HALF-YEAR REPORT 1 JANUARY – 30 JUNE, 2020

ferratum

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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 leading international provider of mobile and digital financial services for consumers and small businesses. We have built our online financial ecosystem for, and with our customers during our 15 years of operations. Our financial ecosystem is designed to transcend the hassle of physical banking and financial transactions and transform it 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.

Ferratums offerings are distributed online and via its mobile channels and currently the Group reaches more than 24 million visits annually. In addition to its lending offerings, Ferratum offers mobile banking solutions to consumers in selected markets, as well as white label and partner solutions to enterprises.

Ferratum, headquartered in Helsinki, Finland, was established in 2005 and serves more than 600,000 active customers (as of 30 June 2020) and has expanded its operations to 20 countries across Europe, North America, South America, Africa and the Asia-Pacific region.

Ferratum Bank p.l.c., is a wholly owned subsidiary of Ferratum Oyj. The bank is licensed by the Malta Financial Services Authority (MFSA) allowing Ferratum to passport financial services and products to all European Economic Area (EEA) member states. At the end of June 2020, the license has been passported for consumer lending services to 13 countries.

Over the past 15 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 products. 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. We are driving growth geographically as well as trough new product innovations by using big data technology and by centralising IT systems and core functions, such as customer service and collections.

The Group offers a comprehensive product portfolio to both retail and business customers. The offering includes consumer credits in amounts up to EUR 20,000 and instalment loans for small businesses up to EUR 250,000 with a term of 6 to 24 months.

Ferratum's vision is to innovate and to operate a proprietary global digital financial platform, enabling the Group not only to distribute financial services directly to consumers and businesses, but leveraging the technology to partners with "plug-and-play" and "Banking-as-a-Service" concepts.

On the path to becoming the "Most valued Financial Platform", Ferratum has developed its own proprietary core mobile banking platform, the Mobile Wallet. The Mobile Wallet is to be rolled-out throughout Europe and Ferratum will position the Mobile Wallet into the center of its customer communications.

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

BOARD OF DIRECTORS REPORT H1 2020

Financial Overview

Financial highlights, EUR '000	Jan - Jun 2020	Jan - Jun 2019
Revenue	121,139	145,613
Operating profit	9,965	20,546
(Loss) / profit before tax	(1,506)	12,401
Net cash flows from operating activities before movements in loan portfolio and deposits received	59,289	74,520
Net cash flow from / used in operating activities	256,728	(8,183)
Net cash flow used in investing activities	(6,314)	(6,958)
Net cash flow used in / from financing activities	(19,784)	17,992
Net increase in cash and cash equivalents	230,629	2,850
(Loss) / profit before tax %	(1,2)	8.5

Financial highlights, EUR '000	30 Jun 2020	31 Dec 2019
Loans and advances to customers	334,716	386,167
Deposits from customers	442,888	242,161
Cash and cash equivalents	381,831	155,518
Total assets	791,590	618,827
Non-current liabilities	219,826	174,236
Current liabilities	446,375	315,453
Equity	125,389	129,138
Equity ratio %	15.8	20.9
Net debt to equity ratio	2.27	2.59

Calculation of key financial ratios

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

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

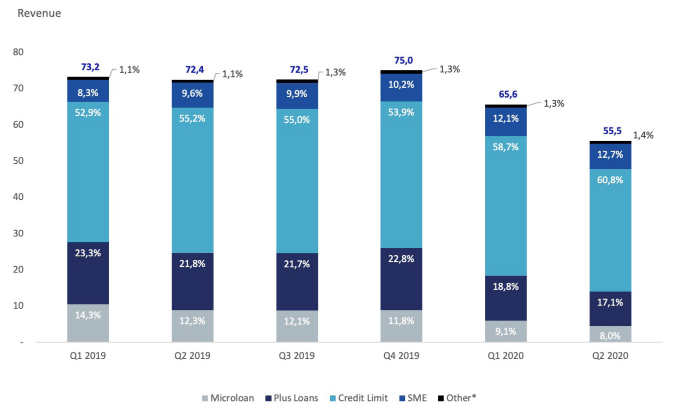
$$\text{Profit before tax (\%)} = 100 \times \frac{\text{Profit before tax}}{\text{Revenue}}$$

$$\text{Loan coverage ratio (\%)} = 100 \times \frac{\text{Reserves}}{\text{Loans and advances to customers}}$$

January – June 2020, Financial highlights

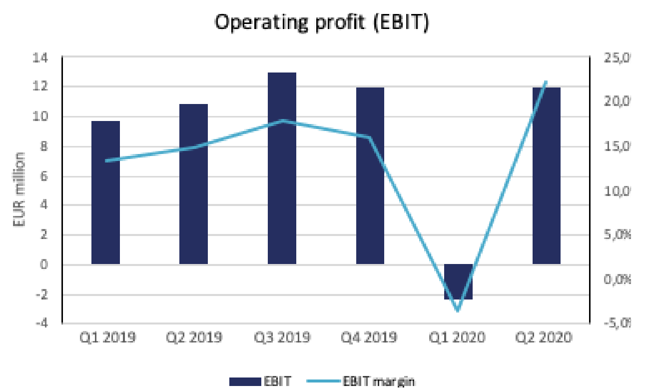
EUR 121.1M	Group revenue down 16.8% y-o-y	EUR 442.9M	Customer deposits up 82.9% vs Dec 31 2019
EUR 10.0M	Operating profit (EBIT)	2.27	Net debt to equity

Revenue



- H1 y-o-y revenue decline 16.8% as a result of COVID-19 as of early March 2020, restricted lending, tighter scoring and substantially reduced marketing as a reaction on the pandemic

Operating profit (EBIT)



- Strong operational improvement in Q2 2020 compared to Q1 2020: EBIT of EUR 12.3m relates to a mix of: (1) reduced marketing + lending activities, (2) strong focus on cost management, (3) impairments down y-o-y by -25% and sequentially by -46%

Customer Base

	30 Jun 2020	30 Jun 2019
Active customers*	606,994	783,770

* Customers with a Mobile Bank account and lending customers who have had an open balance in the last 12 months. If loans are >24 months overdue, the customer is not considered active.

KEY DEVELOPMENTS AND PROGRESS

Successful management of expenses and risk in Q2 2020

In Q2 2020 Ferratum's group revenue stood at EUR 55.5 million, a decrease of 23.3% compared to the respective period of the previous year (Q2 2019: EUR 72.4 million). As reported earlier in 2020, the Group started to reduce its lending activities in selected markets already in Q1 2020 and has maintained its low risk appetite and conservative credit provisioning policy throughout H1 2020. The reduced lending is mainly a reaction to the COVID-19 pandemic which resulted in a more rigorous scoring. As a result, loan disbursement in Q2 2020 have been considerably lower compared to the respective period of the previous year.

As the underlying payment behavior has not deteriorated in H1 2020, additional COVID-19 related impairments were not required in Q2 2020. Furthermore, impairments required for new loans which have been paid out to customers in Q2 2020, were below the level in Q2 2019. In Q2 2020 the loan amount which has been distributed to customers were substantially lower than in Q2 2019, driven by the Group's conservative lending policy as a reaction on uncertainties resulting from the COVID-19 pandemic. As a result, impairments decreased in Q2 2020 substantially by 46.2% or by EUR 16.4 million to EUR 19.1 million compared Q1 2020 (35.6 million).

Starting in Q1 2020, management has intensified the control of expenses and implemented a cost cutting plan to improve efficiency. The overall cost base (excluding impairments) came down from EUR 35.9 million in Q2 2019 by -32.8% or EUR 11.8 million to EUR 24.1 million in Q2 2020. Personnel expenses decreased by EUR 3.0 million to EUR 8.4 million and marketing expenses by EUR 7.3 million to EUR 2.6 million.

As a result of low impairments and strict cost management, Operating Profit (EBIT) increased by 13.1% to EUR 12.3 million in Q2 2020 compared to Q2 2019 (EUR 10.8 million). The EBIT-margin went up from 15.0% in Q2 2019 to 22.1% in Q2 2020.

EBT stood at EUR 6.8 million (Q2 2019: EUR 6.2 million) and net profit came in at EUR 6.1 million (Q2 2019: EUR 5.3 million).

Financial performance in H1 2020

In H1 2020 Group revenues decreased by 16.8% to EUR 121.1 million compared to the H1 2019 along the management's action which includes reduced lending activities as a reaction to COVID-19 pandemic and suspension of lending in selected markets such as Spain, Poland and Canada.

In Q1 2020 impairments stood at an extraordinary high level of EUR 35.6 million including an additional impairment charge of EUR 7.8 million which was due to the forecasted deterioration in macroeconomic factors resulting from the COVID-19 pandemic. As described in the section above, Ferratum successfully managed its risk exposure which decreased impairments substantially in Q2 2020.

The Operating profit (EBIT) came in at EUR 10.0 million for the first half of 2020 and decreased by EUR 10.6 million compared to EUR 20.5 million in H1 2019. The reduction in EBIT is a result of reduced revenues and COVID-19-related impairment charges, especially during Q1 2020.

The profit after tax stood at EUR -2.3 million (H1 2019: EUR 10.5 million)

Comfortable equity ratio and excess liquidity

The Group's equity increased by 10.0% to EUR 125.4 million at the end of H1 2020 compared to the end of H1 2019 (EUR 114.0 million). The equity ratio remains at a comfortable level of 15.8% (H1 2019: 21.0%). The decrease is driven by a temporarily extension of the balance sheet. In H1 2020, Ferratum had a high inflow of deposits of EUR 200.7 million which increased the deposit level to EUR 442.9 million equaling 55.9% of the Groups equity and liabilities. The Group intends to reduce its deposit volume as of Q3 2020.

Net loans to customers stood at the end of H1 2020 at EUR 334.7 million, down 13.3% compared to December 31, 2019 (EUR 386.2 million), resulting from the decision to decrease the Group's loan disbursement rate and risk appetite as well as from the COVID-19 related impairments.

As of June 30, Net debt to equity stood at 2.27, below the ratio as of December 31, 2019 (2.59). In H1 2020 the Group's liquidity position strengthened further with an increase in cash and cash equivalents to EUR 381.8 million, an increase of 145% compared to December 31, 2019 (EUR 155.5 million).

Operational developments

As a reaction on the COVID-19 pandemic, Ferratum introduced and executed a four-stage action plan which includes managing liquidity, controlling risk, reducing cost base and going for business opportunities.

The Group successfully strengthened its liquidity position and has excess cash at hand driven by high inflows of deposits in H1 2020. Ferratum decreased its risk appetite significantly in early March 2020 due to which the net credit volume decreased in in H1 2020.

The pandemic accelerated management's earlier decisions to continue to streamline and increase automatization in the Group. This has resulted in a continued effort to reduce cost and further increase the centralization of functions. As a result, the operational cost base has decreased in H1 2020. The reduction in cost has been supported by the decrease in marketing spending as loan disbursement rates have been kept at lower levels. Ferratum has however during Q2 2020 started to moderately increase loan disbursement rates as the Group has not seen a deterioration in the underlying payment behavior of the lending portfolio. This increase will also affect marketing expenditure in H2 2020 as an increase in lending to customers is to be expected, provided reasonably stable economic conditions.

Ferratum continued during H1 to work on initiatives supporting its strategy in increased efforts within the SME, Prime lending and Mobile Wallet segments. The rebranding of the SME business was completed during Q2 2020 and has been renamed "CapitalBox". The Primeloan product was introduced to the Swedish market and the Mobile Wallet was launched to the public in Latvia.

Protecting employees and serving customers safely

Ferratum has throughout the COVID-19 pandemic been able to meet the expectations set by its customers and stakeholders. Over 95% of the Group's employees have been working remotely from home while the highest level of operational functionality and stability has been secured. The company has continued, without any interruption, to cater for its customers' needs with the digital real-time offering and services Ferratum is known for. The pandemic has not had any effects on the product range and service quality of the Group.

Shareholder structure

Ferratum received on 23 March a notification from Universal-Investment-Gesellschaft mbH that the shareholding of SPSW Capital GmbH had reached the 10% threshold on 19 March 2020.

The Group received on 9 April a notification from Universal-Investment-Gesellschaft mbH, stating that the company's ownership in Ferratum Oyj has, on 6 April 2020, decreased below the threshold of 10%.

A further notification from Universal-Investment-Gesellschaft mbH was received on May 29 in which Universal-Investment-Gesellschaft mbH informed Ferratum that they had exceeded the 10% threshold on 26 May 2020.

Personnel

At the end of June 2020 Ferratum Group employed 678 persons compared with 878 persons at the end of June 2019. The decrease is a result of actions taken by the management in both 2019 and 2020 to improve operational efficiency, increase automation and streamline operations.

Risk factors and management

Ferratum decided during the early stages of the COVID-19 pandemic to mitigate for a future economic downturn. The group has limited its lending activities in areas and customer groups with an increased risk profile in both the consumer lending and SME lending segments. This includes lending to companies and consumers that operate in, or are employed by, sectors that have been faced with extraordinary difficulties due to the pandemic, such as the travel and hospitality industries.

Ferratum has during the pandemic revised its scoring algorithms and policy rules in order to identify customer patterns that are more robust in an economic downturn. Parameters, such as age, length of employment contract, profession, education, employer type, self-employed status have gained an increased relevance.

During recent times of high volatility and uncertainty due to the COVID-19 pandemic, Ferratum has further increased its daily monitoring of KPIs in order to identify any early signs of deteriorating payment behavior and its credit quality. These rigorous scoring measures have resulted in a decreased approval rate for new customers, and as a result, decreased the loan disbursement volume.

The conservative scoring in combination with reduced marketing efforts, especially in markets with lower consumer confidence, resulted in a stable payment behavior but also reduced lending volumes on group level. The conditions in the Group's geographies have varied in H1. Both South and East Europe have experienced increased challenges in their Macroeconomic environment which have effected the payment behavior of customers in these geographies. West Europe and the Nordics have remained stable with an improved payment behavior meaning that customers are repaying their debt in increased volumes and overdue payments have decreased.

As the actions described above were implemented at a very early stage of the pandemic, the group has not seen a significant impact on materialized credit losses, to date.

Ferratum manages its risk provisioning in accordance with IFRS 9, that relies on a forward oriented methodology. Based on future macroeconomic indicators and previously recorded correlations, the reserving model is adjusted in accordance with the macroeconomic outlook. Ferratum has based on this rigorous reserving model increased its credit loss provisioning by EUR 7.8 million in Q1 2020 although realized losses have remained stable. Further credit loss provisioning due to the COVID-19 pandemic was not made in Q2 2020. Risks mentioned in the Group's 2019 annual report are still valid. Further information on financial risks can be found in note 3 of the current report.

Redemption of Ferratum Bank p.l.c. bond

Ferratum Bank p.l.c. (a wholly owned subsidiary of the Group and a credit institution licensed by the Malta Financial Services Authority (MFSA) repaid an EUR 40 million 6.25% p.a. above 3 month EURIBOR (incl. floor at 0%) Senior unsecured bond (ISIN: FI4000232830) in March 2020.

Rating updates

Fitch Ratings affirmed in March the Long-Term Issuer Default Rating (IDR) of both Ferratum Oyj and the senior unsecured callable floating rate bond, issued by Ferratum Capital Germany GmbH (ISIN: SE0012453835), at 'BB-'. The Outlook on the Long-Term IDR was Stable. The rating was in April downgraded to B+ due to coronavirus-related risks. Fitch assessed that the Outlook on Ferratum's Long-Term IDR is Negative.

Creditreform Rating downgraded the rating of Ferratum Oyj from BBB- to BB with a negative outlook. Creditreform Rating states in their rating letter that the current rating assessment is particularly characterized by the serious global disruption as a consequence of the upcoming global financial and economic crisis.

Ferratum 2020 Annual General Meeting

In order to limit the spread of the COVID-19 epidemic, the Company's Board of Directors decided to adopt the exceptional meeting procedure provided for in the Finnish Act 290/2020, which temporarily deviates from some of the provisions of the Finnish Limited Liability Companies Act. The Board of Directors decided to take the measures permitted by the temporary legislation in order to hold the General Meeting in a predicable manner while also taking into account the health and safety of its shareholders, personnel and other stakeholders.

This meant that the Company's shareholders could participate in the meeting and exercise their rights only by voting in advance and by presenting counterproposals and questions in advance. It was not possible to participate in the meeting in person.

The Annual General Meeting adopted the Annual Accounts including the Consolidated Annual Accounts for the financial year 2019 and discharged the members of the Board of Directors and the CEO from liability for the financial year 2019.

It was during the meeting decided that no dividend would be distributed for the time being, but that the Board of Directors be authorised to decide on the distribution of dividends at their discretion as follows: Based on the authorisation, the Board of Directors can decide to distribute dividends from the Company's unrestricted equity in one or more tranches so that the amount of dividends to be distributed does not exceed a total of EUR 0.21 per share. The authorisation is in force until the start of the next Annual General Meeting.

The Annual General Meeting decided to re-elect Goutam Challagalla, Michael A. Cusumano, Jorma Jokela, Lea Liigus, Frederik Strange, Juhani Vanhala and Christopher Wang, and to elect Clemens Krause as a new member, each one for a term ending at the end of the next Annual General Meeting.

The Chairman and the Vice Chairman of the Board of Directors will be appointed by the Board of Directors from amongst its members.

Audit firm PricewaterhouseCoopers Oy was appointed as auditor of the Company for a term ending at the end of the next Annual General Meeting.

The Annual General Meeting approved the Board of Directors' proposal on authorisation to the Board of Directors to decide to repurchase a maximum of 1,086,198 shares in the Company, which corresponds approximately to 5 per cent of all the shares in the Company.

By virtue of the authorisation, own shares may be repurchased by using the Company's unrestricted equity. Consequently, any repurchase will reduce the Company's funds available for distribution of profits. The authorisation is in force until the next Annual General Meeting, however, no longer than until 30 June 2021.

The Annual General Meeting approved the Board of Directors' proposal on authorisation to the Board of Directors to decide to issue a maximum of 3,258,594 shares, which corresponds approximately to 15 per cent of the Company's total amount of shares. The Board of Directors may issue either new shares or transfer existing shares held by the Company.

The authorisation is in force until the next Annual General Meeting, however, no longer than until 30 June 2021.

The minutes of the Annual General Meeting and the decisions of the Board's organisational meeting were communicated in more detail in a stock exchange release on 30 June 2020.

Consolidated income statement for the period 1 January to 30 June 2020

EUR '000	Note	2020	2019
		6 months ended 30 June	
Revenue	4	121,139	145,613
Other income		13	11
Impairments on loans		(54,738)	(54,335)
Operating expenses:			
Personnel expenses	5	(18,330)	(22,015)
Selling and marketing expenses		(9,673)	(20,698)
Lending costs		(7,235)	(8,369)
Other administrative expenses		(752)	(1,094)
Depreciations and amortizations		(6,438)	(4,632)
Other operating expenses	6	(14,020)	(13,936)
Operating profit		**9,965**	**20,546**
Financial income	7	110	124
Finance costs	8	(11,581)	(8,269)
Finance costs – net		(11,472)	(8,145)
Profit / (loss) before income tax		**(1,506)**	**12,401**
Income tax expense		(784)	(1,861)
Profit / (loss) for the period		**(2,290)**	**10,540**
Earnings per share, basic	9	**(0.11)**	**0.49**
Earnings per share, diluted	9	**(0.11)**	**0.49**
Profit / (loss) attributable to:			
– owners of the parent company		(2,290)	10,540
– non-controlling interests (NCI)		-	-

Consolidated statement of comprehensive income for the period 1 January to 30 June 2020

EUR '000	Note	2020	2019
		6 months ended 30 June	
Profit / (loss) for the period		(2,290)	10,540
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation difference		(1,029)	(119)
Total items that may be subsequently reclassified to profit or loss		(1,029)	(119)
Total comprehensive income		**(3,319)**	**10,421**
Allocation of total comprehensive income to:			
– owners of the parent company		(3,319)	10,421
– non-controlling interests (NCI)		-	-

Consolidated statement of financial position

EUR '000	Note	30 June 2020	31 Dec 2019
Assets			
Non-current assets			
Property, plant and equipment		3,915	3,896
Right-of-use assets		5,304	6,693
Intangible assets		36,527	35,281
Deferred tax assets		9,901	10,813
Other financial assets		4,773	3,829
Total non-current assets		**60,420**	**60,512**
Current assets			
Loans and advances to customers	3	334,716	386,167
Other receivables		10,022	14,448
Derivative assets		1,836	15
Current tax assets		2,765	2,167
Cash and cash equivalents		381,831	155,518
Total current assets		**731,170**	**558,315**
Total assets		**791,590**	**618,827**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	10	40,134	40,134
Treasury shares	10	(142)	(142)
Reserves	10	(3,993)	(1,098)
Unrestricted equity reserve	10	14,708	14,708
Retained earnings		74,682	75,536
Total equity		**125,389**	**129,138**
Liabilities			
Non-current liabilities			
Deposits from customers		42,184	0
Borrowings	11,12	174,311	169,164
Lease liabilities		3,048	4,400
Deferred tax liabilities		283	672
Total non-current liabilities		**219,826**	**174,236**
Current liabilities			
Current tax liabilities		2,652	4,539
Deposits from customers		400,704	242,161
Borrowings	11,12	23,779	47,514
Derivative liabilities		1,532	2,215
Trade payables		2,980	5,235
Lease liabilities		2,415	2,398
Other current liabilities	12	12,314	11,390
Total current liabilities		**446,375**	**315,453**
Total liabilities		**666,201**	**489,689**
Total equity and liabilities		**791,590**	**618,827**

Consolidated statement of cash flow

EUR '000	6 months ended 30 June 2020	2019
Cash flows from operating activities		
Profit/(loss) for the period	**(2,290)**	**10,540**
Adjustments for:		
Depreciation and amortization	6,438	4,632
Finance costs, net	11,472	8,145
Tax on income from operations	784	1,861
Transactions without cash flow	270	1,611
Impairments on loans	54,738	54,335
Working capital changes:		
Increase (-) / decrease (+) in other current receivables	1,661	1,792
Increase (+) / decrease (-) in trade payables and other current liabilities	(3,978)	1,106
Interest paid	(6,897)	(6,050)
Interest received	115	105
Other financing items	-	(838)
Income taxes paid	(3,023)	(2,719)
Net cash from operating activities before movements in loan portfolio and deposits	**59,289**	**74,520**
Deposits from customers	200,727	5,095
Movements in the portfolio:		
Movements in gross portfolio	51,403	(55,382)
Movements in credit loss allowance	(54,691)	(32,416)
Net cash (used in) / from operating activities	**256,728**	**(8,183)**
Cash flows from investing activities		
Purchase of tangible and intangible assets	(6,314)	(6,958)
Net cash used in investing activities	**(6,314)**	**(6,958)**
Cash flows from financing activities		
Proceeds from short-term borrowings	16,213	133
Repayment of short-term borrowings	(39,947)	(44,882)
Proceeds from long-term borrowings	5,147	67,640
Repayment of finance lease liabilities	(1,197)	(1,015)
Dividends paid / distribution of funds	-	(3,884)
Net cash (used in) / from financing activities	**(19,784)**	**17,992**
Net increase in cash and cash equivalents	**230,629**	**2,850**
Cash and cash equivalents at the beginning of the period	155,518	115,559
Exchange gains/(losses) on cash and cash equivalents	(4,317)	(1,064)
Net increase/decrease in cash and cash equivalents	230,629	2,850
Cash and cash equivalents at the end of the period	**381,831**	**117,345**

Consolidated statement of changes in equity

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

Changes in equity Jan-Jun 2020 (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 2020 (audited)	**40,134**	**(142)**	**14,708**	**1,485**	**(2,583)**	**75,536**	**129,138**	**-**	**129,138**
Comprehensive income									
Profit or loss						(2,290)	(2,290)	-	(2,290)
Other comprehensive income									
Currency translation difference				0	(3,257)	2,229	(1,029)	-	(1,029)
Total comprehensive income				**0**	**(3,257)**	**(61)**	**(3,319)**	**-**	**(3,319)**
Transactions with owners									
Transfer between items				362		(362)	0	-	(362)
Acquisition of own options						(329)	(329)	-	(329)
Share-based payments						(125)	(125)	-	(455)
Other changes						25	25	-	25
Total transactions with owners				**362**		**(792)**	**(430)**	**-**	**(430)**
Total equity 30 Jun 2020 (unaudited)	**40,134**	**(142)**	**14,708**	**1,847**	**(5,840)**	**74,682**	**125,389**	**-**	**125,389**

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 2020 have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2019. New IFRS standards or interpretations have not had any material impact to the accounting policies. This interim report has been prepared in accordance with IAS 34.

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 2019.

2.2 Effect of COVID-19 pandemic on Estimated Credit Loss (ECL) calculation

Given the current context of heightened uncertainty and very limited availability of reasonable and supportable forward-looking information on the impact of COVID-19, Ferratum has in accordance with ECB guidance on IFRS 9 in the context of the coronavirus (COVID-19) pandemic, critically assessed the use of macro-economic forecasts on expected credit loss (ECL) calculations to avoid excessively procyclical assumptions in the estimation of ECL during the pandemic.

As at 31 March 2020, macroeconomic forecasts were revised to reflect increasing ECL stemming from the deterioration of economic outlook based on Oxford Economics forecasts available as at 31 March 2020 resulting in an increase of EUR 7.8 million in ECL.

As stated, 'Stage 1' instruments 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. Therefore, the 12-month macro-economic forecasts are used to determine the forward looking ECL. Instruments in 'Stages 2' or 3 have their ECL measured based on expected credit losses on a lifetime basis. Stage 3 are impaired and have a lifetime ECL based on a PD of 100%. Consequently, the forward looking ECL is determined by reference to the 12-month macro-economic outlook given its relevance. Hence, the ECL determination may prove to be volatile and procyclical since it is based on shorter term forecasts given that longer term forecasts have less or no relevance.

In this context, management is of the opinion that the current ECL based on just the latest short-term macro-economic forecasts may be incorrect unless otherwise supported by management judgements given that:

I. the historical data used in its models does not capture such unprecedented forecasted unemployment rates;
II. the historical linear relationship between default rates and macro-economic variables does not capture governments' monetary, fiscal and labour market support measures taken to limit the economic impact of the COVID-19 pandemic.
III. Ferratum strongly suppressed its lending during

Q2 2020, establishing stricter requirements for new clients to qualify for lending which resulted in an increase of the average quality of the client base.

Consequently, management has exercised its' judgement based on its assessment of the outcomes of the ECL model and having regard to quantitative and qualitative information based on its actual PDs, early performance indicators, the legal moratoria and other forbearance measures taken, as well as taking cognisance of the following 12-months forecasts, thereby assessing the impact of Covid-19 outlook for 2020 and 2021 macro-economic forecasts. Accordingly, its ECL model inputs utilized during Q1 2020 were deemed to continue to provide an adequate determination of its Expected Credit Losses based on its management judgement and no overlays were made. Management will continue to closely monitor the economic forecasts releases and adjust its model inputs and assess its' outcomes in the light of revised macroeconomic data and other quantitative and qualitative information.

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 2020	31 Dec 2019
Cash and cash equivalents	381,831	155,518
Loans and advances to customers	334,716	386,167
Derivative assets	1,836	15
Other non-current receivables	4,041	3,112
Other current receivables	5,362	9,166
Total	**727,786**	**553,978**

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, 2020, and December 31, 2019.

Other receivables consist mainly of still open receivables from non performing loans (NPL) sales and rent and other deposits.

Cash and cash equivalents are broadly diversified with over 400 bank accounts in about 25 countries which had the following Fitch ratings:

EUR '000	30 June 2020	31 Dec 2019
AA	0	154
AA-	36,785	18,447
A+	205,570	94,068
A	92,215	3,871
A-	0	2,060
BBB+	17,118	8,137
BBB	6,002	3,414
BBB-	30	623
BB+	1,218	1,935
B	0	0
B-	23	93
No rating available	22,869	22,717
Total	**381,831**	**155,518**

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 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 set in the legislation of each country. Every lending agreement 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 repetitive 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 depends on the fact that the exposure may vary 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 and macroeconomic indicators. 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 customers. 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 customer and other information about customers 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 as well as affordability to service the loan - are 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 loan receivables. 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, Fitch) 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 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;

II. Micro-credit portfolios or business loans 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'.

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.

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.

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 FVOCI. 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 asset.

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 later default criterion is more 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, with the exception of those countries where termination occurs earlier and default is considered to be more than 60 days past due on any material credit obligation in such other countries; and

ii. with respect to micro-credit facilities or business loans 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 or 90 days depending on the country in question.

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 Group continued to enhance its credit portfolio management strategy in certain territories with a view to improve its debt collection capabilities in respect of overdue loan facilities. In achieving this strategy, the Group shall seek to extend its debt collection period and offered - especially during Q2 2020 - more flexible and individual payment solutions and terms with customers in order to increase recoveries from loan repayments prior to termination of loan contracts. As a part of its credit management the Group has in several countries entered into forward flow contracts to constantly sell overdue loan facilities to a counterparty against a cash payment. These contracts are adjusted accordingly to enable the Group to perform its internal debt collection procedures for a sufficiently extended period prior to sale. As the portfolio management strategies are being implemented, the Group shall assess the impact, if any, on the definition of default that it uses in estimating expected credit losses in the respective territories. Significant judgement is required throughout this process, particularly in the event that changes to the impairment methodology are required, such as revisions to the probabilities of default utilised in the expected credit loss calculation.

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

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 PD, EAD and 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 2020	Jan - Jun 2019
Loans and advances to customers (gross) on June 30	504,510	523,193
Provision for impairment on January 1	(169,747)	(147,273)
Impairments on loans for the period	(54,738)	(54,335)
Amounts written off as fully impaired	54,691	32,417
Provision for impairment on June 30	(169,794)	(169,191)
Loans and advances to customers (net)	**334,716**	**354,002**

In the case of micro lending facilities with bullet repayment characteristics, the Group utilises roll-rate methodology in order to estimate its unconditional 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 unconditional 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 unconditional PD is adjusted to consider forward-looking information through macroeconomic modelling, which then constitutes the conditional PD.

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.

The 12-month and lifetime EADs are determined based on the total balance of loan receivables 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 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.

Group is exploring the use of alternative statistical methodologies that are mathematically more enhanced than linear regression analysis in order to find more statistically significant relationships between default and unemployment in each of its territories of operation and hence, improve the reliability of its macroeconomic modelling approach. The revised macroeconomic model is still being developed by the Group and needs to be validated and approved by the management before taking into use.

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 outcome may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcome.

The most significant period-end assumptions used for the ECL estimate, Eurozone unemployment rates prepared by Oxford economics, and their development during the period 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 30 June 2020				
	2019*	2020	2021	2022	2023
Eurozone-Av. Unemployment					
Base	7.6	9.0	8.8	8.1	7.7
Upside	7.6	8.9	8.3	7.5	7.3
Downside	7.6	9.1	12.4	11.1	10.0

	As of 31 March 2020				
	2019*	2020	2021	2022	2023
Eurozone-Av. Unemployment					
Base	7.6	8.0	7.6	7.4	7.3
Upside	7.6	7.9	7.1	6.7	6.6
Downside	7.6	8.4	8.5	8.1	7.6

	As of 1 January 2020				
	2019*	2020	2021	2022	2023
Eurozone-Av. Unemployment					
Base	7.6	7.3	7.2	7.2	7.1
Upside	7.6	7.0	6.6	6.5	6.4
Downside	7.6	7.7	7.8	7.8	7.7

*Actual

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 outlook for the global economy that worsened dramatically following the emergence of COVID-19. The baseline forecast now envisages a 5.6% contraction in world GDP in 2020 and, as highlighted by recent Global Risk Surveys, risks are skewed to the downside. Key business concerns relate in the very near term to the duration of public health restrictions and any renewed wave of infections after restrictions ease. Further ahead, key risks relate to the longer-term behavioural consequences of the Covid-19 pandemic. The probability weightings assigned to the respective scenarios reflect an unbiased evaluation of range of possible outcomes. Under the baseline, growth bounces back in H2 2020, the COVID-19 induced recession in the first half of the year has some lingering costs for global GDP.

Under the downside scenario, recovery fades amid a renewed wave of infections with a second coronavirus wave results in renewed lockdowns, with persistent public health concerns weighing on confidence and activity in the medium term.

Under the upside scenario restrictions are eased more quickly, facilitating a more rapid recovery and limiting permanent damage on the global economy.

The most significant assumption affecting the ECL allowance is 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 to customers that attract this category principally comprise those where

(i) payment becomes overdue by 30 days, but does not exceed 60 days where a loan is deemed to be as nonperforming when past due for more than 90 days;

(ii) and payment becomes overdue by 30 days but does not exceed 45 days where a loan is deemed to be as non-performing when past due for more than 60 days.

Substandard

Exposures that are categorised within this category comprise those where

(i) payment becomes overdue by 61 days but does not exceed 90 days for where a loan is deemed to be as nonperforming when past dues for more than 90 days.

(ii) and where payment becomes overdue by 46 days, but does not exceed 60 days where a loan is deemed to be as non-performing when past due for more than 60 days.

Doubtful

Loans and advances which attract a 'Doubtful' grading are principally those assets in respect of which

(i) repayment becomes overdue by 61 days and over but not exceeding 180 days for where a loan is deemed to as non-performing when past due for more than 60 days;

(ii) and repayment becomes overdue by 91 days and over but not exceeding 180 days for a loan is deemed to be as non-performing when past due for more than 90 days.

Loss

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

	30 June 2020				31 Dec 2019
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and advances to customers					
Regular	275,954	-	-	275,974	321,722
Watch	-	15,059	-	15,059	21,371
Substandard	-	13,945	-	13,945	11,715
Doubtful	-	-	35,500	35,500	32,154
Loss	-	-	164,033	164,033	168,952
Gross carrying amount	**275,974**	**29,004**	**199,533**	**504,510**	**555,914**
Loss allowance	23,808	10,484	135,501	169,794	169,747
Carrying amount	**252,615**	**18,520**	**64,032**	**334,716**	**386,167**
Impaired Loan Coverage Ratio	**8.6%**	**36.1%**	**67.9%**	**33.7%**	**30.5%**

	30 June 2019				31 Dec 2018
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and advances to customers					
Regular	289,561	-	-	289,561	262,280
Watch	-	13,095	-	13,095	12,783
Substandard	-	10,720	-	10,720	11,576
Doubtful	-	-	43,673	43,673	35,173
Loss	-	-	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	**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 2020	**23,330**	**8,822**	**137,594**	**169,747**
Transfers of financial instruments between stages				
Transfer from Stage 1 to Stage 2	(1,686)	5,104	-	3,418
Transfer from Stage 1 to Stage 3	(4,075)	-	16,361	12,286
Transfer from Stage 2 to Stage 1	616	(1,542)	-	(926)
Transfer from Stage 2 to Stage 3	-	(7,194)	12,780	5,586
Transfer from Stage 3 to Stage 1	192	-	(988)	(796)
Transfer from Stage 3 to Stage 2	-	21	(46)	(24)
Other transfers - Aging change	2,481	(206)	11,897	14,172
Total remeasurement of loss allowance arising from transfers in stages	**(2,473)**	**(3,816)**	**40,004**	**33,715**
New financial assets originated or purchased	24,848	8,113	12,906	45,867
Changes to risk parameters (model inputs PDs/LGDs/EADs)	3,997	517	(245)	4,269
Financial assets derecognised during the year	(25,460)	(2,981)	(29,365)	(57,806)
Write-offs	-	-	(20,873)	(20,873)
Unwind of discount	-	-	(91)	(91)
FX and Other movements	(434)	(172)	(4,428)	(5,034)
Total net change in loss allowance during the year	**478**	**1,662**	**(2,093)**	**47**
Loss allowance as at 30 June 2020	**23,808**	**10,484**	**135,594**	**169,794**

	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 between stages				
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)
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 change in loss allowance 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 2020	**321,722**	**33,085**	**201,105**	**555,914**
Transfers from stage 1 to stage 2	(19,080)	19,080	-	-
Transfers from stage 1 to stage 3	(35,552)	-	35,552	-
Transfers from stage 2 to stage 1	7,741	(7,741)	-	-
Transfers from stage 2 to stage 3	-	(24,115)	24,115	-
Transfers from stage 3 to stage 1	2,112	-	(2,112)	-
Transfers from stage 3 to stage 2	-	109	(109)	-
Total changes in gross carrying amounts arising from transfers in stages	**(44,780)**	**(12,668)**	**57,447**	**-**
New financial assets originated or purchased	305,847	20,290	25,223	351,360
Financial assets derecognised during the year	(303,716)	(11,188)	(57,101)	(372,005)
Write-offs	-	-	(20,873)	(20,873)
FX and Other Movements	(3,100)	(516)	(6,269)	(9,886)
Total net change during the year	**(45,749)**	**(4,082)**	**(1,573)**	**(51,403)**
Gross carrying amount as at 30 June 2020	**275,974**	**29,004**	**199,533**	**504,510**

	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. 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.

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. Currency exposure arising from the monetary transactions in foreign currencies are managed primarily through foreign exchange swaps and future contracts.

As a result of intra-group borrowings, main foreign exchange risk arises from the Polish zloty and Swedish crown. Based on the various scenarios, the Group manages its cash flow foreign exchange risk by using foreign exchange swaps and futures contracts. Part of the foreign exchange risk arising from the net assets denominated in Polish zloty (PLN) and Swedish crown (SEK) was hedged by using a PLN-EUR and SEK-EUR foreign exchange futures contracts.

The table below shows the nominal value of the future contracts and the covering of the Group's net assets denominated in Polish zloty and Swedish crown. It also presents the effect in after-tax profit if the euro had weakened/strengthened by 10% against the currencies with all other variables help constant.

30 Jun EUR '000	**PLN 2020**	**PLN 2019**	**SEK 2020**	**SEK 2019**
Cash in bank	14,938	6,813	13,710	2,340
Portfolio	28,729	42,775	32,351	15,652
Intercompany loan	11,180	3,862	38,977	32,747
Net position of group companies	**54,847**	**53,450**	**85,038**	**50,739**
EUR/Currency swap	45,033	35,453	68,356	29,031
Swap covering net currency position %	82	66	80	57

30 Jun EUR '000	**PLN 2020**	**PLN 2019**	**SEK 2020**	**SEK 2019**
Currency up by 10%	981	1,800	1,668	2,171
Currency down by 10%	(981)	(1,800)	(1,668)	(2,171)

(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 corresponding price changes in the new loans granted whereby the spread between lending interest and borrowing interest is comparably high. During the period ended June 30, 2020, Ferratum Group's borrowings at a variable rate were denominated in EUR.

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.

EUR '000	30 Jun 2020	31 Dec 2019
Fixed interest rate borrowings and deposits	267,074	80,393
Variable interest rate borrowings and deposits	376,112	377,823
Total borrowings	**643,186**	**458,217**

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 6.3 million.

During Q2 2020 the Group increased its deposits from clients resulting in a major inflow of funding. Special attention was given on increasing the amount of non-current deposits improving the Groups funding profile considerably, giving the Group an enhanced ability to cope with potential negative events caused by COVID-19 or other factors during H2 2020.

The repayment schedule for financial liabilities as of June 30, 2020, including future interest payments, are as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date.

30 Jun 2020 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	23,825			
Interest	779			
Bonds issued		100,000	80,000	
Interest	9,900	9,442	3,667	
Deposits from customers	400,704	24,752	17,433	
Interest	2,804	171	120	
Trade payables and other current liabilities	5,218			
Lease liabilities	2,415	2,046	1,001	
Total, without derivatives	**489,724**	**111,488**	**84,668**	**0**
Gross settled foreign exchange futures contracts				
- Inflow (-)	(163,967)			
- Outflow	167,227			

31 December 2019 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	7,567			
Interest	757			
Bonds issued	40,000		180,000	
Interest	12,400	9,900	10,267	
Deposits from customers	242,161			
Interest	1,734			
Trade payables and other current liabilities	6,685			
Lease liabilities	2,398	2,608	1,792	
Total, without derivatives	**313,701**	**12,508**	**192,059**	**0**
Gross settled foreign exchange futures contracts				
- Inflow (-)	(113,983)			
- Outflow	116,213			

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 interest bearing liabilities (including 'current and non-current liabilities' as shown in the consolidated balance sheet) less cash and cash equivalents.

Net debt EUR '000	30 Jun 2020	31 Dec 2019
Cash and cash equivalents	381,831	155,518
Borrowings and deposits due within 1 year	(424,483)	(289,675)
Borrowings and deposits due after 1 year	(216,495)	(169,164)
Lease liability due within 1 year	(2,415)	(2,389)
Lease liability due after 1 year	(3,048)	(4,400)
Net debt	**(264,610)**	**(310,118)**
Cash	381,831	155,518
Gross debt - fixed interest rates	(267,074)	(80,393)
Gross debt - variable interest rates	(376,112)	(377,823)
Gross debt - non-interest bearing	(3,254)	(7,420)
Net debt	**(264,610)**	**(310,118)**

EUR '000	Cash and Cash Equivalents	Government Bonds	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2019	**115,559**	**8,533**	**(228,287)**	**(137,695)**	**(241,890)**
Cash flow	43,208	(8,533)	(63,786)	(35,869)	(64,980)
Foreign exchange adjustments	(3,248)				(3,248)
Net debt as at 31 December 2019	**155,518**	**0**	**(292,073)**	**(173,564)**	**(310,118)**
Cash flow	230,629		(134,825)	(45,979)	49,825
Foreign exchange adjustments	(4,317)				(4,317)
Net debt as at 30 Jun 2020	**381,831**	**0**	**(426,898)**	**(219,543)**	**(264,610)**

3.6 Carrying values and fair values of financial instruments

Financial assets and liabilities measured 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 2020	30 Jun 2020	31 Dec 2019	31 Dec 2019	Level of fair value measurement
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	
Financial assets					
Items recognized at fair value through profit and loss					
Foreign exchange derivative	1,836	1,836	15	15	Level 2
Financial liabilities					
Items recognized at amortized cost					
Loans from financial institutions	23,825	23,825	7,567	7,567	Level 3
Bonds	174,265	151,702	209,111	212,392	Level 1
Deposits from customers	442,888	442,888	242,161	242,161	Level 3
Items recognized at fair value through profit and loss					
Foreign exchange derivative	1,532	1,532	2,215	2,215	Level 2

The fair value of foreign exchange derivatives are calculated as the present value of the estimated future cash flows based on observable yield curves. The Group has during the period experienced increased volatility in foreign exchange and has in reaction to this increased the volume of derivative instruments to mitigate FX risk.

Fair value of bonds issued by the Group are measured directly by reference to their market price in an active market. The market value of the Group's bonds decreased during the period due to a deriorating market sentiment caused by the COVID-19 pandemic.

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, CapitalBox (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.

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

4.1 Business segments in H1 2020

EUR '000	Microloan	PlusLoan	Credit Limit	CapitalBox SME	Mobile bank and prime loan	Total
Revenue	10,436	21,818	72,267	15,004	1,616	121,139
Share in Revenue, %	8.6	18.0	59.7	12.4	1.3	100.0
Other income	1	2	8	2	-	13
Directly attributable costs:						
Impairments	(4,033)	(17,340)	(25,621)	(5,719)	(2,024)	(54,738)
Marketing	(885)	(1,944)	(4,835)	(1,770)	(239)	(9,673)
Attributable Product Margin	**5,518**	**2,536**	**41,818**	**7,516**	**(647)**	**56,741**
Attributable Product Margin, %	52.9	11.6	57.9	50.1		46.8
Non-directly attributable costs:						
Personnel expenses	(1,563)	(3,269)	(10,827)	(2,248)	(424)	(18,330)
Lending costs	(632)	(1,321)	(4,375)	(908)	-	(7,235)
Other administrative expenses	(27)	(57)	(188)	(39)	(441)	(752)
Depreciation and amortization	(415)	(868)	(2,876)	(597)	(1,681)	(6,438)
Other operating income and expenses	(1,135)	(2,373)	(7,860)	(1,632)	(1,021)	(14,020)
Total Non-directly attributable costs	**(3,773)**	**(7,887)**	**(26,125)**	**(5,424)**	**(3,567)**	**(46,776)**
Operating profit	**1,746**	**(5,351)**	**15,693**	**2,092**	**(4,214)**	**9,965**
Gross Product Margin, %	16.7	-24.5	21.7	13.9		8.2
Unallocated finance income						110
Finance expenses	(358)	(1,495)	(4,488)	(1,650)	(424)	(8,415)
Unallocated finance expense						(3,166)
Finance expenses	(358)	(1,495)	(4,488)	(1,650)	(424)	(11,581)
Finance costs, net	(358)	(1,495)	(4,488)	(1,650)	(424)	(11,472)
Profit before income tax	**1,388**	**(6,847)**	**11,205**	**442**	**(4,638)**	**(1,506)**
Net Product Margin, %	13.3	-31.4	15.5	2.9		-1.2
Loans and advances to customers	14,224	59,483	178,515	65,649	16,846	334,716
Unallocated assets						456,874
Unallocated liabilities						666,201

4.2 Business segments in H1 2019

EUR '000	Microloan	PlusLoan	Credit Limit	CapitalBox SME	Mobile bank and prime loan	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

4.3 Revenue

EUR '000	Jan – Jun 2020	Jan – Jun 2019
Revenue, international	104,174	121,796
Revenue, domestic	16,965	23,817
Total revenue	**121,139**	**145,613**

5. PERSONNEL EXPENSES

EUR '000	Jan – Jun 2020	Jan – Jun 2019
Salaries and other employee benefits (incl. bonuses)	(14,820)	(16,022)
Employee pension expenses	(947)	(694)
Other personnel expenses	(2,318)	(3,688)
Share-based payments equity settled*)	(246)	(1,611)
Total personnel expenses	**(18,330)**	**(22,015)**

*) During Q2 2020 Ferratum cancelled all of its share based payment schemes. In addition, Ferratum repurchased options which were issued under vested share based payment schemes. Accordingly, all non-vested schemes were considered as fully vested at the cancellation date. Due to the Covid-crisis and its effects on Ferratum Group's business, two option schemes with 2020 Group EBITDA as realization targets were deemed non reachable before the cancellation and their previous cost bookings were reversed upon cancellation. This positive effect netted off the effect of recognizing the full expenses on accelerated basis of the remaining non vested schemes. The price paid for repurchasing the unvested options to the extent that the repurchase price exceeded the fair value of the options at the cancellation date was recognised in the income statement. The total P/L impact was EUR 246 thousand. Regarding the options that were already vested, the purchase price of the options was recognised directly in equity, because the purchase price was less than the fair market price of the options at the purchase date.

6. OTHER OPERATING EXPENSES

EUR '000	Jan – Jun 2020	Jan – Jun 2019
Other office expenses	(676)	(1,035)
Expenses relating to short-term leases	20	(196)
Travel expenses	(281)	(969)
Professional fees (excl. Audit)	(5,240)	(3,753)
Audit fees	(922)	(781)
Other expenses	(6,921)	(7,202)
Total other operating expenses	**(14,020)**	**(13,936)**

7. FINANCE INCOME

EUR '000	Jan – Jun 2020	Jan – Jun 2019
Interest income from cash and cash equivalents	110	102
Interest derivatives held for trading – net gain / (loss)	-	21
Total finance income	**110**	**124**

8. FINANCE COSTS

EUR '000	Jan – Jun 2020	Jan – Jun 2019
Interest on borrowings	(8,415)	(7,264)
Interest expenses on leases	(189)	(213)
Foreign exchange loss*	(2,978)	(792)
Total finance costs	**(11,581)**	**(8,269)**

*Includes net gain / (loss) of currency derivatives.

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 is calculated by adjusting the weighted average number of all shares to assume conversion of all options granted to employees. Options are considered to be potential ordinary share since each option may be converted into one ordinary share. In June 2019 options were not considered as dillutive because the exercise price was less than average share price of the period and in June 2020 there were no options granted.

EUR '000	Jan – Jun 2020	Jan – Jun 2019
Profit for the reporting period attributable to owners of the parent	(2,290)	10,540
Weighted average number of ordinary shares in issue	21,578	21,578
Adjustment for calculation of diluted earnings per share:		
Options	0	0
Diluted weighted average number of ordinary shares in issue	21,578	21,578
Earnings per share, basic	**(0.11)**	**0.49**
Earnings per share, diluted	**(0.11)**	**0.49**

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 2019	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,211)**
Currency translation differences					(1,113)
Transfers between items					1
On 31 Dec 2019	**21,723,960**	**40,134**	**(142)**	**14,708**	**(1,098)**
Currency translation differences					(3,257)
Transfers between items					362
On 30 Jun 2020	**21,723,960**	**40,134**	**(142)**	**14,708**	**(3,993)**

The par value of each share is 1 EUR. The cumulative translation differences of EUR 3,257,000 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 2020, 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 2020	31 Dec 2019
Non-current interest bearing liabilities		
Bank borrowings	46	-
Bonds issued	174,265	169,164
Lease Liabilities	3,048	4,400
Deposits from customers	42,184	-
Total non-current interest bearing liabilities	**219,543**	**173,564**
Current interest bearing liabilities		
Bank borrowings	23,779	7,567
Bonds issued	-	39,947
Lease liabilities	2,415	2,398
Deposits from customers	397,449	234,741
Total current interest bearing liabilities	**423,643**	**284,653**
Total interest bearing liabilities	**643,186**	**458,217**

2020: In March Ferratum Group repaid an EUR 40 million 6.25% p.a. above 3 month EURIBOR (incl. floor at 0%) Senior unsecured bond.

12. CURRENT NON-INTEREST BEARING LIABILITIES

EUR '000	30 Jun 2020	31 Dec 2019
Current tax liabilities	**2,652**	**4,539**
Deposits from customers	**3,254**	**7,420**
Trade payables	**2,980**	**5,235**
Other current liabilities	**12,314**	**11,390**
Interest liabilities	2,238	1,450
Accrued employee expenses	2,895	4,153
Other current accrued liabilities on expenses, interest-free	7,180	5,788
Total current non-interest bearing liabilities	**21,200**	**28,585**

13. RELATED PARTY DISCLOSURE

Ferratum Group is controlled by Jorma Jokela, who owns 55.18% 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 2020	Jan – Jun 2019
Purchase of services from related parties – Entity controlled by key management personnel	525	618
	525	**618**

The Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services and legal counselling. 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 2020	31 Dec 2019
Credit limit agreement		
Total amount of limits granted to Ferratum	30,100	30,111
Limit in use	23,794	7,567
Collateral on own debt		
Guarantees	180,000	220,000
Corporate pledge	20,000	20,000
Pledged subsidiary shares	11	11

15. APPROVAL OF INTERIM REPORT

The Ferratum Group Interim Report (six months ended 30 June 2020) 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

Clemens Krause
Member of the Board

Michael Cusumano
Member of the Board

Goutam Challagalla
Member of the Board

Frederik Strange
Member of the Board

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

FURTHER INFORMATION

Consolidated income statement quarterly overview

EUR '000	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	55,535	65,604	75,018	72,473	72,417	73,196
Other income	8	5	111	8	6	5
Impairments on loans	(19,146)	(35,592)	(26,739)	(24,610)	(25,664)	(28,671)
Operating expenses:						
Personnel expenses	(8,374)	(9,956)	(10,763)	(11,147)	(11,373)	(10,642)
Selling and marketing expenses	(2,605)	(7,068)	(9,142)	(8,988)	(9,926)	(10,771)
Lending costs	(3,160)	(4,075)	(4,635)	(4,845)	(4,206)	(4,163)
Other administrative expenses	(462)	(290)	(186)	(399)	(449)	(645)
Depreciations and amortization	(3,294)	(3,144)	(3,159)	(3,031)	(2,406)	(2,226)
Other operating expenses	(6,245)	(7,775)	(8,484)	(6,497)	(7,559)	(6,377)
Operating profit	**12,258**	**(2,292)**	**12,021**	**12,964**	**10,839**	**9,707**
Financial income	66	43	66	66	93	31
Finance costs	(5,548)	(6,034)	(4,237)	(5,738)	(4,735)	(3,534)
Finance costs – net	(5,481)	(5,990)	(4,171)	(5,672)	(4,642)	(3,503)
Profit before income tax	**6,776**	**(8,283)**	**7,850**	**7,292**	**6,197**	**6,204**
Income tax expense	(692)	(92)	(942)	(1,093)	(861)	(1,000)
Profit for the period	**6,084**	**(8,375)**	**6,909**	**6,199**	**5,336**	**5,204**
Profit attributable to:						
– owners of the parent company	**6,084**	**(8,375)**	**6,909**	**6,199**	**5,336**	**5,204**
– non-controlling interests (NCI)	-	-	-	-	-	-

Consolidated statement of comprehensive income quarterly overview

EUR '000	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Profit for the period	**6,084**	**(8,375)**	**6,909**	**6,199**	**5,336**	**5,204**
Other comprehensive income items that may be subsequently reclassified to profit or loss						
- translation differences	1,581	(2,610)	292	256	(609)	490
Total items that may be subsequently reclassified to profit or loss	1,581	(2,610)	292	256	(609)	490
Total comprehensive income	**7,666**	**(10,985)**	**7,201**	**6,455**	**4,727**	**5,694**
Allocation of total comprehensive income to:						
- owners of the parent company	7,666	(10,985)	7,201	6,455	4,727	5,694
- non-controlling interests	-	-	-	-	-	-