ferratum

HALF-YEAR REPORT
1 JANUARY – 30 JUNE, 2019

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COMPANY OVERVIEW AND BUSINESS MODEL

Ferratum Oyj and its subsidiaries form the Ferratum Group ("Ferratum" or the "Group") which is a pioneering, leading international provider of mobile financial services. We have built our online financial ecosystem for and, through the 14 years of experience, with our customers. It transcends the hassle of physical banking and financial transactions into a paperless and borderless real-time experience. Our data-driven approach to credit-scoring and knowing our customers puts us at the forefront of the financial revolution. Headquartered in Helsinki, Finland, Ferratum was founded in May 2005 and we have since expanded our operations across Europe, South and North America, Africa, Australia and Asia, and we currently operate in 23 countries. With approx. 780,000 active customers over all geographies, we are a leading international provider of mobile loans to consumers and small businesses.

Over the past 14 years we have developed proprietary credit scoring algorithms that can deliver instant credit decisions digitally, allowing us to make fully risk-assessed lending decisions at a pace unmatched by the traditional banking and lending industries. Our technology and services have been built around real customer behaviour and experience, enabling us to offer secure, easy-to-use, real time digital product. We can also diversify the range of products available in our countries of operation, as we quickly understand the credit behaviour of customers in each new market. Using big data technology, and by centralizing IT systems and core functions, such as customer service and collections as the Group has expanded geographically, we have achieved balanced, profitable growth in every year of operation, underpinned by the ability to rapidly launch innovative new products in new countries and markets.

We provide consumer customers with digital borrowing solutions to suit a wide range of financial needs and circumstances. Microloans offer quick and straightforward access to small cash amounts to meet immediate, short term financial needs ranging from EUR 25 to EUR 1,000 with durations between 7 days and 90 days; PlusLoan is a more flexible loan product, ranging between EUR 300 and EUR 5,000 and a duration between 2 months and 3 years, which is repayable in installments to help customers to budget their finances. Credit Limit is a digital revolving credit line offering up to EUR 3,000. Borrowers are granted a maximum credit limit, which can be used or repaid at any time. Borrowers are only charged for the funds they withdraw, helping customers to budget according to their cash flow. Primeloan as our newest product is a longer term consumer lending product ranging from EUR 3,000 to EUR 20,000 with a duration between 1 to 10 years, enabling customers to budget for more significant purchases such as a car or home improvements. In 2015, Ferratum successfully expanded into small business lending, providing loans up to EUR 250,000 with a term of 6 to 24 months.

We continue to evolve and expand in order to fulfill our long-term vision of becoming the most valued financial platform, offering an ever-wider range of financial products. The Ferratum Mobile Bank, launched by Ferratum Bank p.l.c. in 2016, is an innovative mobile-only bank that puts the customer in control of their financial affairs. The Mobile Bank is currently available in four markets (Sweden, Germany, Norway and Spain). Our banking license enables passporting of financial services to all EU countries. Offering real time digital payments and transfers, and available in a range of currencies, the Mobile Bank offers an extensive range of banking services including current accounts, overdrafts, savings, term deposits and a multi-currency contactless debit card, giving customers the freedom to manage their finances, via their mobile, whenever they need to, wherever they go. The new generation of it, the Mobile Wallet, is piloted in Latvia. It is an enhanced and broadened version of the original Mobile Bank, bringing customers even further possibilities and functionalities to improve their financial lives. The purpose built IT platform, FerraOS, supports the scalable expansion of Ferratum on all fronts of our growth and evolution.

January – June 2019, Financial highlights

+17.2% Group revenue of EUR 145.6 million, up 17.2% y-o-y

+23.8% Operating profit (EBIT) of EUR 20.5 million, up 23.8% y-o-y

14.1% EBIT margin of 14.1%

+51.7% Profit before tax (EBT) of EUR 12.4 million, up 51.7% y-o-y

€0.49 EPS (basic) increased by 53.1% from EUR 0.32 per share y-o-y

784,000 Active customers

€354m Net book value of loan portfolio, up 31.1% y-o-y to EUR 354 million

BOARD OF DIRECTORS REPORT H1 2019

Financial Overview

Financial highlights, EUR '000	Jan - Jun 2019	Jan - Jun 2018*	% change
Revenue	145,613	124,232	+17.2%
Operating profit	20,546	16,591	+23.8%
Profit before tax	12,401	8,175	+51.7%
Net cash flows from operating activities before movements in loan portfolio and deposits received	73,505	59,743	
Net cash flow from operating activities	(9,198)	(10,023)	
Net cash flow from investing activities	(6,958)	(6,698)	
Net cash flow from financing activities	19,007	56,255	
Net increase/decrease in cash and cash equivalents	2,850	39,535	
Profit before tax %	8.5	6.6	+28.8%

* Q1, Q2 and Q3 interim reports 2018 have been restated in March 2019 due to a change of the implemented risk provisioning model based on IFRS 9

Financial highlights, EUR '000	30 Jun 2019	31 Dec 2018	% change
Loans and advances to customers	354,002	320,538	+10.4%
Deposits from customers	188,501	183,405	+2.8%
Cash and cash equivalents	117,345	115,559	+1.5%
Total assets	541,790	500,192	+8.3%
Non-current liabilities	171,042	138,276	+23.7%
Current liabilities	256,789	254,536	+0.9%
Equity	113,959	107,380	+6.1%
Equity ratio %	21.0	21.5	
Net debt to equity ratio	2.72	2.58	

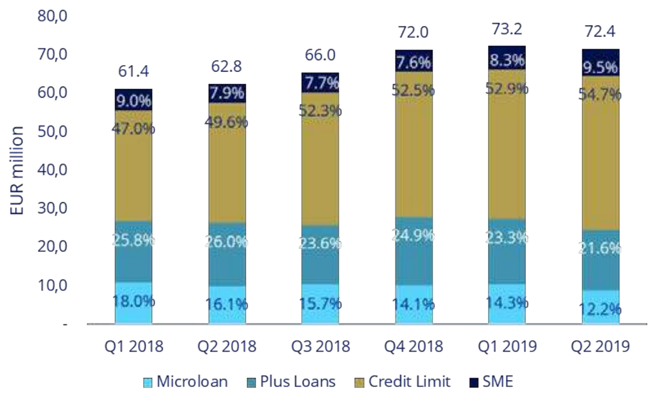
Calculation of key financial ratios

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

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

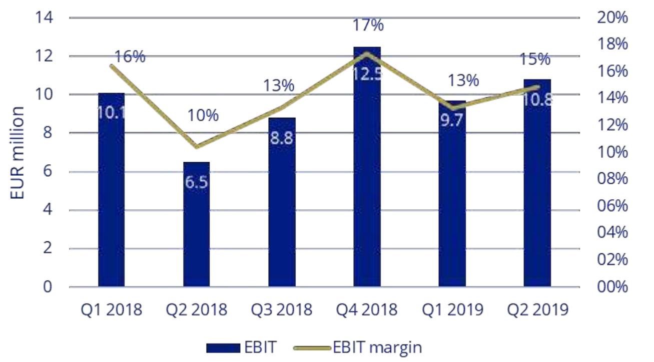
$$\text{Profit before tax (\%)} = 100 \text{ X } \frac{\text{Profit before tax}}{\text{Revenue}}$$

Revenue



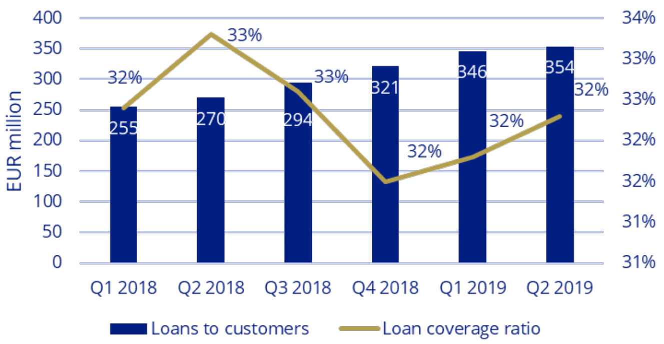
- Credit Limit remaining leading segment
- Stricter scoring in selected markets contributed to moderate sales growth
- Ongoing increase of SME revenue share from existing customers and new customer growth
- Revenue share and geographies of Microloans further decreased as per strategy

Operating profit (EBIT)



- EBIT development within guidance of reaching EUR >45 million in full year 2019
- EBIT up by 23.8% y-o-y, positively impacted by:
  - increased cost discipline
  - more focused marketing
  - increased operational leverage

Loans to customers



- Net book value of loan portfolio up 31.1% y-o-y
- Stable portfolio quality

Customer Base

	30 Jun 2019	30 Jun 2018
Active customers*	783,770	786,639

* 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.

The overall number of active customers is stable at 783,770, reflecting a shrinking active customer base in Microloan an increasing active customer numbers in the PlusLoan, Credit Limit, Primeloan 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.

KEY DEVELOPMENTS AND PROGRESS

Financial performance

Ferratum Group delivered further growth y-o-y in the first six months of 2019. Group revenues increased by 17.2% to EUR 145.6 million, with Ferratum's flagship product Credit Limit representing 54% of this result, a slight further increase on the comparable period in H1 2018. Intendedly declining Microloan revenues at EUR 19.4 million in H1 2019 continued to represent a diminishing proportion of turnover, being 8.5% lower than Microloan revenue for H1 2018. This ongoing decline is part of the Group's strategy of positioning Microloans in the future only as an initial 'beachhead' to understand customer behaviour while prioritising longer term lending as Ferratum's brand becomes more established in each country.

Business lending to Small and Medium size Enterprises (SMEs) is increasing in importance as customer segment for the Group, generating EUR 13.0 million of revenue in the first six months, a 24% increase on SME revenues from H1 2018 and with a record month in loan sales in Q1 2019.

Operating profit (EBIT) for H1 2019 increased by 23.8% year-on-year to EUR 20.5 million. The EBIT development keeps Ferratum on track with its guidance of exceeding EUR 45 million in EBIT for the full year 2019. In June at our first Capital Markets Day, we announced a mid-term aspiration of EUR 100 million EBIT.

The gross impairment on loans ratio increased from 33.9% in H1 2018 to 37.3% for H1 2019. The increased credit losses in H1 2019 relate mostly to Q1 2019 due to volatility in business lending, market challenges in two of nine Plusloan countries and Credit Limit having been negatively influenced from strong sales of Q4 2018.

Primeloans were introduced into two further markets in H1 2019, Sweden and Latvia, bringing the overall amount of Primeloan countries to four.

In June, we announced a partnership with with Srijony Foundation (Srijony) in Bangladesh to contribute to the country's digitalization, technological transformation and financial inclusion in the lending sector. This partnership is the second of Ferratum's Lending Through Partnerships strategy for growth outside of Europe. By providing the latest technology, an appropriate product and loan funding, we help Srijony to satisfy significant untapped consumer demand for micro loans in urban and rural areas. The partnership is rolled out gradually and conservatively, with an emphasis on gathering data and optimizing the risk algorithms in the first phase. Srijony is an association with 900,000 active members across 400 branches with approximately 2,500 employees, covering 90% of the country. Ferratum will play a key role in digitalizing Srijony's services through digital tools and processes to enable scalability, further growth and accessibility of finance to the people of Bangladesh.

As at the end of June 2019, Ferratum operates in 23 countries, with lending having been suspended in Russia, France and Slovakia, and Bangladesh being added to the countries of operation.

Shareholder structure

Jorma Jokela holds, directly and indirectly, 11,985,470 shares as at 30 June 2019, which represents 55.05% of the total issued share capital of Ferratum. The free float of Ferratum amounted to 44.28% of the total issued share capital as of 30 June 2019.

Operational developments

In line with the Group´s strategy of decreasing the revenue share and geographical presence of MicroLoans, the product was discontinued in Australia and Czech Republic in H1 2019.

The new Mobile Wallet, the successor of the Mobile Bank, is piloted in Latvia. Further piloting is intended to continue to ensure optimal performance before scaling to further markets in Europe.

Finance and treasury update

The Group equity increased by 6.1% to EUR 114.0 million as at 30 June 2019 from EUR 107.4 million as of 31 December 2018. A dividend payment of EUR 3.9 million was made in April 2019, which effected the equity level.

The profit before tax (EBT) increased by 51.7% y-o-y to EUR 12.4 million. Profitability improvements are based on increased operating leverage, cost discipline, more focused marketing and less FX impact.

The Group has substantial credit portfolios. Due to increasing foreign exchange volatility, Ferratum's intention is to further increase the proportion of its currency exposure that is hedged.

Net loans and advances to customers grew by 10.4% to EUR 354.0 million from EUR 320.5 million at year end 2018. Deposits from customers remained stable at EUR 188.5 million vs EUR 183.4 million as at 31 December 2018. The Group reduced interest rates in H1 2018 to maintain balanced sources of funding and capital adequacy ratios. The intention of management is to increase the inflow of deposits in H2 2019 as appropriate to ensure that the Group optimises its liquidity position once more business has been moved under the banking entity. Currently the Group is working on migrating Finland, and thereafter Denmark, under the banking entity.

The Group received a new BB- rating from Fitch Ratings in March 2019. The Rating is assigned at holding company level based on Ferratum's consolidated financial statements, which include Ferratum Bank p.l.c. Ferratum's LTIDR is based on Fitch's standalone assessment of the Group. In April, Creditreform AG, a German credit rating agency, issued the Group a rating of BBB-/stable.

In April, Ferratum Capital Germany GmbH, a subsidiary of Ferratum Oyj, successfully issued EUR 80 million of new senior unsecured bonds. The proceeds were used to refinance EUR 25 million of bonds that matured in June. The additional funds shall be used for further business growth. 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 are listed on Nasdaq Stockholm and Frankfurt Stock Exchange Open Market with ISIN: SE0012453835. Fitch Ratings has assigned the newly issued bond with a Long-Term Rating of 'BB-'.

Subsequent events

On 04 July Ferratum received a notification that Universal-Investment-Gesellschaft mbH as of 01 July 2019 holds 1,666,759 shares in Ferratum, representing 7.67% of the total issued share capital of Ferratum.

Personnel

At the end of June 2019 Ferratum Group employed 878 persons compared with 958 persons at the end of June 2018. The decrease is a result of actions taken by the management in 2018 to improve operational efficiency, increase automation and streamline operations.

At the end of June Bernd Egger was appointed as Chief Financial Officer for the Group, succeeding Dr. Clemens Krause, who will focus fully on his responsibilities as Chief Risk Officer of the Group. Bernd joined Ferratum on 1 August 2019 and was appointed as a member of Ferratum's Leadership Team with effect from the same date. Bernd Egger is a senior executive with more than 20 years of experience in international banking, finance and corporate development, of which 15 years have been spent in leadership functions such as board member and chief financial officer roles in the banking, fintech, e-money and payments industries. As CFO and board member of Paysafecard Group from 2008 through 2015, Bernd substantially contributed to the successful transformation of the business into a leading global online prepaid solution for customers. From 1999 through 2004, Bernd was a member of the executive board of Volksbank International AG (now Sberbank Europe AG), with group-wide responsibilities covering corporate development, M&A and international expansion.

Risk factors and management

Ferratum Group 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 Management Team ultimate bears responsibility for identifying and

EUR '000	Q2 2019	Q2 2018	H1 2019	H1 2018
AUD	0.039	0.045	-0.059	-0.148
CZK	-0.132	-0.381	0.020	-0.322
PLN	-0.241	-0.964	-0.271	-1.248
GBP	0.151	-0.080	0.037	0.051
SEK	-0.276	-0.271	-0.690	-1.172
Other currencies	0.250	0.046	0.225	0.089
FX impact on P&L	**-0.209**	**-1.605**	**-0.752**	**-2.750**

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 four main categories: credit risks (loans and advances to customers), market risks (including foreign exchange risks, interest rate risks and other price risks), liquidity risks (cash flow and financing risks, as well as covenant compliance and regulatory requirements and compliance) and operational risks (such as IT risks, legal and regulatory risks and other operational risks).

Exposure to credit risks arises principally from Ferratum's 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).

Ferratum Group has rigorous processes in place to forecast and monitor the Group's liquidity requirements to ensure that it has sufficient cash available at all times to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities 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.

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 legal structure 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.

Consolidated income statement for the period 1 January to 30 June 2019

EUR '000	Note	2019	2018*
		6 months ended 30 June	
Revenue	4	145,613	124,232
Other income		11	16
Impairments on loans		(54,335)	(42,162)
Operating expenses:			
Personnel expenses	5	(22,015)	(22,151)
Selling and marketing expenses		(20,698)	(19,734)
Lending costs		(8,369)	(5,756)
Other administrative expenses		(1,094)	(1,074)
Depreciations and amortization		(4,632)	(2,338)
Other operating expenses	6	(13,936)	(14,442)
Operating profit		**20,546**	**16,591**
Financial income	7	124	92
Finance costs	8	(8,269)	(8,508)
Finance costs – net		(8,145)	(8,416)
Profit before income tax		**12,401**	**8,175**
Income tax expense		(1,861)	(1,227)
Profit for the period		**10,540**	**6,948**
Earnings per share, basic	9	**0.49**	**0.32**
Earnings per share, diluted	9	**0.49**	**0.32**
Profit attributable to:			
– owners of the parent company		10,540	6,948
– non-controlling interests (NCI)		-	-

Consolidated statement of comprehensive income for the period 1 January to 30 June 2019

EUR '000	Note	2019	2018*
		6 months ended 30 June	
Profit for the period		10,540	6,948
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss		(119)	353
Translation difference			
Total items that may be subsequently reclassified to profit or loss		(119)	353
Total comprehensive income		**10,421**	**7,301**
Allocation of total comprehensive income to:			
– owners of the parent company		10,421	7,301
– non-controlling interests (NCI)		-	-

* Q1, Q2 and Q3 interim reports 2018 have been restated in March 2019 due to a change of the implemented risk provisioning model based on IFRS 9

Consolidated income statement quarterly overview

EUR '000	Q2 2019	Q1 2019	Q4 2018	Q3 2018 *	Q2 2018 *	Q1 2018 *
Revenue	72,417	73,196	71,953	65,963	62,789	61,442
Other income	6	5	(92)	317	10	6
Impairments on loans	(25,664)	(28,671)	(23,096)	(23,238)	(23,176)	(18,986)
Operating expenses:						
Personnel expenses	(11,373)	(10,642)	(10,880)	(10,768)	(11,325)	(10,826)
Selling and marketing expenses	(9,926)	(10,771)	(10,992)	(10,662)	(9,706)	(10,028)
Lending costs	(4,206)	(4,163)	(3,824)	(3,390)	(2,917)	(2,839)
Other administrative expenses	(449)	(645)	(821)	(455)	(667)	(407)
Depreciations and amortization	(2,406)	(2,226)	(1,528)	(1,357)	(1,256)	(1,082)
Other operating expenses	(7,559)	(6,377)	(8,350)	(7,572)	(7,209)	(7,233)
Operating profit	**10,839**	**9,707**	**12,371**	**8,838**	**6 543**	**10,048**
Financial income	93	31	1	31	77	15
Finance costs	(4,735)	(3,534)	(3,744)	(3,338)	(4,951)	(3,557)
Finance costs – net	(4,642)	(3,503)	(3,743)	(3,307)	(4,874)	(3,542)
Profit before income tax	**6,197**	**6,204**	**8,628**	**5,531**	**1,669**	**6,506**
Income tax expense	(861)	(1,000)	(1,004)	(829)	(250)	(976)
Profit for the period	**5,336**	**5,204**	**7,623**	**4,702**	**1,418**	**5,530**
Profit attributable to:						
– owners of the parent company	**5,336**	**5,204**	**7,623**	**4,702**	**1,418**	**5,530**
– non-controlling interests (NCI)	-	-	-	-	-	-

Consolidated statement of comprehensive income quarterly overview

EUR '000	Q2 2019	Q1 2019	Q4 2018	Q3 2018*	Q2 2018*	Q1 2018*
Profit for the period	**5,336**	**5,204**	**7,623**	**4,702**	**1,418**	**5,530**
Other comprehensive income items that may be subsequently reclassified to profit or loss						
- translation differences	(609)	490	(38)	(166)	(121)	473
Total items that may be subsequently reclassified to profit or loss	(609)	490	(38)	(166)	(121)	473
Total comprehensive income	**4,727**	**5,694**	**7,586**	**4,536**	**1,298**	**6,003**
Allocation of total comprehensive income to:						
- owners of the parent company	4,727	5,694	7,586	4,536	1,298	6,003
- non-controlling interests	-	-	-	-	-	-

* Q1, Q2 and Q3 interim reports 2018 have been restated in March 2019 due to a change of the implemented risk provisioning model based on IFRS 9

Consolidated statement of financial position

EUR '000	Note	30 June 2019	31 Dec 2018
Assets			
Non-current assets			
Property, plant and equipment		3,884	4,155
Right-of-use assets		7,001	0
Intangible assets		32,825	30,227
Government bonds		-	8,533
Deferred income tax assets		9,331	10,622
Loan receivables		1,231	178
Total non-current assets		**54,273**	**53,714**
Current assets			
Loans and advances to customers	3	354,002	320,538
Other receivables		14,988	9,399
Derivative assets		119	21
Income tax assets		1,063	961
Cash and cash equivalents		117,345	115,559
Total current assets		**487,517**	**446,478**
Total assets		**541,790**	**500,192**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	10	40,134	40,134
Treasury shares	10	(142)	(142)
Reserves	10	(1,844)	(2,211)
Unrestricted equity reserve	10	14,708	14,708
Retained earnings		61,104	54,892
Total equity		**113,959**	**107,380**
Liabilities			
Non-current liabilities			
Borrowings	11	165,653	137,695
Other payables		-	-
Lease liabilities	11	4,822	-
Deferred income tax liabilities		567	581
Total non-current liabilities		**171,042**	**138,276**
Current liabilities			
Income tax liabilities		2,839	3,372
Deposits from customers		188,501	183,405
Borrowings	11	39,815	44,882
Derivative liabilities		869	479
Trade payables	12	10,996	10,522
Lease liabilities	11	2,127	-
Other current liabilities	12	11,643	11,877
Total current liabilities		**256,789**	**254,536**
Total liabilities		**427,831**	**392,812**
Total equity and liabilities		**541,790**	**500,192**

Consolidated statement of cash flow

EUR '000	2019	2018*
	6 months ended 30 June	
Cash flows from operating activities		
Profit/loss for the period	**10,540**	**6,948**
Adjustments for:		
Depreciation and amortization	4,632	2,338
Finance costs, net	8,145	8,416
Tax on income from operations	1,861	1,227
Transactions without cash flow	1,611	873
Impairments on loans	**54,335**	**42,162**
Working capital changes:		
Increase (-) / decrease (+) in other current receivables and government stocks	1,792	3,797
Increase (+) / decrease (-) in trade payables and other liabilities (excl. Interest liabilities)	90	196
Interest paid	(6,050)	(3,945)
Interest received	105	-
Other financing items	(838)	-
Income taxes paid	(2,719)	(2,270)
Net cash from operating activities before movements in loan portfolio and deposits received	**73,505**	**59,743**
Deposits received	5,095	14,173
Movements in the portfolio:		
Movements in gross portfolio	(55,382)	(76,721)
Fully impaired portfolio write-offs	(32,416)	(7,217)
Net cash (used in) / from operating activities	**(9,198)**	**(10,023)**
Cash flows from investing activities		
Purchase of tangible and intangible assets	(6,958)	(6,698)
Proceeds from sale of tangible and intangible assets	-	-
Purchase of investments and other assets	-	-
Net cash used in investing activities	**(6,958)**	**(6,698)**
Cash flows from financing activities		
Proceeds from short-term borrowings	133	(24,747)
Repayment of short-term borrowings	(44,882)	(99)
Proceeds from long-term borrowings	67,640	98,045
Repayment of long-term borrowings	-	(13,111)
Dividends paid / distribution of funds	(3,884)	(3,832)
Net cash from financing activities	**19,007**	**56,255**
Net (decrease) / increase in cash and cash equivalents	**2,850**	**39,535**
Cash and cash equivalents at the beginning of the period	115,559	131,832
Exchange gains/(losses) on cash and cash equivalents	(1,064)	(547)
Net increase/decrease in cash and cash equivalents	2,850	39,535
Cash and cash equivalents at the end of the period	**117,345**	**170,820**

* Q1, Q2 and Q3 interim reports 2018 have been restated in March 2019 due to a change of the implemented risk provisioning model based on IFRS 9

Consolidated statement of changes in equity

Changes in equity Jan-Jun 2018* (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 2018 (audited)	40,134	(142)	14,708	717	(2,957)	52,783	105,243	0	105,243
Changes on initial application of IFRS 9						(16,743)	(16,743)		(16,743)
Restated balance at 1 Jan 2018						36,040	88,500		88,500
Comprehensive income									
Profit or loss						6,948	6,948	0	6,948
Other comprehensive income									
Currency translation difference				(0)	(1,142)	1,494	353	0	353
Total comprehensive income				**(0)**	**(1,142)**	**8,442**	**7,301**	**0**	**7,301**
Transactions with owners									
Distribution of funds						(3,832)	(3,832)	0	(3,832)
Transfers between items						(112)	(112)	0	(112)
Share-based payments						873	873	0	873
Other changes				112		533	644		644
Total transactions with owners				**112**		**(2,538)**	**(2,427)**	**0**	**(2,427)**
Total equity 30 Jun 2018 (unaudited)	**40,134**	**(142)**	**14,708**	**830**	**(4,099)**	**41,944**	**93,374**	**(0)**	**93,374**

* Q1, Q2 and Q3 interim reports 2018 have been restated in March 2019 due to a change of the implemented risk provisioning model based on IFRS 9

Changes in equity Jan-Jun 2019 (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 2019 (audited)	**40,134**	**(142)**	**14,708**	**1,484**	**(3,696)**	**54,892**	**107,380**	**(0)**	**107,380**
Comprehensive income									
Profit or loss						10,540	10,540	0	10,540
Other comprehensive income									
Currency translation difference				0	367	(486)	(119)	0	(119)
Total comprehensive income				**0**	367	**10,054**	**10,421**	0	**10,421**
Transactions with owners									
Distribution of funds						(3,884)	(3,884)	0	(3,884)
IFRS 9 DTA impact						(1,585)	(1,585)	0	(1,585)
Share-based payments						1,611	1,611	0	1,611
Other changes				0		16	16	0	16
Total transactions with owners				**0**		**(3,842)**	**(3,842)**	**0**	**(3,842)**
Total equity 30 Jun 2019 (unaudited)	**40,134**	**(142)**	**14,708**	**1,484**	**(3,329)**	**61,104**	**113,959**	**0**	**113,959**

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2018, except for the adoption of IFRS 16 Leases. Other new standards and interpretations have not had a material impact to the accounting policies. This interim report has been prepared in accordance with IAS34.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The interim period income taxes for the six months period ended 30 June 2019 have been accrued based on estimated annual effective income tax rate of 15% for Ferratum Group.

The preparation of financial statements pursuant to IFRS requires management to make certain critical accounting estimates. The application of the company's accounting policies also requires that management makes assumptions and exercises its judgment in the process of applying the Group's accounting policies. These assumptions and estimates affect the amounts reported of assets and liabilities, income and expenses. Actual results may diverge from these estimates. In preparing this set of financial statements, the material judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

IFRS 16 Leases

On January 1, 2019, Ferratum Group adopted IFRS 16, "Leases." The Group applied the modified retrospective approach and did not restate comparative figures for prior periods. IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases. The standard introduces a single lessee accounting model requiring 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 commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Ferratum Group has assessed the impact upon adoption of the new standard, which mainly impacts the group's operating leases. These operating leases impacted by the IFRS 16 adoption are mainly related to the Group's office rent agreements. These lease agreements were assessed by management to be in use for longer than stated lease term (12 months or less) and were calculated under the new methodology with an average lease term of 36 months.

Reconciliation of lease liability is as follows:

EUR '000	01 Jan 2019
Operating lease commitments disclosed as at 31 December 2018	3,399
(Less): low-value leases recognised on a straight-line basis as expense	(1)
Add/(less): adjustments as a result of a different treatment of extension and termination options	4,465
Lease liability recognised as at 1 January 2019, of which are:	7,863
Current lease liabilities	2,010
Non-current lease liabilities	5,853
	7,863

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 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.

3.2 Credit risk

3.2.1 Credit risk management

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, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

EUR '000	30 Jun 2019	31 Dec 2018
Cash and cash equivalents	117,345	115,559
Loans and advances to customers	354,002	320,538
Government bonds	-	8,533
Derivative assets	119	21
Other receivables	14,988	9,399
Total	**486,453**	**454,050**

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 table represents the credit risk exposure to the Group on June 30, 2019, and 2018.

Other receivables consist usually of still open receivables from non performing loans (NPL) 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.

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

EUR '000	30 June 2019	31 Dec 2018
AA	246	65
AA-	9,861	9,085
A+	59,141	76,025
A	3,518	3,231
A-	1,550	2,386
BBB+	7,080	4,948
BBB	24,456	10,606
BBB-	1,189	576
BB+	3	0
B	4	26
B-	114	117
No rating available	10,183	8,495
Total	**117,345**	**115,559**

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.

The measurement of credit exposure for risk management purposes considers that an exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. Ferratum Group measures expected credit losses using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

3.2.2 Credit risk measurement

(a) Loans and advances to customers

The Group uses internal credit risk gradings to reflect its assessment of the probability of default of individual counterparties. Internal credit risk gradings are based on payment behaviour, loan specific information and expert judgement. Information considered by the Group when determining the internal credit risk grades include the payment behaviour of the borrower and other information about borrowers which impact their creditworthiness, including level of income and/or financial performance.

At onboarding stage, any known information about a borrower which impacts their creditworthiness - such as unemployment and previous delinquency history - is assessed during the initial credit assessment. After the date of initial recognition, for short-term consumer lending facilities, the payment behaviour of borrowers is monitored on an ongoing basis at a collective portfolio level.

(b) Other financial assets

Other financial assets include cash and cash equivalents and government bonds. The Group uses external risk grades to reflect its assessment of the probability of default of individual counterparties. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by rating agencies.

In determining the probability of default of individual counterparties, the Group distinguishes between exposures considered 'investment-grade' defined by recognized external rating agencies as a rating between AAA-BBB- (Standard & Poor's, F) and Aaa-Baa3 (Moody's), and 'non-investment grade' exposures.

3.2.3 Categorisation of loans and advances to customers for ECL measurement

The Group's expected credit loss allowances on loans and advances to customers are modelled on an individual collective basis. As a result, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group of financial assets are homogenous. In performing this grouping, the Group ensures that there is sufficient information for the group of financial assets to be statistically credible. In this respect, the Group considers the following categories for ECL measurement of loans and advances to customers:

I. Micro-credit portfolios which are subject to bullet repayment characteristics; and

II. Micro-credit portfolios with instalment repayment features and revolving micro-credit facilities.

3.2.4 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

i. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

ii. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit - impaired. Please refer to 3.2.5 for a description of how the Group determines when a significant increase in credit risk has occurred.

iii. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to 3.2.6 for a description of how Ferratum Group defines credit-impaired and default.

iv. Financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Instruments in 'Stages 2' or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to 3.2.7 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

v. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. 3.2.8 includes an explanation of how the Group has incorporated this in its ECL models.

Further explanation is also provided in respect of how Ferratum Group determines appropriate groupings of loas and advances to customers for ECL measurement (refer to 3.2.9).

The expected credit loss requirements apply to financial assets measured at amortised cost and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered '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, thus considered to be in default or otherwise credit-impaired, would be classified as 'stage 3'.

Ferratum Group recognises loss allowances at an amount equal to 12-month ECL for debt investment securities that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when it is considered 'investment-grade', defined by recognised external rating agencies as a rating between AAA to BBB- (Standard & Poor's and Fitch) and Aaa-Baa3 (Moody's).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired financial assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3.2.5 Significant increase in credit risk

To determine whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information. Such analysis is based on the Group's historical experience, credit assessment and forward-looking information.

The Group's short-term consumer lending exposures are not managed on a credit-by-credit basis due to the high volume of relatively low value and homogeneous exposures. As a result, it is not feasible to include qualitative information based on an expert credit assessment performed on an individual credit basis. On this basis, Ferratum Group adopts a retail portfolio methodology which takes into account the nature of the short-term consumer lending exposures and the underlying credit risk management practices of the Group.

The short-term consumer lending portfolio comprises of micro-credit facilities with bullet repayment or instalment loan characteristics, as well as, revolving micro-credit facilities. Given how such retail facilities are originated and managed for internal risk management purposes, short-term consumer loans within a particular portfolio are expected to have similar credit risk characteristics.

As a result, for loans and advances to customers, which are managed on a portfolio basis for credit risk purposes, the Group measures a significant increase in credit risk based on a quantitative assessment driven by the delinquency status of borrowers (days past due). The Group presumptively considers that a significant increase in credit risk occurs when an asset is more than 30 days past due, in line with the backstop indicator established under IFRS 9. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

In the case of other financial assets (cash and cash equivalents and investments in debt securities), the Group applies the low credit risk simplification to all its exposures considered 'investment-grade', thus they are not subject to the SICR assessment. Moving from 'investment-grade' to 'non-investment grade' does not automatically mean that there has been a SICR.

3.2.6 Definition of default and credit-impaired assets

Ferratum Group's assessment to determine the extent of increase in credit risk of a financial instrument since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument.

IFRS9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and requires consideration of qualitative factors where appropriate. In addition, IFRS9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging criterion is appropriate.

In this respect, the Group defines a financial instrument as in default, when it meets one or more of the criteria below.

i. with respect to micro-credit facilities with bullet repayment characteristics, exposures are considered defaulted where the borrower is more than 90 days past due on any material credit obligation to the Group; and

ii. with respect to micro-credit facilities with instalment loan characteristics or revolving micro-credit facilities, exposures are considered defaulted once the customer is overdue on minimum monthly payments by more than 60 days. In Q2 2019 the default definition for Business Lending and Credit Limit in one country has been changed and the customer is now considered as defaulted when he is more that 90 days past due.

Therefore, the definitions of credit-impaired and default are aligned so that stage 3 represents all loans which are considered defaulted or credit-impaired.

The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

The Group considers other financial assets, mainly cash and cash equivalents and investments in debt securities respectively, to be in default when a payment due (including a coupon payment) is not affected.

3.2.7 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

The ECL is determined by projecting the PD, EAD and LGD at a collective portfolio level as allowable under IFRS 9 in the case of retail portfolios comprising individually insignificant exposures that are homogenous in nature. These three components are multiplied together effectively calculating the forward-looking ECL, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the originated effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure. The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, adjusted to reflect forward-looking information as described below.

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, 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. The following tables shows the reconciliation of movements in the allowance account.

EUR '000	Jan - Jun 2019	Jan - Jun 2018
Loans and advances to customers (gross)	523,193	404,683
Provision for impairment on January 1	(147,273)	(78,837)
IFRS9 implementation impact	-	(20,912)
Impairments on loans for the period	(54,335)	(42,162)
Other movements	32,417	7,217
Provision for impairment on June 30	(169,191)	(134,694)
Loans and advances to customers (net)	**354,002**	**269,989**

In the case of micro lending facilities with bullet repayment characteristics, the 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 the 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 of micro-credit facilities with characteristics similar to instalment loans or revolving facilities, the 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 the 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.

The conditional PD is adjusted to consider forward-looking information through macroeconomic modelling.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD represents the expected exposure in the event of a default (including any expected drawdowns of committed facilities).

The 12-month and lifetime EADs are determined based on 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 the Group's micro-credit facilities given that Ferratum Group models its ECLs on a collective portfolio level with the modelling of the EAD for each future month at an individual loan-by-loan basis not being deemed practical. Additionally, in the case of revolving credit facilities the Group also factors in expected drawdowns of committed facilities.

The Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral values (if any) at the time it is expected to be realised and the time value of money. The 12-month and lifetime LGD are determined based on the factors which impact the recoveries made post default.

Given that its short-term micro-credit facilities are unsecured in nature, the Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties which are highly influenced by collective debt recovery strategies. Moreover, the 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 dependant on the credit quality of the portfolio, current investor appetite in the market and the economic trends in the particular country or territory. Recoveries from loan portfolio sales are calculated on a discounted cash flow basis using the contractual interest rate as the discounting factor.

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the Group defines the lifetime of such exposures as 24 months in line with observed borrower behaviour in specific territories. The lifetime of revolving credit facilities is re-assessed by the Group at a territory level based on more recent borrower behaviour patterns on a periodic basis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3.2.8 Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. Ferratum Group performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each product portfolio at a territory level. These economic variables and their associated impact on the PD, EAD and LGD may vary by portfolio or territory.

In this respect, the Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. The key driver is predominantly Eurozone unemployment.

The impact of this economic variables on the PD have been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Three possible scenarios are considered to capture non-linearity across credit portfolios. The 'base line' scenario represents the most-likely outcome. It is based on authoritative sources forecasting these economic variables referred to above and providing the best estimate view of the European economy. Apart from the 'base line' scenario, the Group considers two other macro-economic scenarios – Upside and Downside scenarios – which respectively represent a more optimistic and a more pessimistic outcome. Such scenarios reflect the current top and emergent risks and opportunities. The more optimistic and more pessimistic scenarios are economically plausible and will not necessarily be as severe as scenarios used in stress testing.

Each scenario is weighted by a probability of occurrence, determined by a combination of macroeconomic research and expert credit judgment, taking account the range of possible outcomes each chosen scenario represents. The Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any macro-economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and therefore, the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018, together with the comparative as of 1 January 2018, are set out below. The 'base', 'upside' and 'downside' scenarios were used for all portfolios.

- The 'Base' Scenario captures business-as-usual macroeconomic expectations, whereby the current rhythm of economic activity is maintained;
- The 'Downside' Scenario is based on a subdued level of economic activity hypothesized to correspond to an economic recession;
- The 'Upside' Scenario is based on the assumption that it would be possible to marginally improve further over the already benign economic conditions.

The Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. This analysis was conducted at a territory and sub-portfolio level in order to take into consideration possible differences in customer behaviour and default experience arising from different product characteristics. The key driver is predominantly Eurozone unemployment in the majority of the Group's territories of operation. In those territories were due to certain risk data limitations, statistical relationships to macro-economic variables were not deemed to be statistically significant (e.g. in those territories where the Group has recently launched new products resulting in limited available historical default experience), the Group has utilised proxy statistical data available in other territories with close geographical and demographic similarities.

	As of 31 December 2018				
	2019	2020	2021	2022	2023
Eurozone-Av. Unemployment					
Base	7.6	7.5	7.3	7.1	6.9
Upside	7.4	7.0	6.5	6.2	6.1
Downside	7.7	7.6	7.4	7.2	7.1

	As of 1 January 2018				
	2019	2020	2021	2022	2023
Eurozone-Av. Unemployment					
Base	8.3	7.9	7.6	7.5	7.3
Upside	8.3	7.7	7.2	6.8	6.3
Downside	8.4	8.2	8.0	8.0	8.0

*YoY = year on year % change

The weightings assigned to each economic scenario were 60% for the 'Base' scenario, 20% for the 'Downside' scenario and 20% for the 'Upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date.

Such weightings take into account the current strong performance of the European economy over the foreseeable future and that at this relatively strong level of performance, further ameliorations would be affected by the law of diminishing returns. The Board considers that the probability weightings assigned to the respective scenarios reflect an unbiased evaluation of range of possible outcomes.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an ongoing basis.

The most significant assumption affecting the ECL allowance are GDP and Unemployment, given the significant impact they have on the performance of retail consumer borrowers.

3.2.9 Information on credit quality of loans and advances to customers

Ferratum Group manages the credit quality of its loans and advances to customers by using internal risk grades, which provide a progressively increasing risk profile ranging from 'Regular' (best quality, less risky) to 'Loss'. These risk grades are an essential tool for the Group to identify both non-performing exposures and better-performing customers. The internal risk grades used by the Group are as follows:

- Performing: Internal grade 'Regular'
- Under performing: Internal grades 'Watch' and 'Substandard'; and
- Non-performing: Internal grades 'Doubtful' and 'Loss'.

Regular

The Group's loans and advances to customers which are categorised as 'Regular' are principally debts in respect of which payment is not overdue by 30 days and no recent history of customer default exists. Management does not expect any losses from non-performance by these customers, which are considered as fully performing.

Watch

Loans and advances that attract this category principally comprise those where payment becomes overdue by 30 days, but does not exceed 60 days for micro loans, and does not exceed 45 days for plus loans, credit limit and prime loans.

Substandard

Exposures that are categorised within this category comprise those where payment becomes overdue by 61 days and over but not exceeding 90 days for micro loans, and where payment becomes overdue by 46 days but does not exceed 60 days for plus loan, credit limit and prime loans.

Doubtful

Loans and advances which attract a 'Doubtful' grading are principally those assets in respect of which repayment becomes overdue by 61 days and over but not exceeding 180 days for plus loans, credit limit and prime loans, and 91 days and over but not exceeding 180 days for micro loans.

Loss

Loans and advances in respect of which payment becomes overdue by 180 days.

	30 June 2019				31 Dec 2018
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and advances to customers					
Regular	289,561	0	0	289,561	262,280
Watch	0	13,095	0	13,095	12,783
Substandard	0	10,720	0	10,720	11,576
Doubtful	0	0	43,673	43,673	35,173
Loss	0	0	166,144	166,144	145,998
Gross carrying amount	**289,561**	**23,815**	**209,817**	**523,193**	**467,811**
Loss allowance	24,974	7,211	137,006	169,191	147,273
Carrying amount	**264,587**	**16,604**	**72,811**	**354,002**	**320,538**
Impaired Loan Coverage Ratio (ICLR)	**8.6%**	**30.3%**	**65.3%**	**32.3%**	**31.5%**

3.2.10 Loss Allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between ‘Stage 1’ and ‘Stages 2’ or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Loans and advances to customers				
Loss allowance as at 1 January 2019	**22,325**	**7,351**	**117,597**	**147,273**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(1,038)	2,947	-	1,909
Transfer from Stage 1 to Stage 3	(4,074)	-	16,581	12,507
Transfer from Stage 2 to Stage 1	641	(1,852)	-	(1,211)
Transfer from Stage 2 to Stage 3	-	(4,341)	6,821	2,480
Transfer from Stage 3 to Stage 1	630	-	(4,130)	(3,500)
Transfer from Stage 3 to Stage 2	-	26	(45)	(19)
Other transfers - Aging change				
Total remeasurement of loss allowance arising from transfers in stages	**(3,841)**	**(3,220)**	**19,227**	**12,166**
New financial assets originated or purchased	**47,220**	**6,616**	**25,411**	**79,247**
Changes to risk parameters (model inputs PDs/LGDs/EADs)	**1,133**	**(275)**	**8,284**	**9,142**
Financial assets derecognised during the year	**(41,080)**	**(2,964)**	**(30,726)**	**(74,770)**
Write-offs	**21**	**33**	**(6,822)**	**(6,768)**
Unwind of discount	**-**	**-**	**(345)**	**(345)**
FX and Other movements	**(804)**	**(330)**	**4,380**	**3,246**
Total net P&L charge during the year	**2,649**	**(140)**	**19,409**	**21,918**
Loss allowance as at 30 June 2019	**24,974**	**7,211**	**137,006**	**169,191**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Loans and advances to customers				
Gross carrying amount as at 1 January 2019	**262,280**	**24,359**	**181,172**	**467,811**
Transfers from stage 1 to stage 2	(10,095)	10,095	-	-
Transfers from stage 1 to stage 3	(35,049)	-	35,049	-
Transfers from stage 2 to stage 1	7,728	(7,728)	-	-
Transfers from stage 2 to stage 3	-	(13,268)	13,268	-
Transfers from stage 3 to stage 1	7,081	-	(7,081)	-
Transfers from stage 3 to stage 2	-	102	(102)	-
Total changes in gross carrying amounts arising from transfers in stages	(30,335)	(10,799)	41,134	-
New financial assets originated or purchased	418,391	15,522	36,176	470,089
Financial assets derecognised during the year	(356,381)	(5,135)	(46,090)	(407,606)
Write-offs	-	-	(7,443)	(7,443)
FX and Other Movements	(4,394)	(132)	4,868	342
Total net change during the year	**27,281**	**(544)**	**28,645**	**55,382**
Gross carrying amount as at 30 June 2019	**289,561**	**23,815**	**209,817**	**523,193**

3.2.11 Write-off Policy

The Group writes off loans and advances to customers when it determines that these are uncollectible and it has exhausted all practical recovery efforts. This is generally the case when the Group has applied debt recovery strategies for a significant period of time and has concluded there is no reasonable expectation of recovery.

In those cases where it has no reasonable expectation of full or partial recovery from overdue micro-credit facilities, the Group may opt to conduct one-off loan portfolio sales with third parties or group companies. Subsequent to the conduct of such sales, the Group writes-off any unrecovered amounts (after taking into account expected credit losses originally reserved against the portfolio).

3.2.12 Collateral

The Group's short-term consumer lending portfolio is generally unsecured, in line with the typical nature and characteristics observed for short-term retail portfolios.

In Business Lending a factoring model has been introduced in one country where collateral is available. The portfolio is relatively small though and not considered for the calculation of credit loss provisions.

3.3 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.

(a) 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 June 30, 2019, 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 1,531 thousand higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2018: EUR 1,167 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 June 30, 2019, 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 35,453 thousand, covering 70% of the Group's net assets denominated in Polish zloty.

(b) 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 period ended June 30, 2019, Ferratum Group's borrowings at a variable rate were denominated in EUR.

EUR '000	30 Jun 2019	31 Dec 2018
Fixed interest rate borrowings	6,949	24,882
Variable interest rate borrowings	205,467	157,695
Total borrowings	**212,417**	**182,577**

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 June 30, 2019, 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 2% of the Group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

On 30 June, 2019, 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 2,200 thousand higher/lower, mainly as a result of lower/higher interest expense on variable interest liabilities.

3.4 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 35 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 June 30, 2019, including future interest payments, is as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date.

30 Jun 2019 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings				
Interest				
Bonds issued	40,000		180,000	
Interest	12,400	9,900	8,433	
Deposits from customers	188,501			
Interest	1,922			
Trade payables and other current liabilities	22,639			
Lease liabilities	2,127	2,362	2,460	
Total, without derivatives	**267,588**	**12,262**	**190,893**	**0**
Interest rate derivatives	(26)			
Gross settled foreign exchange futures contracts				
- Inflow(-)	(70,523)			
- Outflow	71,983			

31 December 2018 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	20,000			
Interest	2,000			
Bonds issued	25,000	40,000	100,000	
Interest	8,609	6,125	7,792	
Deposits from customers	183,405			
Interest	2,731			
Trade payables and other current liabilities	22,399			
Total, without derivatives	**264,144**	**46,125**	**107,792**	**0**
Interest rate derivatives	(47)			
Gross settled foreign exchange futures contracts				
- Inflow(-)	(66,785)			
- Outflow	67,269			

3.5 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 period ended June 30, 2019, Ferratum Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio below 3.

Net debt to equity ratio EUR '000	30 Jun 2019	31 Dec 2018
Cash and cash equivalents	117,345	115,559
Government bonds	0	8,533
Borrowings due within 1 year	(228,315)	(228,287)
Borrowings due after 1 year	(165,653)	(137,695)
Lease liability due within 1 year	(2,127)	
Lease liability due after 1 year	(4,822)	
Net debt	**(283,572)**	**(241,890)**
Cash and Government bonds	117,345	124,092
Gross debt - fixed interest rates	(195,450)	(208,287)
Gross debt - variable interest rates	(205,467)	(157,695)
Net debt	**(283,572)**	**(241,890)**

EUR '000	Cash and Cash Equivalents	Government Stock	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2018	131,832	8,851	(244,042)	(64,049)	(167,408)
Cash flow	(13,162)	(317)	15,755	(73,646)	(71,371)
Foreign exchange adjustments	(3,111)				(3,111)
Net debt as at 31 December 2018	**115,559**	**8,533**	**(228,287)**	**(137,695)**	**(241,890)**
Cash flow	2,850	(8,533)	(2,155)	(32,780)	(40,618)
Foreign exchange adjustments	(1,064)				(1,064)
Net debt as at 31 Jun 2019	**117,345**	**0**	**(230,442)**	**(170,475)**	**(283,572)**

3.6 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	30 Jun 2019	30 Jun 2019	31 Dec 2018	31 Dec 2018	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
Financial assets					
Items recognized at amortized cost					
Government bonds	0	0	8,533	8,551	Level 1
Items recognized at fair value through profit and loss					
Foreign exchange derivative	119	119	21	21	Level 2
Financial liabilities					
Items recognized at amortized cost					
Loans from financial institutions	0	0	20,000	20,000	Level 3
Bonds	205,467	208,009	162,577	161,428	Level 1
Lease liabilities	6,949	6,949			
Deposits from customers	188,501	188,501	183,405	183,405	Level 3
Items recognized at fair value through profit and loss					
Foreign exchange derivative	843	843	432	432	Level 2
Interest derivative	26	26	47	47	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. SEGMENT INFORMATION

Operating segments are based on the major product types provided by Ferratum: Microloan, PlusLoan, Credit Limit, Ferratum Business (SME) and Mobile bank including Primeloan.

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 to the share in revenue and finance costs are allocated according to the portfolio size of related types of products, i.e. their share in total loans and advances to customers.

4.1 Business segments in H1 2019

EUR '000	Microloan	PlusLoan	Credit Limit	SME	Mobile bank*	Total
Revenue	19,379	32,874	78,720	13.004	1,637	145,613
Share in Revenue, %	13.3	22.6	54.1	8.9	1.1	100.00
Other income	1	2	6	1	-	11
Directly attributable costs:						
Impairments	(7,908)	(13,820)	(25,954)	(4,610)	(2,043)	(54,335)
Marketing	(1,400)	(3,956)	(11,947)	(2,764)	(630)	(20,698)
Attributable Product Margin	**10,072**	**15,100**	**40,825**	**5,631**	**(1,036)**	**70,591**
Attributable Product Margin, %	52.0	45.9	51.9	43.3		48.5
Non-directly attributable costs:						
Personnel expenses	(2,885)	(4,894)	(11,719)	(1,936)	(581)	(22,015)
Lending costs	(1,126)	(1,911)	(4,576)	(756)	-	(8,369)
Other administrative expenses	(91)	(154)	(368)	(61)	(420)	(1,094)
Depreciation and amortization	(567)	(961)	(2,302)	(380)	(422)	(4,632)
Other operating income and expenses	(1,789)	(3,034)	(7,266)	(1,200)	(646)	(13,936)
Total Non-directly attributable costs	**(6,457)**	**(10,955)**	**(26,231)**	**(4,333)**	**(2,069)**	**(50,045)**
Operating profit	**3,614**	**4,146**	**14,594**	**1,297**	**(3,105)**	**20,546**
Gross Product Margin, %	18.7	12.6	18.5	10.0		14.1
Unallocated finance income						124
Finance expenses	(563)	(1,608)	(3,457)	(1,365)	(271)	(7,264)
Unallocated finance expense						(1,005)
Finance expenses	(563)	(1,608)	(3,457)	(1,365)	(271)	(8,269)
Finance costs, net	(563)	(1,608)	(3,457)	(1,365)	(271)	(8,145)
Profit before income tax	**3,052**	**2,538**	**11,136**	**(68)**	**(3,376)**	**12,401**
Net Product Margin, %	15.7	7.7	14.1	-0.5		8.5
Loans and advances to customers	27,419	78,363	168,482	66,546	13,192	354,002
Unallocated assets						187,788
Unallocated liabilities						427,831

*Includes Mobile Bank and Primeloan

4.2 Business segments in H1 2018**

EUR '000	Microloan	PlusLoan	Credit Limit	SME	Mobile bank*	Total
Revenue	21,169	32,178	60,040	10,445	400	124,232
Share in Revenue, %	17.0	25.9	48.3	8.4	0	100.0
Other income	3	4	8	1		16
Directly attributable costs:						
Impairments	(10,550)	(11,672)	(16,492)	(3,421)	(27)	(42,162)
Marketing	(2,122)	(4,610)	(9,471)	(2,294)	(1,238)	(19,734)
Attributable Product Margin	**8,499**	**15,901**	**34,084**	**4,732**	**(865)**	**62,352**
Attributable Product Margin, %	40.2	49.4	56.8	45.3		50.2
Non-directly attributable costs:						
Personnel expenses	(3,604)	(5,478)	(10,222)	(1,778)	(1,069)	(22,151)
Lending costs	(984)	(1,496)	(2,791)	(486)	0	(5,756)
Other administrative expenses	(108)	(164)	(305)	(53)	(444)	(1,074)
Depreciation and amortization	(293)	(446)	(832)	(145)	(623)	(2,338)
Other operating income and expenses	(2,358)	(3,585)	(6,688)	(1,164)	(647)	(14,442)
Total Non-directly attributable costs	**(7,347)**	**(11,168)**	**(20,838)**	**(3,625)**	**(2,783)**	**(45,761)**
Operating profit	**1,152**	**4,733**	**13,246**	**1,106**	**(3,647)**	**16,591**
Gross Product Margin, %	5.4	14.7	22.1	10.6		13.4
Unallocated finance income						92
Finance expenses	(626)	(1,419)	(2,717)	(852)	(85)	(5,699)
Unallocated finance expense						(2,809)
Finance expenses	(626)	(1,419)	(2,717)	(852)	(85)	(8,508)
Finance costs, net	(626)	(1,419)	(2,717)	(852)	(85)	(8,416)
Profit before income tax	**527**	**3,314**	**10,529**	**255**	**(3,732)**	**8,175**
Net Product Margin, %	2.5	10.3	17.5	2.4		6.6
Loans and advances to customers	29,651	67,222	128,735	40,353	4,028	269,989
Unallocated assets						225,138
Unallocated liabilities						401,753

*Includes Mobile Bank, FerBuy, Primeloans and Ferratum P2P

** Q1, Q2 and Q3 interim reports 2018 have been restated in March 2019 due to a change of the implemented risk provisioning model based on IFRS 9

4.3 Revenue split

EUR '000	Jan – Jun 2019	Jan – Jun 2018
Revenue, international	121,796	102,638
Revenue, domestic	23,817	21,594
Total revenue	**145,613**	**124,232**

4.4 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 six months ended 30 June 2019 and six months ended 30 June 2018, are presented in the following table.

EUR '000		Jan – Jun 2019	Jan – Jun 2018
Northern Europe	Finland, Sweden, Denmark, Norway	62,819	52,242
Western Europe	France, Germany, Netherlands, Spain, UK	29,032	28,224
Eastern Europe	Bulgaria, Croatia, Czech, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia	47,900	38,739
Rest of the World	Australia, Brazil, Canada, Mexico, New Zealand, Nigeria	5,862	5,026
Total revenue		**145,613**	**124,232**

5. PERSONNEL EXPENSES

EUR '000	Jan – Jun 2019	Jan – Jun 2018
Salaries and other employee benefits (incl. bonuses)	(16,022)	(16,346)
Employee pension expenses	(694)	(537)
Other personnel expenses	(3,688)	(4,395)
Share-based payments equity settled*)	(1,611)	(873)
Total personnel expenses	**(22,015)**	**(22,151)**

*) According to IFRS 2 (Share-based payment) certain expenses need to be recorded in the income statement as equity settled share-based payments. These expenses reflect the calculated benefit of options granted to key employees. New employee share performance plan was introduced in April 2019 designed to provide long-term incentive and commitment for key management to deliver long-term performance targets and increase their commitment to Ferratum. Under the plan, participants are granted shares, less deduction for relevant tax possibly paid by the Participant, determined by the achievement of the performance criteria set by the Group in relation to targeted EBIT and sales growth. The performance plan consists of one year performance period, followed by one year restriction period ending December 2020. The grant date fair value for each award given in 2019 is EUR 12.10, based on the market price of the share at the date of grant. The fair value is recognised over the vesting period as an expense and increase in equity. If 100% of targeted EBIT is reached and there is 13% sales growth in 2019 approximately 52,000 shares will be issued.
Please refer to the annual report for details of existing employee option plans.

6. OTHER OPERATING EXPENSES

EUR '000	Jan – Jun 2019	Jan – Jun 2018
Rent	-	(1,337)
Other office expenses	(1,035)	(967)
Expenses relating to short-term leases and leases of low-value assets	(196)	-
Travel expenses	(969)	(975)
Professional fees (excl. Audit)	(3,753)	(5,153)
Audit fees	(781)	(580)
Other expenses	(7,202)	(5,430)
Total other operating expenses	**(13,936)**	**(14,442)**

7. FINANCE INCOME

EUR '000	Jan – Jun 2019	Jan – Jun 2018
Interest income from cash and cash equivalents	102	75
Derivatives held for trading – net gain / (loss)	21	17
Foreign exchange gain	-	-
Total finance income	**124**	**92**

8. FINANCE COSTS

EUR '000	Jan – Jun 2019	Jan – Jun 2018
Interest on borrowings	(7,264)	(5,699)
Derivatives held for trading – net gain / (loss)	-	-
Interest expenses on leases	(213)	
Foreign exchange loss on liabilities	(792)	(2,809)
Total finance costs	**(8,269)**	**(8,508)**

9. 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 and conversion of shares granted under the share performance plan to key management. Options are considered to be potential ordinary shares since each option may be converted into one ordinary share.

EUR '000	Jan – Jun 2019	Jan – Jun 2018 *
Profit for the reporting period attributable to owners of the parent	10,540	6,948
Weighted average number of ordinary shares in issue	21,578	21,578
Adjustment for calculation of diluted earnings per share:		
Options	0	209
Diluted weighted average number of ordinary shares in issue	21,578	21,786
Earnings per share, basic	**0.49**	**0.32**
Earnings per share, diluted	**0.49**	**0.32**

* Q1, Q2 and Q3 interim reports 2018 have been restated in March 2019 due to a change of the implemented risk provisioning model based on IFRS 9

10. 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 2018	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,240)**
Increase of share capital					
Distribution of funds					
Currency translation differences					(739)
Transfers between items					767
On 31 Dec 2018	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,211)**
Increase of share capital					
Distribution of funds					
Currency translation differences					367
Transfers between items					
On 30 Jun 2019	**21,723,960**	**40,134**	**(142)**	**14,708**	**(1,844)**

The cumulative translation differences of EUR 367,000 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 30 June 2019, Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.7% of the share capital and voting rights. 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.

11. INTEREST BEARING LIABILITIES

EUR '000	30 Jun 2019	31 Dec 2018
Non-current interest bearing liabilities		
Bank borrowings		
Bonds issued	165,653	137,695
Lease Liabilities	4,822	-
Total non-current interest bearing liabilities	**170,475**	**137,695**
Current interest bearing liabilities		
Bank borrowings	-	20,000
Bonds issued	39,815	24,882
Lease liabilities	2,127	-
Deposits from customers	188,501	183,405
Total current interest bearing liabilities	**230,442**	**228,287**
Total interest bearing liabilities	**400,917**	**365,982**

2019: In April 2019 Ferratum Group has issued EUR 80 million bond with a tap option of EUR 70 million due in April 2023. Interest rate of the bond issued is 5.50%+3M euribor. In June 2019 Ferratum has repaid EUR 25 million 4.875% bearer bond.
2018: In May 2018 Ferratum Group issued EUR 100 million bond with a tap option of EUR 50 million due in May 2022.

12. CURRENT NON-INTEREST BEARING LIABILITIES

EUR '000	30 Jun 2019	31 Dec 2018
Current tax liabilities	**2,839**	**3,372**
Trade payables	**10,996**	**10,522**
Other current liabilities	**11,643**	**11,877**
Interest liabilities	1,995	1,455
Accrued employee expenses	2,787	2,551
Other current accrued liabilities on expenses, interest-free	6,861	7,871
Total current non-interest bearing liabilities	**25,478**	**25,771**

13. RELATED PARTY DISCLOSURE

Ferratum Group is controlled by Jorma Jokela, who owns 55.05% 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 have 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	Jan – Jun 2019	Jan – Jun 2018
Purchase of services from related parties – Entity controlled by key management personnel	618	499
	618	**499**

The Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services, legal counselling, flight travel services and warehousing services. 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.

14. COMMITMENTS

EUR '000	30 Jun 2019	31 Dec 2018
Credit limit agreement		
Total amount of limits granted to Ferratum	35,111	35,111
Limit in use	0	20,000
Collateral on own debt		
Guarantees	220,000	165,000
Corporate pledge	20,000	20,000
Pledged subsidiary shares	11	11
Pledged investments	0	0
Operating lease under IAS 17		
Lease liabilities due within the next 12 months	0	1,728
Lease liabilities due after the next 12 months	0	1,671
Total operating lease liabilities	**0**	**3,399**

15. APPROVAL OF INTERIM REPORT

The Ferratum Group Interim Report (six months ended 30 June 2019) has been approved and submitted by the company's Management Board composed of:

Juhani Vanhala
Chairman of the Board

Lea Liigus
Member of the Board

Jorma Jokela
CEO, Member of the Board

Christopher Wang
Member of the Board

Kati Hagros
Member of the Board

Michael Cusumano
Member of the Board

Goutam Challagalla
Member of the Board

Frederik Strange
Member of the Board

Contacts

Emmi Kyykkä
Head of Group Communications and Investor Relations
E: emmi.kyykka@ferratum.com
M: +41 79 940 6315

Paul Wasastjerna
Head of Investor Relations, Fixed-income
E: paul.wasastjerna@ferratum.com
M: +358 40 724 82 47

Bernd Egger
Chief Financial Officer
E: bernd.egger@ferratum.com
M: +43 (0) 676 765 7152 844

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