ferratum

QUARTERLY STATEMENT FOR THE PERIOD 1 JANUARY – 31 MARCH, 2018

HIGHLIGHTS

+23%	Group revenue for the period up 23% year-on-year
+48.5%	Operating profit (EBIT) for the period up 48.5% year-on-year
16.6%	EBIT margin for the period of 16.6%
+11.4%	Profit before tax for the period up 11.4% year-on-year
+13%	EPS (basic and diluted) increased 13% to €0.26 per share

Financial Overview

Financial highlights, EUR '000	Jan - Mar 2018	Jan - Mar 2017
REVENUE	61,442	50,009
Operating profit	10,169	6,849
Profit before tax	6,626	5,946
Net cash flows from operating activities before movements in loan portfolio and deposits received	28,934	23,706
Net cash flow from operating activities	1,870	1,940
Net cash flow from investing activities	(2,047)	(2,172)
Net cash flow from financing activities	1,291	(8,487)
Net increase/decrease in cash and cash equivalents	1,114	(8,719)
Profit before tax %	10.8	11.9

Financial highlights, EUR '000	31 Mar 2018	31 Dec 2017
Accounts receivable - loans to customers (net)	265,455	257,406
Deposits from customers	192,677	174,301
Cash and cash equivalents	134,688	131,832
Total assets	448,345	436,595
Non-current liabilities	64,302	64,167
Current liabilities	280,083	267,185
Equity	103,960	105,243
Equity ratio %	23.2	24.1
Net debt to equity ratio	2.02	1.90

Calculation of key financial ratios

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

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

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

Customer Base

	Jan - Mar 2018	Jan - Mar 2017	Growth in %
Total customers*	1,941,699	1,647,819	17.8 %
New customers	65,555	86,132	-23.9 %
Active customers**	783,879	728,655	7.6 %

*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.

KEY DEVELOPMENTS AND PROGRESS

Key Developments and Progress

Ferratum Group's revenue rose to EUR 61.4 million, an increase of 22.9% compared to the respective period of the previous year (Q1 2017: 50.0 million) and in line with Ferratum's expectations for the period. The growth is driven by further increasing revenues from PlusLoan (+40.4% year-on-year), Credit Limit (+29.4% year-on-year) and Ferratum Business (SME) lending (+130% year-on-year). The overall number of active customers increased by 8% to 783,879, reflecting a shrinking active customer base in Microloan and increasing active customer numbers in the PlusLoan, Credit Limit and Ferratum Business (SME) product segments, consistent with Ferratum's strategy of shifting the customer focus towards lower risk and longer term products and services.

Operating profit (EBIT) increased by 48.5% year-on-year to EUR 10.2 million. The operating profitability improved from 13.7% in Q1 2017 to 16.6% in Q1 2018, as a result of significantly reduced credit losses (impairment on loans) . The gross impairment on loans ratio has improved from 34.4% in Q1 2017 to 30.7% in Q1 2018.

The profit before tax (EBT) grew by 11.4% y-o-y to EUR 6.6 million. The EBT development suffered from an unfavourable FX volatility during Q1 2018 totalling EUR 1.154 million in FX losses compared to FX gains of EUR 842,000 in Q1 2017. The losses were mostly attributable to the weakening of the Swedish Krona (EUR -900,000) and the Polish Zloty (EUR -284,000) although Ferratum has partially hedged its SEK and its PLN exposure.

Due to the adoption of the new IFRS 9 accounting standard –with effect from 1 January 2018, the risk provisions of the Group had to be inceased by EUR 9.2 million from this effective date. This one-time increase of the risk provision reduced the equity of the Group by EUR 7.5 million as the increased risk provisions were partially offset by deferred tax assets of EUR 1.7 million. The adjustment was booked directly to the Group's equity and did not affect the reported profit for Q1 2018. Overall, Group equity decreased marginally to EUR 104.0 million from EUR 105.2 million as of 31 December 2017, while the equity ratio reduced by 1% to 23.2%. Net receivables from customers grew by 3.1 % to EUR 265.5 million from EUR 257.4 million. The loan coverage ratio increased from 23.4% in Q4 2017 to 29.5% in Q1 2018, including the one-time adjustment from IFRS 9. Deposits from customers increased by 10.5% from EUR 174.3 million to EUR 192.7 million. The intention of the management is to further reduce the inflow of deposits and according actions have been taken, e.g. reduced interest rates for savings accounts and term deposits.

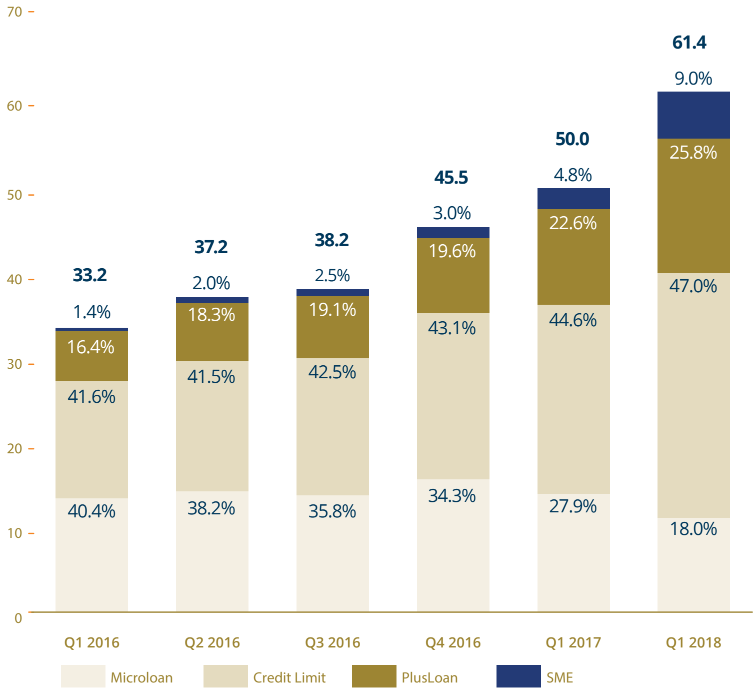
Ferratum´s existing group rating of BBB+ from Creditreform Rating AG was reconfirmed during Q1 in its regular annual review. Creditreform Rating AG based the rating on the continued revenue growth and highly satisfactory credit-worthiness of the Group in the 2017 financial year.

Subsequent Events

During the second quarter quarter, Ferratum successfully issued EUR 100 million of new senior unsecured bonds in order to refinance the Group's outstanding bonds maturing in October 2018 (EUR 45 million in total, issued by Ferratum Capital Germany GmbH, a subsidiary of Ferratum Oyj) and to finance continued growth of the Group. The new senior unsecured bonds have a coupon of 3 months Euribor plus 5.50 per cent p.a. and a tenor of four years. The bonds shall be listed on Nasdaq Stockholm and first at Frankfurt Stock Exchange Open Market and thereafter at Frankfurt Stock Exchange Prime Standard (best effort basis) with ISIN: SE0011167972.

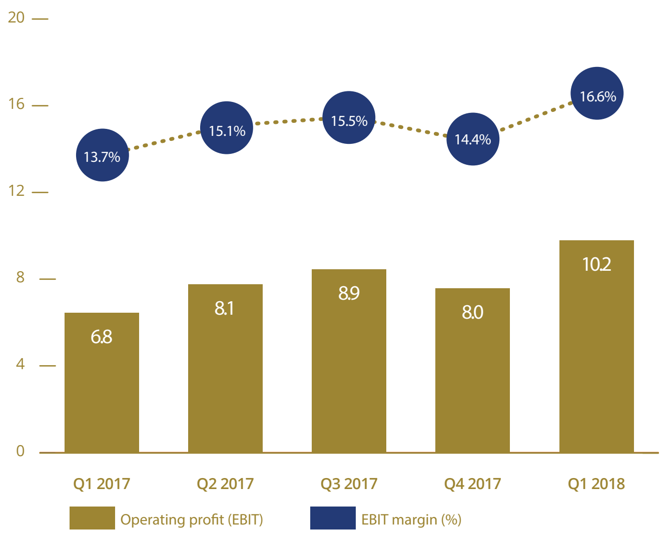
During the Annual General Meeting held in Helsinki on 19 April 2018, shareholders approved the payment of a final dividend of EUR 0.18 per share for the financial year 2017.

Revenue



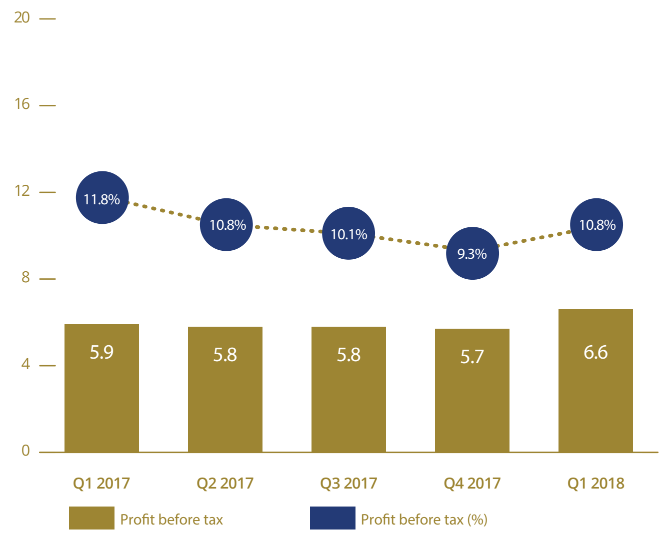
- Further year-on-year revenue growth of 22.9% in Q1 2018 to EUR 61.4 million
- Revenue share of Microloan decreased from 27.9% to 18.0% y-o-y
- Revenue share of PlusLoan increased from 22.6% to 25.8% y-o-y
- Revenue share of Credit Limit increased from 44.6% to 47% y-o-y
- Revenue share of SME loans increased from 4.8% to 9.0% y-o-y

Operating profit (EBIT)



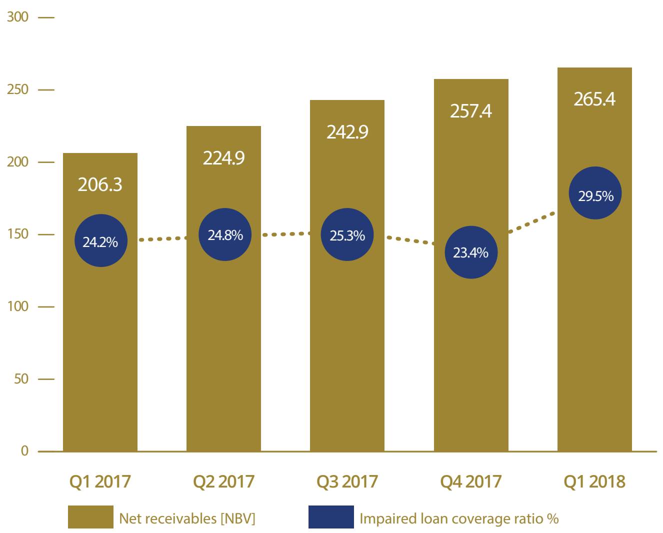
- EBIT in Q1 2018 increases by 48.5% year-on-year to EUR 10.2 million
- Personnel expenses grew by 36.7% y-o-y to EUR 10.8 million
- Selling and marketing expenses (+27.3% y-o-y to EUR 10 million) and lending costs (+19.2% y-o-y to EUR 2.8 million) increased at a slower rate than revenue
- Other operating expenses increased by 12.2% y-o-y

Profit before tax (EBT)



- EBT growth 11.4% y-o-y to EUR 6.6 million
- Quarterly EBT margin 10.8% in Q1 2018
- Earnings per share (undiluted and diluted) in Q1 2018 of EUR 0.26

Loans to customers



- Net receivables grew by 3.1% y-o-y from EUR 257.4 million as of 31 December 2017 to EUR 265.4 million as of 31 March 2018.
- Loan coverage ratio increased from 23.4% as of 31 December 2017 to 29.5% as of 31 March 2018 due to the implementation of IFRS 9

Consolidated Income Statement for the Period 1 January to 31 March, 2018

EUR '000	Note	2018	2017
		3 months ended 31 March	
REVENUE		61,442	50,009
Other income		6	13
Impairments on loans		(18,866)	(17,180)
Operating expenses:			
Personnel expenses		(10,826)	(7,918)
Selling and marketing expenses		(10,028)	(7,877)
Lending costs		(2,839)	(2,380)
Other administrative expenses		(407)	(708)
Depreciations and amortization		(1,082)	(667)
Other operating expenses		(7,233)	(6,441)
Operating profit		**10,169**	**6,849**
Financial income		15	965
Finance costs		(3,557)	(1,868)
Finance costs – net		(3,542)	(903)
Profit before income tax		**6,626**	**5,946**
Income tax expense		(994)	(892)
Profit for the period		**5,633**	**5,054**
Earnings per share, basic		**0.26**	**0.23**
Earnings per share, diluted		**0.26**	**0.23**
Profit attributable to:			
– owners of the parent company		5,633	5,054
– non-controlling interests (NCI)		0	0

Consolidated Statement of Compehensive Income for the Period 1 January to 31 March, 2018

	3 months ended 31 March	
EUR '000	2018	2017
Profit for the period	5,633	5,054
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Translation difference	473	55
Total items that may be subsequently reclassified to profit or loss	473	55
Total comprehensive income	**6,106**	**5,109**
Allocation of total comprehensive income to:		
– owners of the parent company	6,106	5,109
– non-controlling interests (NCI)	0	0

Consolidated Statement of Financial Position

EUR '000	Note	31 Mar 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment		3,484	3,482
Intangible assets		20,998	20,037
Government stocks		8,772	8,851
Deferred income tax assets		5,761	3,757
Total non-current assets		**39,015**	**36,128**
Current assets			
Accounts receivable - loans to customers		265,455	257,406
Other receivables		7,852	10,554
Derivative assets		924	156
Income tax assets		411	519
Cash and cash equivalents (excluding bank overdrafts)		134,688	131,832
Total current assets		**409,330**	**400,468**
Total assets		**448,345**	**436,595**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		40,134	40,134
Treasury shares		(142)	(142)
Reserves		(2,727)	(2,240)
Unrestricted equity reserve		14,708	14,708
Retained earnings		51,988	52,783
Total equity		**103,960**	**105,243**
of which related to non-controlling interests			
LIABILITIES			
Non-current liabilities			
Borrowings		64,185	64,049
Other payables		-	-
Deferred income tax liabilities		117	118
Total non-current liabilities		**64,302**	**64,167**
Current liabilities			
Income tax liabilities		1,254	1,867
Deposits from customers		192,677	174,301
Borrowings		71,130	69,741
Derivative liabilities		604	790
Trade payables		2,634	9,838
Other current liabilities		**11,783**	**10,648**
Total current liabilities		**280,083**	**267,185**
Total liabilities		**344,385**	**331,352**
Total equity and liabilities		**448,345**	**436,595**

Consolidated Statement of Cash flow

EUR '000	2018	2017
	3 months ended 31 March	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss for the period	**5,633**	**5,054**
Adjustments for:		
Depreciation and amortization	1,082	667
Finance costs, net	3,542	903
Tax on income from operations	994	892
Transactions without cash flow	436	-
Impairments on loans	**18,866**	**17,180**
Working capital changes:		
Increase (-) / decrease (+) in other current receivables	2,013	893
Increase (+) / decrease (-) in trade payables and other liabilities	(1,201)	(1,010)
Interest paid	(1,018)	(1,086)
Interest received	-	-
Other financing items	-	771
Income taxes paid	(1,412)	(558)
Net cash from operating activities before movements in loan portfolio and deposits received	**28,934**	**23,706**
Deposits received	18,376	17,359
Movements in the portfolio:		
Movements in gross portfolio	(49,523)	(25,121)
Fully impaired portfolio write-offs	4,082	(14,004)
Net cash from operating activities	**1,870**	**1,940**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(2,047)	(1,706)
Proceeds from sale of tangible and intangible assets		**-**
Purchase of investments and other assets		(466)
Net cash used in investing activities	**(2,047)**	**(2,172)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,354	5,013
Repayment of short-term borrowings	(63)	-
Proceeds from long-term borrowings		-
Repayment of long-term borrowings		(13,500)
Dividends paid / distribution of funds		-
Net cash used in financing activities	**1,291**	**(8,487)**
Net increase/decrease in cash and cash equivalents	**1,114**	**(8,719)**
Cash and cash equivalents at the beginning of the period	131,832	73,059
Exchange gains/(losses) on cash and cash equivalents	1,741	260
Net increase/decrease in cash and cash equivalents	1,114	(8,719)
Cash and cash equivalents at the end of the period	**134,688**	**64,600**

1. SEGMENT INFORMATION

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, 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.

1.1 Business Segments in 3M 2018

EUR '000	Microloan	PlusLoan	Credit Limit	SME	Mobile bank*	Total
Revenue	11,058	15,852	28,901	5,508	123	61,442
Share in Revenue, %	18.0	25.8	47.0	9.0	0.2	100.0
Other income	1	2	3	1	-	6
Directly attributable costs:						
Impairments	(4,703)	(5,197)	(7,820)	(1,121)	(24)	(18,866)
Marketing	(1,293)	(2,568)	(4,371)	(1,247)	(550)	(10,028)
Attributable Profit Margin	**5,064**	**8,089**	**16,713**	**3,140**	**(451)**	**32,555**
Attributable Profit Margin, %	45.8	51.0	57.8	57.0		53.0
Non-directly attributable costs:						
Personnel expenses	(1,852)	(2,655)	(4,840)	(922)	(556)	(10,826)
Lending costs	(512)	(734)	(1,338)	(255)	-	(2,839)
Other administrative expenses	(43)	(62)	(112)	(21)	(168)	(407)
Depreciation and amortization	(142)	(203)	(370)	(71)	(296)	(1,082)
Other operating income and expenses	(1,253)	(1,797)	(3,276)	(624)	(283)	(7,233)
Total Non-directly attributable costs	**(3,802)**	**(5,450)**	**(9,937)**	**(1,894)**	**(1,304)**	**(22,386)**
Operating profit	**1,262**	**2,639**	**6,777**	**1,246**	**(1,755)**	**10,169**
Gross Profit Margin, %	11.4	16.6	23.4	22.6		16.5
Unallocated finance income						15
Finance expenses	(283)	(624)	(1,125)	(351)	(20)	(2,403)
Unallocated finance expense						(1,154)
Finance costs, net	(283)	(624)	(1,125)	(351)	(20)	(3,542)
Profit before income tax	**979**	**2,015**	**5,652**	**895**	**(1,775)**	**6,626**
Net Profit Margin, %	8.9	12.7	19.6	16.3		10.8
Accounts receivable - loans to customers	31,250	68,945	124,232	38,784	2,244	265,455
Unallocated assets						182,890
Unallocated liabilities						344,385

*Includes Mobile Bank, Primeloan and Ferratum P2P

1.2 Business Segments in 3M 2017

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Mobile bank*	Total
REVENUE	13,975	11,294	22,329	2,390	21	50,009
Share in Revenue, %	**27.9**	**22.6**	**44.6**	**4.8**	**0.0**	**100.0**
Directly attributable costs:						
Impairments	(6,498)	(4,201)	(5,898)	(515)	(68)	(17,180)
Marketing	(535)	(2,276)	(4,370)	(680)	(16)	(7,877)
Attributable Profit Margin	**6,942**	**4,817**	**12,061**	**1,195**	**(63)**	**24,951**
Attributable Profit Margin, %	49.7	42.7	54.0	50.0		49.9
Non-directly attributable costs:						
Personnel expenses	(2,130)	(1,722)	(3,404)	(364)	(298)	(7,918)
Lending costs	(665)	(538)	(1,063)	(114)	-	(2,380)
Other administrative expenses	(173)	(140)	(277)	(30)	(89)	(708)
Depreciation and amortization	(137)	(111)	(219)	(23)	(177)	(667)
Other operating income and expenses	(1,622)	(1,311)	(2,592)	(277)	(625)	(6,428)
Total Non-directly attributable costs	**(4,728)**	**(3,821)**	**(7,554)**	**(809)**	**(1,190)**	**(18,102)**
Operating profit	**2,214**	**996**	**4,506**	**386**	**(1,253)**	**6,849**
Gross Profit Margin, %	15.8	8.8	20.2	16.2		13.7
Unallocated finance income						965
Finance expenses	(234)	(528)	(882)	(180)	(5)	(1,830)
Unallocated finance expense						(39)
Finance costs, net	(234)	(528)	(882)	(180)	(5)	(903)
Profit before income tax	**1,980**	**467**	**3,624**	**206**	**(1,258)**	**5,946**
Net Profit Margin, %	14.2	4.1	16.2	8.6		11.9
Accounts receivable - loans to customers	26,375	59,587	99,442	20,313	573	206,290
Unallocated assets						105,393
Unallocated liabilities						218,236

*Includes Mobile Bank, Primeloan and Ferratum P2P

1.3 Revenue – Geographic Split

EUR '000	Jan – Mar 2018	Jan – Mar 2017
Revenue, international	51,181	40,606
Revenue, domestic	10,261	9,403
Total Revenue	**61,442**	**50,009**

1.4 Revenue of business segments geographically

In addition to presenting the performance of operating segments by product type, Ferratum Group also reports revenue by geographic region. While geographical reporting has previously been based on the coverage of the Group's previous international management structure, in 2018 the Group adopted new geographical splits which organise Ferratum's countries of operation into more conventional geographic regions.

All countries where Ferratum has operating activities are now grouped into the following four regions: Northern Europe, Western Europe, Eastern Europe and Rest of the World. The full list of countries within each region, together with the total revenues generated by each region for the three months ended 31 March 2018 and three months ended 31 March 2017, are presented in the following table.

EUR '000		Jan – Mar 2018	Jan – Mar 2017
Northern Europe	Finland, Sweden, Denmark, Norway	25,656	18,972
Western Europe	France, Germany, Netherlands, Spain, UK	14,374	11,506
Eastern Europe	Bulgaria, Croatia, Czech, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia	18,932	16,870
Rest of the World	Australia, Brazil, Canada, Mexico, New Zealand, Nigeria	2,480	2,661
Total revenue		**61,442**	**50,009**

2. FINANCE INCOME

EUR '000	Jan – Mar 2018	Jan – Mar 2017
Interest income from cash and cash equivalents	8	123
Derivatives held for trading – net gain / (loss)	7	
Foreign exchange gain, realized		842
Total finance income	**15**	**965**

3. FINANCE COSTS

EUR '000	Jan – Mar 2018	Jan – Mar 2017
Interest on borrowings	(2,070)	(1,830)
Derivatives held for trading – net gain / (loss)		22
Other finance expenses paid on borrowings	(332)	(61)
Foreign exchange loss on liabilities, realized	(1,154)	
Total finance costs	**(3,557)**	**(1,868)**

4. ACCOUNTS RECEIVABLE - LOANS TO CUSTOMERS

During the 3 months ended March 31, 2018, Ferratum Group adopted IFRS9 “Financial instruments” and took the 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 were recognised in retained earnings and reserves as at 1 January 2018.

IFRS 9 replaced the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model.

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: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

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. Performing financial assets with no significant credit risk and no evidence of impairment are considered to be “stage 1” and apply 12-month ECL; 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’.

The total provision for credit losses as at Jan. 1, 2018, has increased by EUR 9.3 million, from EUR 78.8 million to EUR 88.1 million

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 increase of credit losses was fully booked to equity, i.e. P&L neutral, that was partly offset by deferred tax assets effect of EUR 1.7 million.

There was no change in classification of financial assets because of IFRS 9 implementation. Loans to customers are measured at Amortised cost before as well as after Jan. 1, 2018 as they meet the SPPI criteria:

- the objective of Ferratum's business model is to hold financial assets "Loans to customers" to collect cash flows and to sell them;
- the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding

EUR '000	31 Mar 2018 IFRS 9	31 Dec 2017 IAS 39
Accounts receivable - loans to customers (gross)	376,503	336,243
Less: provision for impairment of loan receivables	(111,048)	(78,837)
Accounts receivable - loans to customers (net)	**265,455**	**257,406**

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

EUR '000	31 Mar 2018 IFRS 9				1 Jan 2018 IFRS 9			
	GBV*	Provision for Impairment	NBV**	ILCR***, %	GBV*	Provision for Impairment	NBV**	ILCR***, %
Current	165,041	(4,518)	160,523	2.7	158,368	(4,695)	153,673	3.0
1-90 days due	74,479	(16,765)	57,714	22.5	72,398	(17,649)	54,749	24.4
91-180 days due	25,334	(14,781)	10,553	58.3	21,474	(12,768)	8,706	59.5
> 181 days due	111,648	(74,984)	36,665	67.2	84,004	(52,988)	31,016	63.1
Total	**376,503**	**(111,048)**	**265,455**	**29.5**	**336,243**	**(88,100)**	**248,143**	**26.2**

*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	Jan – Mar 2018	Jan – Mar 2017
Provision for impairment on January 1	(78,837)	(62,664)
IFRS9 implementation impact	(9,263)	
Impairments on loans	(18,866)	(17,180)
Amounts fully reserved and booked out	(4,082)	14,004
Provision for impairment on March 31	**(111,048)**	**(65,841)**

FERRATUM GROUP RESTATED INTERIM RESULTS FOR 2018 DUE TO ADJUSTMENT ON CREDIT LOSS PROVISIONING IN CONNECTION WITH IFRS 9 ADOPTION

Ferratum Oyj publishes restated unaudited results for the 3 months ended 31 March 2018, ("3 Month "), the 6 months ended 30 June 2018 ("6 Month "), and the 9 months ended 30 September 2018 ("9 Month ").These restatements are required following a review of the implemented risk provision model and assumptions that were implemented as per 1 January 2018 as part of the adoption of IFRS 9 accounting standards for the Group's 2018 fiscal year.

As of 1 January 2018, Ferratum Group adopted the accounting standard IFRS 9 *Financial Instruments* which covers, among others, impairment of accounts and loan receivables and introduced an expected credit loss model, replacing IAS 39. The overall impact to the credit loss provisions as at 1 January 2018 was calculated and reported as part of the iterim results for the first 3 months ended 31 March 2018 as an increase of EUR 9.3 million as follows:

Credit loss provisions as at 1 January, reported for the first 3 months, ending 31 March 2018

EUR '000	31 Dec 2017 IAS 39			1 Jan 2018 Reported			IFRS 9 – Reported impact		
	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**
Current	216,988	(10,159)	206,829	158,368	(4,695)	153,673	58,620	(5,464)	53,156
1-90 days due	29,895	(7,668)	22,227	72,398	(17,649)	54,749	(42,503)	9,981	(32,522)
91-180 days due	20,904	(9,228)	11,676	21,474	(12,768)	8,706	(570)	3,540	2,970
>180 days due	68,456	(51,782)	16,674	84,004	(52,988)	31,016	(15,548)	1,206	(14,342)
Sum	**336,243**	**(78,837)**	**257,406**	**336,243**	**(88,100)**	**248,143**	**-**	**9,263**	**9,263**

* Gross Book Value of Accounts Receivables
** Net Book Value of Accounts Receivables

The reported overall impact of the IFRS 9 adoption on equity was lower than the increased credit loss provisions, as the adjustment was offset by the impact of deferred taxes of EUR 1.7 million reflecting the timing difference of recognizing the loss allowance in accounting and taxation.

Accordingly, the adoption of IFRS 9 was previously published to have resulted in a one-off accounting charge of EUR 7.6 million which was debited directly to the equity of the Group as at 1 January 2018.

During the 2018 annual closing, the Group carried out a full review of the implemented credit loss provisioning model and came to the conclusion that the model has to be enhanced to be more accurate in the following aspects:

1. The parameters of default definition has been tightened from 91 to 61 days past due date for Primeloan, SME loans and PlusLoans, therefore aligning with the parameters set for Credit Limit.
2. Data extraction, discounting and mathematical modelling for Credit Limit, Primeloan, SME loans and PlusLoan has been corrected for accuracy.

These points impact the basic methodology of the credit loss provisioning model and are therefore to be applied for the full year 2018 as well as the opening balance 2018. In accordance with IAS 8, the Group has corrected the misstatement in opening balance related to IFRS 9 adoption as follows:

Credit loss provisions as at 1 January, reported for the first 3 months, ending 31 March 2018

EUR '000	31 Dec 2017 IAS 39			1 Jan 2018 Restated			IFRS 9 – Restated impact		
	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**
Current	158,368	(4,695)	153,673	158,368	(12,810)	145,558	-	8,115	8,115
1-90 days due	72,398	(17,649)	54,749	72,398	(20,720)	51,678	-	3,071	3,071
91-180 days due	21,474	(12,768)	8,706	21,474	(12,734)	8,740	-	(34)	(34)
>180 days due	84,004	(52,988)	31,016	84,004	(53,485)	30,519	-	497	497
Sum	**336,243**	**(88,100)**	**248,143**	**336,243**	**(99,749)**	**236,495**	**-**	**11,649**	**11,649**

* Gross Book Value of Accounts Receivables
** Net Book Value of Accounts Receivables

The restated credit loss provisions increase the one-off accounting adjustment of the credit loss provisions from EUR 9.3 million by EUR 11.6 million to EUR 20.9 million. The overall impact of the IFRS 9 adoption on equity is lower than the increased risk provision, as it is offset by the deferred taxes reflecting the timing difference of these reserve changes on profitability. After deducting deferred tax effects of EUR 5.8 million an adjustment of EUR 15.1 million is to be debited directly to the equity of the Group as per 1 January 2018 instead of the previously reported EUR 7.6 million.

In addition to the restatement of the opening balance adjustment as per 1 January 2018 for equity, deferred taxes and the value of accounts receivables, the Group has also restated all subsequently published quarterly results and balance sheets as follows:

Consolidated Statement of Financial Position

EUR '000	31 Mar 2018	30 Jun 2018	30 Sep 2018
	Restated	Restated	Restated
Assets			
Deferred income tax assets	8,187	10,123	10,029
Total non-current assets	41,441	46,641	48,701
Accounts receivable - loans to customers	254,597	269,989	294,237
Total current assets	398,472	448,486	460,776
Total assets	439,913	495,127	509,476
Equity and liabilities			
Total equity	95,417	93,374	98,369
Total equity and liabilities	439,913	495,127	509,476
Equity ratio %	21.7	18.9	19.3
Net debt to equity ratio	2.20	2.47	2.56

The above described corrections on the IFRS 9 credit loss provisioning model trigger also changes in the recorded impairments (credit losses) in the income statement in the reported interim results as follows:

Consolidated Statement of Financial Position

EUR '000	1 Jan 2018 - 31 Mar 2018	1 Jan 2018 - 30 Jun 2018	1 Jan 2018 - 30 Sep 2018
	Restated	**Restated**	**Restated**
Revenue	**61,442**	**124,232**	**190,194**
Impairments on loans Restated	-18,986	-42,162	-65,400
Impairments on loans Reported	-18,866	-40,609	-63,996
Difference	-120	-1,553	-1,404
Operating profit	**10,048**	**16,591**	**25,429**
Profit before income tax	**6,506**	**8,175**	**13,706**
Income tax expense	-976	-1,227	-2,055
Profit for the period	**5,530**	**6,948**	**11,650**
Earnings per share, diluted	0.25	0.32	0.54
Net debt to equity ratio	2.20	2.47	2.56

Based on the more accurate IFRS 9 model Ferratum Group has a stricter risk forecast model that improves substantially the quality of expected earnings in the foreseeable future.

Following the adjustments to the risk provisioning model outlined above, Ferratum considers its procedures on calculating potential loan losses as fully compliant with IFRS 9 and a highly sophisticated version of a credit loss prediction model.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Consolidated Income Statement for the Period 1 January to 31 March, 2018

EUR '000	Restated
Revenue	**61,442**
Other income	6
Impairments on loans Restated	-18,986
Impairments on loans Reported	-18,866
Difference	-120
Operating expenses:	
Personnel expenses	-10,826
Selling and marketing expenses	-10,028
Lending costs	-2,839
Other administrative expenses	-407
Depreciations and amortization	-1,082
Other operating expenses	-7,233
Operating profit	**10,048**
Financial income	15
Finance costs	-3,557
Finance costs - net	-3,542
Profit before income tax	**6,506**
Income tax expense	-976
Profit for the period	**5,530**
Earnings per share, basic	0.26
Earnings per share, diluted	0.25
Profit attributable to:	
– owners of the parent company	
– non-controlling interests (NCI)	5,530

Consolidated Statement of Compehensive Income for the Period 1 January to 31 March, 2018

EUR '000	Restated	Reported	Change
Profit for the period	5,530	5,633	-103
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss Translation difference	473	473	
Total items that may be subsequently reclassified to profit or loss	473	473	
Total comprehensive income	6,003	6,106	-103
Allocation of total comprehensive income to:			
- owners of the parent company	6,003	6,106	-103
- non-controlling interests (NCI)	0	0	

Consolidated Statement of Financial Position 31 Mar 2018

EUR '000	Restated
Assets	
Non-current assets	
Property, plant and equipment	3,484
Intangible assets	20,998
Government stocks	8,772
Deferred income tax assets	8,187
Total non-current assets	**41,441**
Current assets	
Accounts receivable - loans to customers	254,597
Other receivables	7,852
Derivative assets	924
Income tax assets	411
Cash and cash equivalents (excluding bank overdrafts)	134,688
Total current assets	**398,472**
Total assets	**439,913**
Equity and liabilities	
Equity attributable to owners of the parent	
Share capital	40,134
Treasury shares	-142
Credit Loss Provisions	-2,727
Unrestricted equity reserve	**14,708**
Retained earnings	43444
Total equity	**95,417**
of which related to non-controlling interests	-
Liabilities	
Non-current liabilities	
Borrowings	64,185
Other payables	-
Deferred income tax liabilities	117
Total non-current liabilities	**64,302**
Current liabilities	
Income tax liabilities	1,366
Deposits from customers	192,677
Borrowings	71,130
Derivative liabilities	604
Trade payables	2,634
Other current liabilities	11,783
Total current liabilities	**280,194**
Total liabilities	**344,496**
Total equity and liabilities	**439,913**
Equity ratio %	21.7
Net debt to equity ratio	2.20

Business Segments in 3M 2018 Restated

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Other*	Total
Revenue	11,058	15,852	28,901	5,508	123	61,442
Share in Revenue, %	18	26	47	9	0	100
Other income	1	2	3	1	0	6
Directly attributable costs:						
Impairments Restated	-4,708	-5,234	-7,886	-1,134	-25	-18,986
Impairments Reported	-4,703	-5,197	-7,820	-1,121	-24	-18,866
Difference	-5	-37	-66	-13	-1	-120
Marketing	-1,293	-2,568	-4,371	-1,247	-550	-10,028
Attributable Profit Margin	**5,058**	**8,052**	**16,648**	**3,128**	**-451**	**32,435**
Attributable Profit Margin, %	45.7	50.8	57.6	56.8		52.8
Non-directly attributable costs:						
Personnel expenses	-1,852	-2,655	-4,840	-922	-556	-10,826
Lending costs	-512	-734	-1,338	-255	0	-2,839
Other administrative expenses	-43	-62	-112	-21	-168	-407
Depreciation and amortization	-142	-203	-370	-71	-296	-1,082
Other operating income and expenses	-1,253	-1,797	-3,276	-624	-283	-7,233
Total Non-directly attributable costs	**-3,802**	**-5,450**	**-9,937**	**-1,894**	**-1,304**	**-22,386**
Operating profit	**1,256**	**2,602**	**6,711**	**1,234**	**-1,755**	**10,048**
Gross Profit Margin, %	11.4	16.4	23.2	22.4		16.4
Unallocated finance income	0	0	0	0	0	15
Finance expenses	-283	-624	-1,124	-351	-21	-2,403
Unallocated finance expense	0	0	0	0	0	-1,154
Finance costs, net	-283	-624	-1,124	-351	-21	-3,542
Profit before income tax	**973**	**1,978**	**5,587**	**883**	**-1,775**	**6,506**
Net Profit Margin, %	8.8	12.5	19.3	16.0		10.6
Accounts receivable - loans to customers	29,969	66,120	119,140	37,194	2,174	254,597
Unallocated assets						185,316
Unallocated liabilities						344,497

Accounts receivable - loans to customers 31 Mar 2018

EUR '000	Restated IFRS 9
Accounts receivable - loans to customers (gross)	376,503
Less: provision for impairment of loan receivables Restated	121,906
Less: provision for impairment of loan receivables Reported	(111,048)
Difference	232,954
Accounts receivable - loans to customers (net)	498,409

Ageing analysis restated

1 Jan 2018

EUR '000	GBV*	Provision for Impairment Restated	Provision for Impairment Reported	Difference	NBV**	ILCR***, %
Current	158,368	-12,054	-4,695	-7,359	146,314	7.6%
1-90 days due	72,398	-20,433	-17,649	-2,784	51,965	28.2%
91-180 days due	21,474	-12,737	-12,768	31	8,737	59.3%
> 181 days due	84,004	-53,433	-52,988	-445	30,571	63.6%
Total	**336,243**	**-98,657**	**-88,100**	**-10,557**	**237,586**	**29.3%**

31 Mar 2018

EUR '000	GBV*	Provision for Impairment Restated	Provision for Impairment Reported	Difference	NBV**	ILCR***, %
Current	165,041	-11,632	-4,518	-7,114	153,410	7.0%
1-90 days due	74,479	-19,879	-16,765	-3,114	54,600	26.7%
91-180 days due	25,334	-14,792	-14,781	-11	10,542	58.4%
> 181 days due	111,648	-75,603	-74,984	-619	36,045	67.7%
Total	**376,503**	**-121,906**	**-111,048**	**-10,858**	**254,597**	**32.4%**

EUR '000	Restated Jan – Mar 2018
Provision for impairment on January 1	-78,837
IFRS9 implementation impact Restated	-20,912
IFRS9 implementation impact Reported	-9,263
Difference	-11,649
Impairments on loans Restated	-18,986
Impairments on loans Reported	-18,866
Difference	-120
Amounts fully reserved and booked out Restated	-3,171
Amounts fully reserved and booked out Reported	-4,082
Difference	911
Provision for impairment on March 31	**121,906**

Changes in equity Jan – Mar 2018 Restated

EUR '000	Share capital	Treasury shares	Unrestricted equity reserve	Other Credit Loss Provisions	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance 1 Jan, 2018 (audited)	**40,134**	**-142**	**14,708**	**717**	**-2,957**	**52,783**	**105,243**	**0**	**105,243**
Comprehensive income									
Profit or loss									
Other comprehensive income						5,530	5,530	0	5,530
Currency translation difference:				0	-599	1,072	473	0	473
Total comprehensive income				**0**	**-599**	**6,602**	**6,003**	**0**	**6,003**
Transactions with owners									
Distribution of funds						0	0	0	0
IFRS 9 Impact						-15,164	-15,164	0	-15,164
Share-based payments						436	436	0	436
Other changes				112		-1,214	-1,102	0	-1,102
Total transactions with owners	**0**	**0**	**0**	**112**	**0**	**-15,941**	**-15,829**	**0**	**-15,829**
Total equity 31 Mar, 2018 (unaudited)	**40,134**	**-142**	**14,708**	**829**	**-3,556**	**43,444**	**95,417**	**0**	**95,417**

Earnings per share restated

EUR '000	Restated Jan – Mar 2018
Profit for the reporting period attributable to owners of the parent Restated	5530
Profit for the reporting period attributable to owners of the parent Reported	5633
Difference	-103
Weighted average number of ordinary shares in issue	21578
Adjustment for calculation of diluted earnings per share:	
Options	277
Diluted weighted average number of ordinary shares in issue	21709
Earnings per share, basic	**0.26**
Earnings per share, diluted	**0.25**

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