,60**

13. PROPERTY, PLANT AND EQUIPMENT

EUR '000	Machinery & Equipment	Other tangible assets	Total
Cost, opening balance, as of January 1 2016	**849**	**126**	**976**
Year ended 31 December 2016			
Additions of the period	471	2,078	2,548
Disposals of the period	(81)		(81)
Reclassification during the period			
Cost, closing balance, as of 31 December 2016	**1,238**	**2,204**	**3,442**
Cumulative depreciation, opening balance, as of January 1 2016	**(402)**	**(14)**	**(416)**
Year ended 31 December 2016			
Cumulative depreciation of disposals	(15)		(15)
Depreciation for the period	(180)	(71)	(251)
Cumulative depreciation, closing balance, as of 31 December 2016	**(596)**	**(85)**	**(681)**
Net book amount, opening balance	**447**	**113**	**560**
Net book amount, closing balance	**642**	**2,119**	**2,761**
Cost, opening balance, as of 1 January 2017	**1,238**	**2,204**	**3,442**
Year ended 31 December 2017			
Additions of the period	650	426	1,077
Disposals of the period	(7)		(7)
Reclassification during the period			
Cost, closing balance, as of 31 December 2017	**1,881**	**2,630**	**4,512**
	-	-	-
Cumulative depreciation, opening balance, as of 1 January 2017	**(596)**	**(85)**	**(681)**
Year ended 31 December 2017			
Cumulative depreciation of disposals			
Depreciation for the period	(262)	(81)	(343)
Impairment	(5)		(5)
Cumulative depreciation, closing balance, as of 31 December 2017	**(863)**	**(166)**	**(1,029)**
Net book amount, opening balance	**642**	**2,119**	**2,761**
Net book amount, closing balance	**1,018**	**2,464**	**3,482**

14. INTANGIBLE ASSETS

EUR '000	Immaterial rights	Internally generated software development costs	Computer Software	Total
Cost, opening balance, as of January 1 2016	**1,104**	**6,644**	**3,285**	**11,034**
Year ended 31 December 2016				
Additions of the period		3,090	2,709	5,799
Disposals of the period				
Cost, closing balance, as of 31 December 2016	**1,104**	**9,734**	**5,994**	**16,833**
Cumulative depreciation, opening balance, as of January 1 2016	**(1,102)**	**(469)**	**(1,231)**	**(2,802)**
Year ended 31 December 2016				
Cumulative depreciation of disposals				
Depreciation for the period	(2)	(516)	(777)	(1,295)
Cumulative depreciation, closing balance, as of 31 December 2016	**(1,104)**	**(985)**	**(2,008)**	**(4,097)**
Net book amount, opening balance	**2**	**6,175**	**2,054**	**8,232**
Net book amount, closing balance	**0**	**8,749**	**3,987**	**12,736**
Cost, opening balance, as of 1 January 2017	**1,104**	**9,734**	**5,994**	**16,833**
Year ended 31 December 2017				
Additions of the period	5	10,330		10,335
Disposals of the period		(1,328)		(1,328)
Cost, closing balance, as of 31 December 2017	**1,109**	**18,736**	**5,994**	**25,840**
Cumulative depreciation, opening balance, as of 1 January 2017	**(1,104)**	**(985)**	**(2,008)**	**(4,097)**
Year ended 31 December 2017				
Cumulative depreciation of disposals		762		762
Depreciation for the period	(2)	(1,018)	(1,447)	(2,467)
Cumulative depreciation, closing balance, as of 31 December 2017	**(1,106)**	**(1,241)**	**(3,455)**	**(5,802)**
Net book amount, opening balance	**0**	**8,749**	**3,987**	**12,736**
Net book amount, closing balance	**3**	**17,495**	**2,539**	**20,037**

Ferratum Group has neither tangible nor intangible assets pledged as securities for any borrowings.

15. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes during the financial year 2017

EUR '000	on 1 Jan 2017	Recognized in income statement	Recognized in Equity	Translation difference	on 31 Dec 2017
Deferred tax assets					
Tax losses carried forward	2,258	138		(94)	2,301
Deferred revenue and credit loss reserve	1,196	236		(2)	1,431
Derivative	26				26
Total	**3,480**	**374**		**(96)**	**3,757**
Deferred tax liabilities					
Discretionary provisions	(0)	118			118
Deferred tax net	**3,480**	**255**		**(96)**	**3,639**

Changes in deferred taxes during the financial year 2016

EUR '000	on 1 Jan 2016	Recognized in income statement	Recognized in Equity	Translation difference	on 31 Dec 2016
Deferred tax assets					
Tax losses carried forward	1,377	951	0	(70)	2,258
Deferred revenue and credit loss reserve	1,290	(96)		2	1,196
Derivative	26				26
Total	**2,692**	**856**	**0**	**(68)**	**3,480**
Deferred tax liabilities					
Discretionary provisions	184	(183)		(1)	(0)
Deferred tax net	**2,508**	**1,039**	**0**	**(67)**	**3,480**

16. ACCOUNTS RECEIVABLE – LOANS TO CUSTOMERS

EUR '000	31 Dec 2017	31 Dec 2016
Accounts receivable – loans to customers (gross)	336,243	247,010
Less: provision for impairment of loan receivables	(78,837)	(62,664)
Accounts receivable – loans to customers (net)	**257,406**	**184,346**

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

EUR '000	31 Dec 2017				31 Dec 2016			
	GBV*	Provision for Impairment	NBV**	ILCR***, %	GBV*	Provision for Impairment	NBV**	ILCR***, %
Not overdue	216,988	(10,159)	206,829	4.7	153,394	(7,309)	146,085	4.8
1-90 days due	29,895	(7,668)	22,227	25.6	20,683	(5,359)	15,324	25.9
91-180 days due	20,904	(9,228)	11,676	44.1	14,736	(6,597)	8,139	44.8
> 181 days due	68,456	(51,782)	16,674	75.6	58,197	(43,400)	14,797	74.6
Total	**336,243**	**(78,837)**	**257,406**	**23.4**	**247,010**	**(62,664)**	**184,346**	**25.4**

*GBV = Gross book value. **NBV = Net book value. ***Impaired loan coverage ratio

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

EUR '000	2017	2016
Provision for impairment on January 1	(62,664)	(49,131)
Impairments on loans	(75,629)	(47,964)
Amounts fully reserved and booked out	59,456	34,431
Provision for impairment on 31 December	**(78,837)**	**(62,664)**

17. CASH AND CASH EQUIVALENTS

EUR '000	31 Dec 2017	31 Dec 2016
Cash at bank and in hand	131,832	73,059
Short-term bank deposits		
Cash and cash equivalents (excluding bank overdrafts)	**131,832**	**73,059**

18. SHARE CAPITAL AND OTHER RESERVES AND DISTRIBUTIONS TO EQUITY HOLDERS OF THE PARENT

EUR '000	Number of shares	Share capital	Treasury share	Unrestricted equity reserve	Other reserves
On 1 Jan 2016	**21,723,960**	**10,134**	**(142)**	**44,708**	**(638)**
Increase of share capital		30,000		(30,000)	
Distribution of funds					
Currency translation differences					(1,099)
Transfers between items					535
On 31 Dec 2016	**21,723,960**	**40,134**	**(142)**	**14,708**	**(1,202)**
Increase of share capital					
Distribution of funds					
Currency translation differences					(1,212)
Transfers between items					173
On 31 Dec 2017	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,240)**

The par value of each share is 1 EUR. The cumulative translation differences of EUR -1,212,000 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 31 December 2017, Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.7% of the share capital. No consideration is paid to the treasury shares in a distribution of equity.

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. The lock-up period on the shares related to share purchase programme 2007-2012 ended on 7 February, 2017, that is 24 months after the IPO. These programmes had no any impact after the 2014 financial year.

19. INTEREST BEARING LIABILITIES

EUR '000	31 Dec 2017	31 Dec 2016
Non-current interest bearing liabilities		
Bank borrowings		22
Bonds issued	64,049	72,224
Total non-current interest bearing liabilities	**64,049**	**72,246**
Current interest bearing liabilities		
Bank borrowings	24,983	335
Bonds issued	44,758	18,133
Deposits from customers	174,301	101,436
Total current interest bearing liabilities	**244,042**	**119,904**
Total interest bearing liabilities	**308,091**	**192,150**

In June 2017 Ferratum Group has successfully concluded a tap issue of EUR 15 million of the bonds due March 2020 from the existing EUR 60 million bond issuance programme of its subsidiary, Ferratum Bank p.l.c. In July 2017, Ferratum Group issued a EUR 20 million bond due October 2018. During the year ended 31 December 2017 Ferratum Group has repaid it's bond liabilities due in January 2017 of EUR 13.5 million and due in May 2017 of PLN 20.5 million.

20. CURRENT NON-INTEREST BEARING LIABILITIES

EUR '000	31 Dec 2017	31 Dec 2016
Current tax liabilities	**1,867**	**1,143**
Trade payables	**9,838**	**4,958**
Other current liabilities	**10,648**	**9,376***
Interest liabilities	1,397	1,627
Accrued employee expenses	2,323	1,700
Other current accrued liabilities on expenses, interest-free	6,929	6,048
Total current non-interest bearing liabilities	**22,353**	**15,477***

Included Derivatives in annual report 2016, but now Derivatives are presented separately in the statement of financial position

21. RELATED PARTY DISCLOSURE

Ferratum Group is controlled by Jorma Jokela, who owns 55.37% of the parent company's shares. The company also holds treasury shares.

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 and their close family members has significant control or joint control. Also companies where Ferratum's controlling individual has control, joint control or significant influence is considered to be a related party of Ferratum Group.

Transactions with related parties

EUR '000	2017	2016
Purchase of services from related parties – Entity controlled by key management personnel	940	646

The Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services, legal counseling, flight travel services and warehousing services. The Group has bought the security and recruiting services (EUR 192 thousand) from the companies which are controlled by the Managing Director and legal and financial consultancy services (EUR 748 thousand) from the companies which are controlled by the Board Members and the senior Management team members. Related party transactions have been carried out on generally accepted market terms and they have been based on the market price of goods and services.

Option plans have been introduced for key management employees in 2017 and 2016. The terms and conditions of these options are the same for the management and key employees. The fair value of options is determined using the principles described in disclosure 23. The summary of options granted to key management employees in 2017 and 2016 is the following:

	2017	2016
Options granted during the year	85,000	71,500
Of which exercisable on 31 December 2016	-	-
Fair value in total (EUR '000)	190	398
Total number of shares the option rights are entitled to	**85,000**	**71,500**

The retirement age of CEO is 65 years and he has no pension plan.

EUR '000	2017	2016 restated*
Compensation to key management (consisting of the Board of Directors and the senior management team)		
Salaries and other short-term employee benefits	1,486	1,389
Statutory pension costs	127	83
Share-based payments	172	52
Total	**1,784**	**1,524**
Compensation for members of the Board of Directors and CEO		
Jorma Jokela, CEO, Member of the Board of Directors		
Salaries and other short-term employee benefits	211	220
Erik Ferm, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	20
Share-based payments	3	1
Juhani Vanhala, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	18
Statutory pension costs		3
Share-based payments	3	1
Jouni Hakanen, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	11
Share-based payments	3	1
Christopher Wang, Member of the Board of Directors		
Salaries and other short-term employee benefits	10	
Lea Liigus, Member of the Board of Directors		
Share-based payments	91	19
Pieter van Groos, Chairman of the Board of Directors		
Salaries and other short-term employee benefits	24	22
Share-based payments	71	30
Total	**471**	**346**

* Shared-based payments are restated to represent only the impact on Profit and Loss statement of the year-ended on December 31, 2016

22. COMMITMENTS

EUR '000	31 Dec 2017	31 Dec 2016
Credit limit agreement		
Total amount of limits granted to Ferratum	35,111	35,111
Limit in use	24,538	0
Collateral on own debt		
Guarantees	110,000	99,648
Corporate pledge	20,000	20,000
Pledged subsidiary shares	11	11
Pledged investments	5	5
Operating lease		
Lease liabilities due within the next 12 months	773	508
Lease liabilities due after the next 12 months	824	245
Total operating lease liabilities	**1,597**	**753**
Total office rent costs	**1,823**	**1,603**

23. SHARE-BASED PAYMENTS

Employee option plan 2014

During October 2014, select key management employees were granted options to purchase a total of 238,000 shares of the company from Jorma Jokela. The exercise period started on 15 January, 2015, and ended on 15 June, 2016, and there are no vesting conditions attached to the options or shares. The exercise period for 170,000 of these options was extended to 31 December 2017, of which 84,500 were further extended to 31 December 2019. The total fair value of the options on the grant date is approximately EUR 977,027 and the valuation of the share options is made using the Black-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 is recognized 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 on the company. Members of select key management exercised options to purchase a total of 34,000 shares in 2016, 59,500 shares in 2015 and 60,000 shares in 2017.

Employee option plans 2015, 2016 and 2017

New employee option plans were introduced in April and August 2015, in April and December 2016 and in January, September and November 2017 designed to provide long-term incentives for key management and employees to deliver long-term shareholder returns and increase their commitment to the company. Under the plans, participants are granted options with a defined fixed exercise price which only vest if the EBITDA in the audited consolidated statements under IFRS of the company has grown by an average of 25% a year during the four financial years prior the commencement of the exercising period of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option may be converted into one ordinary share.

The share subscription price for each option shall be EUR 11.90, which constitutes 70% of the initial public offering price of the company's share on Frankfurt Stock Exchange on 6 February, 2015. The total fair value of the options issued in 2015 on the grant date is approximately EUR 1,415 thousand (EUR 6.46 per option). The total fair value of the options issued in 2016 on the grant date is approximately EUR 1,251 thousand (EUR 5.78 per option). The total fair value of the options issued in 2017 on the grant date is approximately EUR 2,666 thousand (EUR 8.29 per option). The fair value on the grant date is independently determined using the Black-Scholes model taking into consideration the terms and conditions of the grant. The material model inputs for options granted during the year ended 31 December 2015, the year ended 31 December 2016, and the year ended 31 December 2017, includes the exercise price, the term of the option, the share price on the grant date and the expected price volatility of the underlying shares. The expected dividend yield and the risk-free interest rate for the term of the option did not have a material effect on the option value on the grant date.

The main parameters used in defining the fair value of the option programs 2017, 2016, 2015, 2014 are:

EUR '000	2017	2016	2015	2014
Share price on the date of issue, EUR *	21.68	20.76	22.47	6.75
Original subscription price, EUR	11.9	11.9	11.9	2.65
Duration (years)	1-4	4	4	4
Expected volatility, %	40	40	40	40
Fair value of option on the date of issue, EUR	8.29	5.78	6.46	4.11

*2017: weighted average value of 158,500 options with a share price of EUR 17.20 on the date of issue, 113,000 options with a share price of EUR 25.74 on the date of issue and 50,000 options with a share price of EUR 26.72 on the date of issue; 2016: weighted average value of 144,875 options with a share price of EUR 23.62 on the date of issue and 71,500 options with a share price of EUR 14.99 on the date of issue; 2015: weighted average value of 192,100 options with a share price of EUR 22.50 on the date of issue and 26,860 options with a share price of EUR 22.265 on the date of issue; 2014: pre-IPO valuation based on Black-Scholes model assumptions

Share options outstanding at the end of the year ended 31 December 2017:

Grant date	Number of options granted	Number of employees	Share price on grant date, EUR	Unexercised options	Exercise price, EUR	Share subscription period
31 October, 2014	238,000	3	6.75	84,500	2.65	15 Jan, 2015 – 31 Dec, 2019
10 April, 2015	192,100	35	22.50	132,600	11.90	1 May, 2019 – 30 Apr, 2021
1 August, 2015	26,860	3	22.27	26,860	11.90	2 Aug, 2019 – 31 July, 2021
1 April, 2016	144,875	85	23.62	110,500	11.90	2 Apr, 2020 – 30 Mar, 2022
1 December, 2016	71,500	7	14.99	71,500	11.90	2 Dec, 2020 – 30 Nov, 2022
1 January, 2017	158,500	98	17.20	154,000	11.90	2 Jan, 2021 – 31 Dec, 2022
25 September, 2017	113,000	7	25.74	113,000	11.90	26 Sep, 2018 – 24 Sep, 2023
1 November, 2017	50,000	1	26.72	50,000	11.90	2 Nov, 2018 – 31 Oct, 2023
Total	**994,835**			**742,960**		

On 31 December 2017, the vesting period left for the options granted in April 2015 is 1.3 years, for the options granted in August 2015 it is 1.6 years, for the options granted in April 2016 it is 2.3 years, for the options granted in December 2016 and January 2017 it is 3 years. The options granted in September and November 2017 have 4 different vesting periods: 1 year, 2 years, 3 years and 4 years.

Changes in the number of options outstanding during the years ended 31 December 2017, and 2016:

	2017		2016	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Number of options outstanding on January 1	9.23	500,755	7.75	397,460
Granted options during the year	11.90	321,500	11.90	216,375
Exercised options during the year	2.65	(60,000)	2.65	(34,000)
Forfeited options during the year	11.90	(19,295)	11.90	(79,080)
Number of options outstanding on 31 December	**10.85**	**742,960**	**9.23**	**500,755**
Vested and exercisable options on 31 December	2.65	84,500	2.65	144,500

Total expenses arising from share-based payment transactions recognized during the years ended 31 December 2017, and 2016 as part of employee benefit expense were as follows:

	2017	2016
Employee option plans 2015	542,165	246,444
Employee option plans 2016	330,495	152,399
Employee option plans 2017	390,707	
Total expenses of share-based payment transactions	**1,263,367**	**398,843**

24. GROUP COMPANIES

Ownership in Group companies	Country	Group share of holding	Parent company share of holding
Auxilium Limited	Malta	100%	0%
Baltic Skyways OÜ	Estonia	100%	0%
Bidellus Bangladesh Ltd	Bangladesh	100%	0%
Bidellus Nigeria Limited	Nigeria	100%	0%
Ferratum (Malta) Holding Limited	Malta	100%	99.99999%
Ferratum Australia Pty Ltd	Australia	100%	100%
Ferratum Bank p.l.c.	Malta	100%	0.00001%
Ferratum Brazil Servicos De Correspondente Bancario Ltda	Brazil	100%	99%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Canada Inc	Canada	100%	100%
Ferratum Capital Germany GmbH	Germany	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Ferratum Capital Poland S.A.	Poland	100%	100%
Ferratum Chile Ltda	Chile	100%	99%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferratum d.o.o. in liquidation	Croatia	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum Finland Oy	Finland	100%	100%
Ferratum Georgia LLC	Georgia	100%	100%
Ferratum Germany GmbH	Germany	100%	100%
Ferratum International Services Oy	Finland	100%	100%
Ferratum Kredi Finansmani A.S in liquidation	Turkey	100%	100%
Ferratum Latvia SIA	Latvia	100%	100%
Ferratum Mexico S. de R.L. de C.V.	Mexico	100%	99.99%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Peru S.A.C.	Peru	100%	99%
Ferratum Romania I.F.N.S.A.	Romania	99.93%	99.93%
Ferratum Services Limited	Malta	100%	0%
Ferratum Slovakia s.r.o.	Slovakia	100%	100%
Ferratum Spain SL	Spain	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Vakuutus Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Highways Sp z.o.o. in liquidation	Poland	100%	0%
Inari Serviços Financeiros Ltda	Brazil	100%	99%
Microfinance Company Ferratum Russia LLC	Russia	100%	100%
Numeratum d.o.o.	Croatia	100%	100%
Pactum Collections GmbH	Germany	100%	100%
Pactum Poland Sp. z.o.o.	Poland	100%	100%
Rus-Kredit OOO	Russia	100%	100%
Sideways Sp z.o.o. in liquidation	Poland	100%	0%
Swespar AB	Sweden	100%	100%
UAB "Ferratum Finance"	Lithuania	100%	100%

25. PARENT COMPANY STATEMENTS 2017

25.1 Ferratum Oyj Income Statement

EUR '000	Note	2017	2016
Other operating income	2	7,439	3,359
Material and services		(90)	
Personnel expenses	4	(3,641)	(2,200)
Depreciation, amortization and impairment	6	(1,275)	(746)
Other operating expenses	7	(14,115)	(10,953)
Operating profit		(11,681)	(10,540)
Financial income and expenses	8	11,489	16,900
Profit/loss before appropriations and taxes		(192)	6,360
Appropriations			
Group Contribution		20,270	11,518
Income tax		(1,609)	
Profit for the year		**18,470**	**17,878**

25.2 Ferratum Oyj Statement of Financial Position

EUR '000	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	9	11,127	6,372
Tangible assets	10	1,424	1,400
Investments	11	59,625	39,097
Non-current receivables	12	53,636	56,639
Total non-current assets		**125,812**	**103,508**
Current assets			
Current receivables	13	51,673	37,032
Cash and bank		143	908
Total current assets		**51,816**	**37,940**
Total assets		**177,627**	**141,448**
EQUITY AND LIABILITIES			
Equity			
Share capital		40,134	40,134
Treasury shares		(142)	(142)
Other reserves total		14,708	14,708
Retained earnings		20,104	4,816
Profit/loss for the period		18,470	17,878
Total equity	**15-16**	**93,273**	**77,392**
Liabilities			
Non-current liabilities, interest-bearing	17	70,990	53,062
Current liabilities, interest-bearing	18	21	4,020
Current liabilities, interest-free	18	13,343	6,973
Total liabilities		**84,354**	**64,055**
Total equity and liabilities		**177,627**	**141,448**

25.3 Ferratum Oyj Cash Flow Statement

EUR '000	31 Dec 2017	31 Dec 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / Loss for the period	18,470	17,878
Adjustments for:		
Depreciation, amortization & impairment loss	1,275	746
Financial income and expenses	(11,489)	(16,900)
Other adjustments	(18,661)	(11,477)
Operating profit before working capital changes	**(10,406)**	**(9,753)**
Working capital changes:		
Increase (-) /decrease(+) in trade and other receivables	(6,074)	(8,306)
Increase (+) / decrease (-) in trade payables	3,187	(1,094)
Cash generated from operations	**(13,293)**	**(19,154)**
Interest paid	(3,401)	(4,031)
Dividends received	(5,541)	11,349
Interest received	3,854	1,583
Other financing items	(1,119)	(109)
Income taxes paid		-
Net cash from operating activities	**(19,500)**	**(10,362)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(5,342)	(4,848)
Proceeds from the sale of tangible and intangible assets	-	
Acquisition of subsidiaries	(20,528)	(20,891)
Disposal of subsidiaries	-	7
Loans granted (-) / Repayments of loans (+)	8,178	21
Net cash used in investing activities	**(17,691)**	**(25,711)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital		
Costs related to issue of share capital		
Proceeds from borrowings (+) / Repayment (-)	13,929	24,784
Dividends paid	(2,589)	(2,158)
Group contribution received (+) / paid (-)	25,087	11,301
Net cash used in financing activities (C)	**36,426**	**33,927**
Net increase/decrease in cash and cash equivalents	**(765)**	**(2,146)**
Cash and cash equivalents at the beginning of the period	908	3,054
Net increase/decrease in cash and cash equivalents	(765)	(2,146)
Cash and cash equivalents at the end of the period	143	908

25.4 Notes to the financial statements of the parent company

1. Notes to financial statement of parent company

Parent company information
Ferratum Oyj, registered in Helsinki, is the parent company of Ferratum Group. Copies of the consolidated financial statements can be obtained from Ferratum Oyj, located in Ratamestarinkatu 11 A, 00520 Helsinki.

Valuation methods
Tangible assets have been valued at acquisition cost.

Allocation principles and methods
The acquisition cost of tangible assets is depreciated according to plan. The difference between the acquisition cost and residual value of the asset is booked as depreciation over the economic period of the asset.

Depreciation periods
Investments for rental premises - 4 years
Immaterial rights - 3 to 10 years
Tangible assets - 25% declining depreciation

Comparative data
The length of the financial year is 12 months (1 Jan 2017 – 31 Dec 2017).

Foreign currency valuation
Foreign currency receivables and payables are valued at the purchase and sales exchange rates quoted by the Finnish National Bank at the end of the financial year.

Share capital
The share capital of the company is EUR 40,133,560 and the number of shares is 21,723,960. The shares have no nominal value. All the shares are attached with equal voting rights and equal right when distributing dividend.

25.5 Notes to the income statement of the parent company

2. Other operating income, EUR '000	2017	2016
Other operating income	7,439	3,359

3. Average personnel	2017	2016
During financial year	35	21

4. Personnel expenses, EUR '000	2017	2016
Wages and salaries	(3,049)	(1,877)
Pension expenses	(512)	(294)
Other social expenses	(80)	(30)
Personnel expenses, total	**(3,641)**	**(2,200)**

5. Management compensation, EUR '000	2017	2016
Board of directors and CEO	206	181

6. Depreciation and amortization by asset class category, EUR '000	2017	2016
Intangible assets		
Other capitalized expenditure	(1,138)	(647)
Tangible assets		
Machinery and equipment	(137)	(99)
Total depreciation and amortization	**(1,275)**	**(746)**

7. Other operating expenses, EUR '000	2017	2016
Selling, marketing and administration	(13,981)	(10,819)
Audit fees	(134)	(133)

8. Financial income and expenses, EUR '000	2017	2016
Financial income		
Intra-group dividend income	11,893	(16,585)
Intra-group dividend income, total	11,893	(16,585)
Other intra-group interest and financial income	5,468	4,839
Other interest and financial income from others	0	0
Other financial income	5,469	4,839
Financial income, total	**17,362**	**21,424**
Financial expenses		
Other intra-group interest and financial expenses	(4,752)	(3,699)
Other interest and financial expenses from others	(1,121)	(825)
Financial expenses, total	**(5,873)**	**(4,524)**
Financial income and expenses, total	**11,489**	**16,900**
Foreign exchange gains and losses, total	**(570)**	**(817)**

25.6 Notes to the statement of financial position of the parent company

9. Intangible assets, EUR '000	Other capitalized expenditures
Acquisition cost on 1 January 2017	8,103
Additions during the year ended 31 December 2017	5,264
Acquisition cost on 31 December 2017	**13,367**
Accumulated depreciation on 1 January 2017	(1,732)
Depreciation during the year ended 31 December 2017	(509)
Accumulated depreciation on 31 December 2017	**(2,240)**
Net Book value on 31 December 2017	**11,127**
Net Book value on 1 January 2017	**6,372**

10. Tangible assets, EUR '000	Real estate	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 January 2017	1,241	393	1	1,635
Additions during the year ended 31 December 2017		78		78
Disposals during the year ended 31 December 2017				
Acquisition cost on 31 December 2017	1,241	471	1	1,713
Accumulated depreciation on 1 January 2017		(235)		(235)
Accumulated depreciation of disposals				
Depreciation during the year ended 31 December 2017		(54)		(54)
Accumulated depreciation at 31 December 2016		(289)		(289)
Net Book value on 31 December 2017	**1,241**	**182**	**1**	**1,424**
Net Book value on 1 January 2017	**1,241**	**158**	**1**	**1,400**

11. Investments, EUR '000	Other shares and equity interests
Acquisition cost on 1 January 2017	39,097
Additions during the year ended 31 December 2017	20,528
Disposals during the year ended 31 December 2017	
Acquisition cost on 31 December 2017	59,625
Book value on 31 December 2017	**59,625**
Book value on 1 January 2017	**39,097**

12. Non-current receivables, EUR '000	31 Dec 2017	31 Dec 2016
Receivables from intra-group companies	53,633	56,636
Permanent receivables from employees	3	3

13. Current receivables, EUR '000	31 Dec 2017	31 Dec 2016
Other receivables	812	467
Receivables from intra-group companies	49,255	34,337
Accruals	1,606	2,227
Current receivables, total	**51,673**	**37,032**

14. Accruals, EUR '000	31 Dec 2017	31 Dec 2016
Other accruals	1,609	2,227

15. Change in equity 2017, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total Equity on 1 January 2017	**40,134**	**14,708**	**22,551**	**77,392**
Dividend distribution			(2,589)	(2,589)
Reclassifications between items				
Profit/loss for the period			18,470	18,470
Total equity on 31 December 2017	**40,134**	**14,708**	**38,431**	**93,273**

16. Change in equity 2016, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total equity on January 1 2016	**10,134**	**44,708**	**6,831**	**61,673**
Distribution of unrestricted equity			(2,158)	(2,158)
Reclassifications between items	30,000	(30,000)		
Profit/loss for the period			17,878	17,878
Total equity on 31 December 2016	**40,134**	**14,708**	**22,551**	**77,392**

17. Non-current liabilities, EUR '000	31 Dec 2017	31 Dec 2016
Loans from financial institutions		22
Non-current intra-group debts	70,990	53,040
Total non-current liabilities	**70,990**	**53,062**

18. Current liabilities, EUR '000	31 Dec 2017	31 Dec 2016
Loans from financial institutions	21	20
Trade payables	3,970	1,009
Other liabilities	592	304
Accruals	1,992	1,333
Intra-group liabilities	6,789	8,328
Total current liabilities	**13,364**	**10,993**

19. Accruals (non-current and current), EUR '000	31 Dec 2017	31 Dec 2016
Accruals of personnel expenses	470	335
Other accruals	510	997
Total accruals (non-current and current)	**979**	**1,333**

20. Other rental liabilities, EUR '000	31 Dec 2017	31 Dec 2016
Current rental liabilities	3	2

21. Commitments, EUR '000	31 Dec 2017	Dec.31, 2016
Corporate pledge	15,000	15,000
Pledged subsidiary shares, book value	11	11
Commitments for intra-group companies	99,648	99,648

Ferratum Oyj is the guarantor of the bonds issued by Ferratum Capital Germany GmbH and Ferratum Bank plc. The funds from the bond issues have in accordance with the intercompany loan agreements been lent to Ferratum Oyj.

22. Related party transactions

No loans and or any other commitments were issued to any related parties in 2017.

26. LIST OF ACCOUNTING LEDGERS

Income statement	Electric format
Balance sheet	Electric format
General ledger	Electric format
Daily journal	Electric format
Accounting documents	Electric format
Chart of accounts	Electric format
Annual report	Paperback

27. APPROVAL OF THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS REPORT

Helsinki, 26 March, 2018

Pieter van Groos
Chairman of the Board

Lea Liigus
Member of the Board

Jorma Jokela
CEO, Member of the Board

Erik Ferm
Member of the Board

Juhani Vanhala
Member of the Board

Jouni Hakanen
Member of the Board

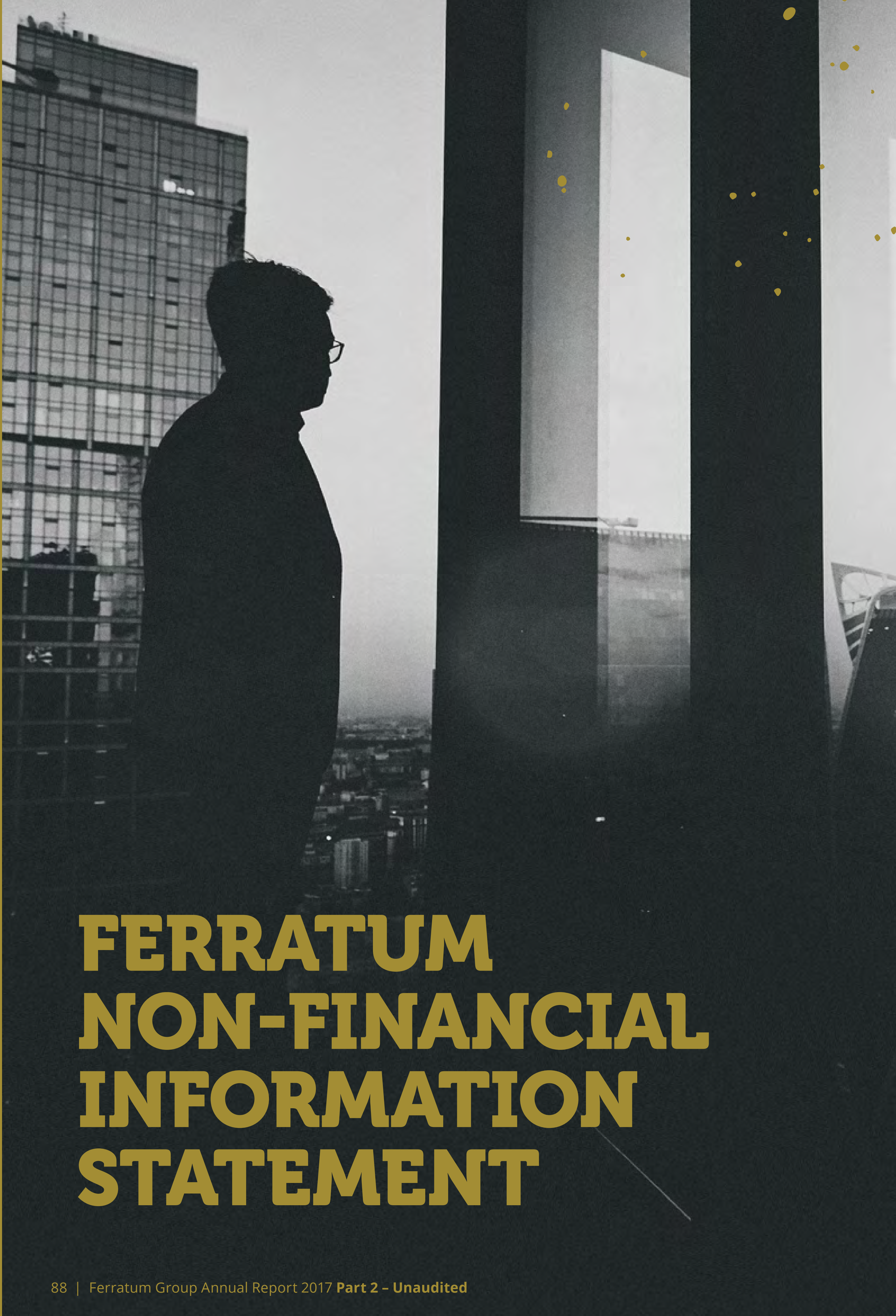
Christopher Wang
Member of the Board

The Auditor's Note
A report on the audit performed has been issued today

Helsinki, March 27, 2018

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen, Authorized Public Accountant



FERRATUM NON-FINANCIAL INFORMATION STATEMENT

INTRODUCTION

According to the Finnish Act on Accounting (1997/1336) implementing directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, Ferratum Oyj qualifies as a public interest company and therefore has published the following information in accordance with the Finnish Act on Accounting.

Business model

Ferratum Oyj and its subsidiaries form Ferratum Group (the "Group") which is an international provider of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. Ferratum, headquartered in Helsinki, Finland was founded in May 2005 and has expanded its operations across Europe, North America, South America, Africa and the Asia-Pacific region.

Ferratum currently operates in 25 countries, offering a variety of financial services including: digital consumer and business lending; mobile banking services; investments and; white label and partnered mobile bank platforms.

Ferratum Bank p.l.c., a wholly owned subsidiary of Ferratum Oyj, is a credit institution licensed by the Malta Financial Services Authority (MFSA). Ferratum Bank p.l.c. provides Ferratum with a framework through which it can offer banking services to its customers on a cross-border basis within the EEA. This enables Ferratum to offer services that require a licence in many major jurisdictions across the European continent in a manner that would not be otherwise possible. Ferratum Group has more than 780,000 (as at 31 December 2017) positioning it as a market leading provider of consumer and small business loans.

As a pioneer in digital and mobile financial services technology, Ferratum offers a comprehensive loan product portfolio, with retail customers able to apply for consumer credit in amounts varying between EUR 25 and EUR 20,000 and small businesses instalment loans up to EUR 250,000 with a term of six to 18 months.

Ferratum's Mobile Bank, launched in 2016, is an innovative mobile banking platform offering a range of banking services, including real time digital payments and transfers, within a single app. Available in five European markets, customer deposits had reached EUR 174.3 million as at 31 December 2017.

Ferratum's Mobile Financial Platform forms the basis of Ferratum Bank, Ferratum Money, Ferratum Investments and Ferratum Business. This is a 'Plug-and-Play' mobile solution for its partners to provide 'Banking-as-a-Service' to non-financial brands. This ready-made platform and supporting IT infrastructure means that partners can outsource their digital banking solution to Ferratum.

Creating value

As a leading mobile financial services provider, Ferratum is looking to create value for all its stakeholders.

In terms of delivering value to its employees and wider society, Ferratum has paid EUR 26 million in salaries, employing 857 in 25 markets. Total taxes paid amounted to EUR 3.2 million.

For customers, Ferratum offers a range of products and services, including deposit accounts. In 2017, interest paid to deposits amounted to EUR 1.5 million.

Through its operations, the business has also delivered substantial financial returns to its investors, having successfully achieved profitable growth for the last 13 years. Net revenues and operating profits reached EUR 222 million and EUR 20 million respectively at the end of the financial year ending 31 December 2017, resulting in total dividends of EUR 3.9 million paid to shareholders in the same year. Financial expenses totaled EUR 8.7 million.

Material topics for corporate social responsibility

Ferratum is required by Finnish law to report on its activities and how we meet the relevant standards of corporate and social responsibility (CSR). In addition to this, the business is committed to establishing a set of CSR measures that not only represent an internal standard for the business to meet but that also sets an example to others in the industry to aspire to.

In 2017, Ferratum launched a set of formal assessment and reporting programmes to evaluate its present performance against the key CSR criteria. The key criteria are as follows:

- Social and employee matters (employee well-being and development)
- Environmental matters
- Respect for human rights
- Anti-corruption and bribery

Ferratum is also reporting voluntarily on how its operations and internal controls ensures it is a responsible lender.

The next phase of this programme, initiated in January 2018, is to ascertain key performance indicators (KPIs) that will allow us to measure our progress and improvements in the above areas. The KPIs will be confirmed by the Board of Directors in 2018, providing a clear and transparent framework for us to evaluate our progress by the end of the next financial year.

Social and employee matters: Employee well-being and development

Ferratum is an international, multicultural, and multilingual organisation, employing 857 people across 26 offices in Europe, North America, South America, Africa and the Asia-Pacific region, with key operational offices in Helsinki, Malta, Slovakia and Germany. The company believes in inspiring and developing its people and is committed to creating an environment where all colleagues feel respected and have the opportunity to deliver their best.

As part of this approach, Ferratum would like to establish itself as the employer of choice within the industry, one that is able to attract and nurture new talent from the banking sector.

Ferratum acknowledges the shift in modern working habits and is committed to helping its people achieve a better work-life balance and healthier lifestyle.

Taking care of employees' well-being

The company currently runs a number of initiatives to support the well-being and professional development of its people.

These include:

- Providing the option of flexible hours or working remotely
- Supporting physical health and social well-being, offering discounts to gyms and sports clubs and hosting a range of social events
- Providing occupational healthcare, such as private health insurance or subsidizing healthcare expenses

Additional support is provided for absences related to long-term illness. The business has formal policies in place to address how to manage long-term health issues, to support employees' return to work when appropriate.

These initiatives are currently offered at 90% of Ferratum's offices, via the central teams based in Sliema, Bratislava and Berlin. Ferratum is continuously reviewing the benefits it offers to its employees to ensure they are fit for today's working environment.

Developing employees and leadership

The continuous professional development of individuals is heavily encouraged, through the provision of:

- Formal training and development programmes via seminars, classroom training and online courses
- On-the-job learning and more informal teaching
- Mentoring and line management

In addition to line management, there are regular team meetings, internal communications and quarterly meetings, led by management in-person and online, to foster an open and inclusive working culture.

Formal professional development reviews were first launched in 2016, where targets and objectives are agreed between employees and their line managers. Compulsory full year and mid-year reviews of employee performance is conducted for all staff.

Ferratum recently launched leadership training for line managers and team leaders, focusing on improving project and team management skills. There is currently a quarterly online training programme in place for the company's 130 line managers to develop managers' skills in recruiting, setting objectives, providing feedback etc.

Remuneration and incentives

Ferratum incentivises its employees in all levels of the organisation. Different incentive programmes are available throughout the organisation, including stock options and bonus schemes.

Employee satisfaction

In 2017, Ferratum conducted its first Group-wide employee satisfaction survey, resulting in a 91% participation rate. Employees were asked their views on eight key operational qualities of Ferratum, including leadership and mentoring; level of work-life balance offered; remuneration and pay; professional development and; their opinion of Ferratum as an employer more broadly.

Ferratum is encouraged by the results of this maiden survey, where leadership skills and managers were among the highest scoring qualities.

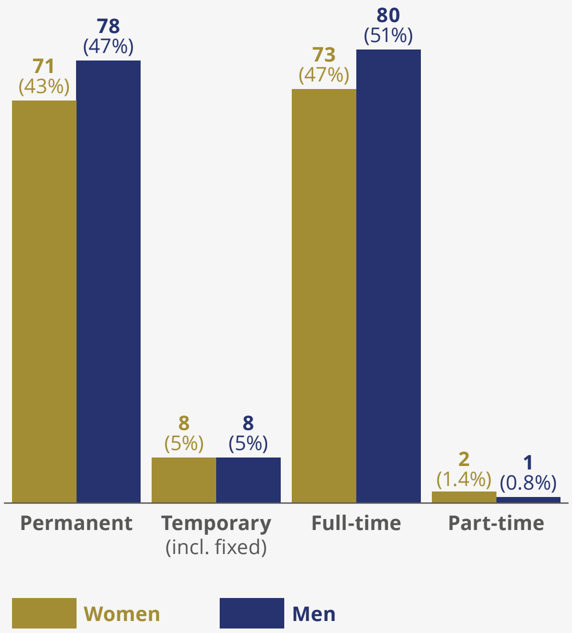
The results were discussed in further detail at department level workshops, with action plans and feedback loops instated to monitor progress. The company plans to survey employees again in April 2018.

HR policies, recruitment and retaining talent

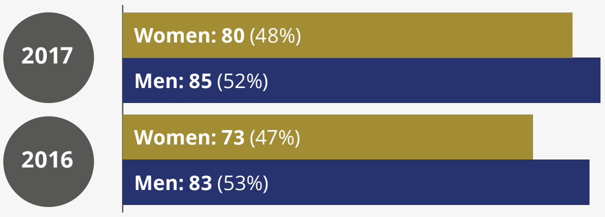
Ferratum has relevant Human Resources policies in place to support the management and development of its people. There are formal, internal policies, procedures and guidelines on recruitment, change situations, training / development and security. Employee handbooks have been developed to provide guidance on corporate communication, equality and actions against bullying.

Social and employee matters

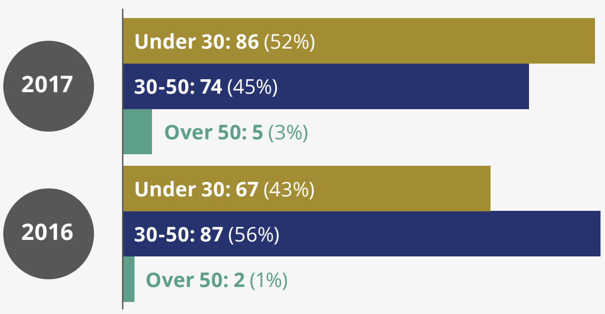
Graph 1: Number of new employees, end 2017



Graph 2: New employee hires by gender



Graph 3: New employee hires by age-groups



Supporting communities

Local Ferratum offices may independently select local charities and communities they would like to support. Most recently, the local office in Lithiania supported a local community initiative for children.

2018 development plans

Ferratum is continuing to improve its human resources function, continuously reviewing policies and procedures in place, to better reflect the modern working environment. In 2018, the key focus areas will be enhancing group-wide recruitment process and employer branding as well as continuing the well started talent and career development work. Ferratum will also start reporting on more employee related indicators based on the results of the sustainability matrix.

Risk management: key man risk, succession planning and the ability to attract and retail talent

Employee related risks have been identified in Ferratum's risk management process as:

- The potential loss of key members of the management team
- The inability to attract and retain talent required to run the business

Ferratum manages these risks by focusing on the employee well-being, developing its remuneration, bonus and benefits system and offering motivating and interesting career opportunities.

Environmental matters

Although Ferratum does not have a formal environmental policy, it is committed to reducing its impact on the environment by taking positive action and raising awareness about environmental issues. Examples of this includes: promoting video and phone conferencing and encouraging paperless work and using recyclable office supplies, where possible. Office managers are also encouraged to communicate energy-saving measures, such as turning off lights and managing air-conditioning more effectively.

Ferratum acknowledges that setting up offices always has some environmental impact. Particular attention is given to establishing offices with open spaces that make efficient use of central heating and lighting. Where possible, offices are selected that are in close proximity to public transport, to reduce the use of private cars and transport.

Risk management

Ferratum's risk management is the duty of the Board of Directors and the risk committee. Ferratum's risk management is based on prudent operational principles which aim to identify and manage the major risks that Ferratum may face in its business. No risks related to environmental matters have been identified in the risk management process.

Respect for human rights

Ferratum is committed to creating and providing a working environment in which individual differences are recognised and valued; where each employee has equal opportunities in terms of career progression and personal development and that each individual is free from the risk of harassment, discrimination, exploitation or intimidation.

Ferratum has implemented a formal equal opportunities policy, that includes a commitment to fair and transparent recruitment and career development, that is based on merit and ability. There are clear policies against discrimination based on age, gender, disability, religion or belief, race, sexual orientation etc.

There is also a formal complaints procedure to manage internal complaints about issues such as harassment. Ferratum operate a zero-tolerance policy for any form of harassment in the workplace, treating all incidents promptly and confidentially to investigate all allegations of harassment. There is also an internal whistleblowing channel in place, for anonymous reporting of suspicions or instances of possible misconduct against laws or company policies/principles.

In 2017, no cases were reported concerning human rights violations through the internal whistleblowing channel or other channels.

Risk management

Ferratum's risk management process has not identified any risks related to respect for human rights.

Anti-corruption and bribery / Ethical business practices

Anti-corruption and bribery matters are included in the Code of Business Conduct and Ethics of Ferratum Bank and implemented accordingly at different levels of Ferratum Bank's organisation. The Code has been communicated to the members of the board and members of senior management of Ferratum Group and Ferratum Bank as well as to all employees at Ferratum Bank. In addition, Ferratum has established guidelines for preventing the abuse of inside information, and Ferratum's subsidiaries have in place company-specific policies and guidelines for preventing money laundering and terrorist financing.

Any corruption or bribery concerns or other suspected violation of financial markets regulation can be flagged via the whistleblowing process and would automatically be escalated to the management team. Depending on the nature, scale and complexity of the issue in question, an internal or external audit could be implemented.

No incidents of corruption or bribery or other suspected violation of financial markets regulation or company policies were reported at Ferratum Group through the whistleblowing channel or any other channel in 2017. Key performance indicators have yet to be set for anti-corruption and bribery and will be done in 2018.

Risk management

Risks related to anti-corruption and bribery vary, depending on the business unit and areas of operation of the relevant subsidiary at Ferratum Group. Where risks are deemed to be higher, appropriate controls are put in place, such as internal audit and the application of four eyes principles.

Latest risk assessment reviews have led to certain improvements and Ferratum is currently implementing additional measures within identified units to minimize such risks, such as through enhanced vendor management processes. Training is provided based on the risk-based assessments. In certain business units, such as within Ferratum Bank, emphasis is placed on compliance with the relevant policies.

Responsible lending

Responsible lending is at the heart of Ferratum's business. As part of its strategy, Ferratum continuously reviews the products offered to customers, to ensure they are still appropriate for individual needs. The business also takes additional care to highlight loan repayment terms and conditions, so customers are fully informed and clear when taking out a loan.

Ferratum has also invested significantly in the technology behind the loan application process, using big data analysis and self-learning algorithms to score applications. The process involves a detailed assessment of whether a loan will meet the borrower's objectives; the individual's unique financial position, and their ability to repay, all based on historic and publicly available data. This process means accounting for a wide range of factors objectively, ensuring loans are granted on sound and responsible grounds.

Ferratum is also providing free, online programmes to educate consumers on personal finance.

Approval of the non-finlancial information statement

Pieter van Groos
Chairman of the Board

Lea Liigus
Member of the Board

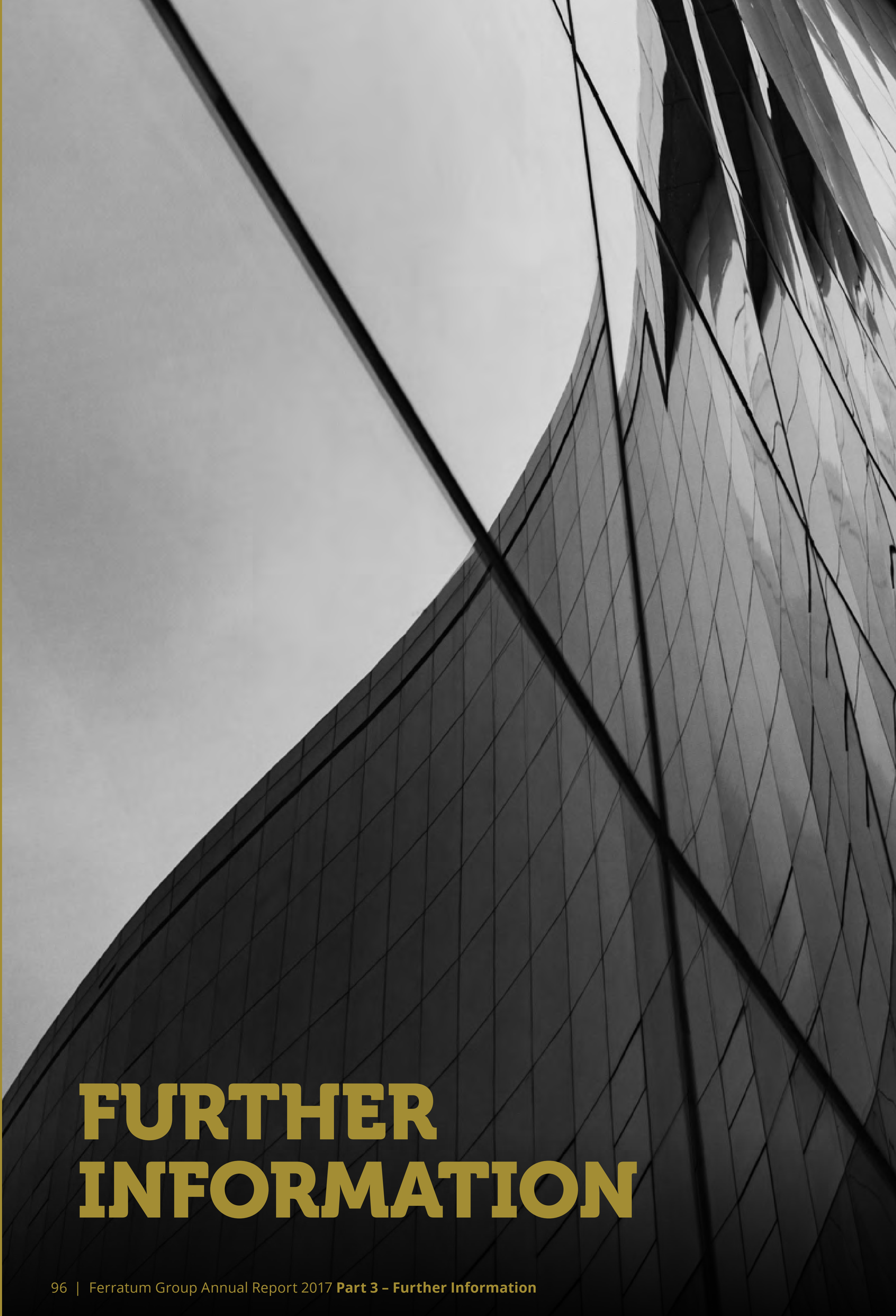
Jorma Jokela
CEO, Member of the Board

Erik Ferm
Member of the Board

Juhani Vanhala
Member of the Board

Jouni Hakanen
Member of the Board

Christopher Wang
Member of the Board



FURTHER INFORMATION

Consolidated income statement – Quarterly overview (Unaudited)

EUR	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Revenue	60,632	57,276	53,722	50,009	45,483	38,218	37,215	33,213
Other income	334	180	7	13	(49)	97	8	8
Impairments on loans	(19,352)	(20,378)	(18,719)	(17,180)	(12,732)	(12,858)	(12,826)	(9,548)
Operating expenses:								
Personnel expenses	(10,010)	(8,688)	(8,759)	(7,918)	(7,090)	(6,277)	(6,036)	(5,358)
Selling and marketing expenses	(12,226)	(9,086)	(7,994)	(7,877)	(8,928)	(7,551)	(6,715)	(6,724)
Lending costs	(2,630)	(2,729)	(2,406)	(2,380)	(2,200)	(2,108)	(1,921)	(1,772)
Other administrative expenses	(238)	(457)	(802)	(708)	(748)	(535)	(457)	(465)
Depreciations and amortization	(751)	(721)	(672)	(667)	(242)	(497)	(422)	(385)
Other operating expenses	(7,732)	(6,528)	(6,285)	(6,441)	(6,583)	(4,333)	(3,964)	(3,775)
Operating profit	**8,027**	**8,868**	**8,093**	**6,849**	**6,911**	**4,156**	**4,882**	**5,193**
Finance income	21	(566)	(322)	965	113	49	0	0
Finance costs	(2,379)	(2,491)	(1,954)	(1,868)	(1,752)	(1,762)	(1,661)	(1,401)
Finance costs – net	(2,359)	(3,057)	(2,276)	(903)	(1,639)	(1,713)	(1,661)	(1,400)
Profit before income tax	**5,669**	**5,812**	**5,817**	**5,946**	**5,272**	**2,443**	**3,221**	**3,792**
Income tax expense	(549)	(875)	(869)	(892)	(633)	(293)	(387)	(455)
Profit for the period	**5,120**	**4,937**	**4,948**	**5,054**	**4,639**	**2,150**	**2,835**	**3,337**
Profit attributable to:								
owners of the parent company	5,120	4,937	4,948	5,054	4,639	2,150	2,835	3,337
non-controlling interests	-	-	-	-	-	-	-	-

Consolidated statement of comprohensive income – Quarterly overview (Unaudited)

EUR	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Profit for the period	5,120	4,937	4,948	5,054	4,639	2,150	2,835	3,337
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Translation differences	(809)	(251)	(355)	55	(117)	(159)	(104)	(585)
Total items that may be reclassified to profit or loss subsequently	(809)	(251)	(355)	55	(117)	(159)	(104)	(585)
Total comprehensive income	**4,311**	**4,686**	**4,593**	**5,109**	**4,522**	**1,990**	**2,730**	**2,752**
Allocation of total comprehensive income to:								
owners of the parent company	4,311	4,686	4,593	5,109	4,522	1,990	2,730	2,752
non-controlling interests	-	-	-	-	-	-	-	-

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For further information on the Ferratum share and all publications please visit our website www.ferratumgroup.com

Financial calendar

Annual General Meeting 2018
19 April 2018

Report for the first three months of 2018
30 May 2018

Report for the first half-year 2018
30 August 2018

Report for the first nine months of 2018
22 November 2018


ferratum