Ferratum™

More than money to everyone

annual report '13

CONTENTS

PART 1 – Unaudited

PART 2 – Audited

executive summary: company at a glance

1 Finland
2 Sweden
3 Estonia
4 Latvia
5 Lithuania
6 Netherlands
7 Belgium
8 Slovakia
9 Croatia
10 Bulgaria
11 United Kingdom
12 Spain
13 Australia
14 New Zealand
15 Russia
16 Poland
17 Denmark
18 Czech Republic
19 Romania
19 Germany

Founded 2005 in Finland

Most successful mobile microloan company in Europe

Successful track record of profitable growth

Owned by Jorma Jokela (83%)

1,87 mln
customers* 2013
* Prospective customers, customers without ongoing contract and old customers

58 mln €
in revenues 2013

3,9 mln €
pre-tax profit in 2013
(6,7% EBT-Margin)

Small mobile loans for private customers in the range of 25 to 3,000 €

Application is digital via internet browser or mobile phone app

Loan maturities vary from 15 days to 3 years

Loans are granted to adults after an external verification and dedicated internal scoring

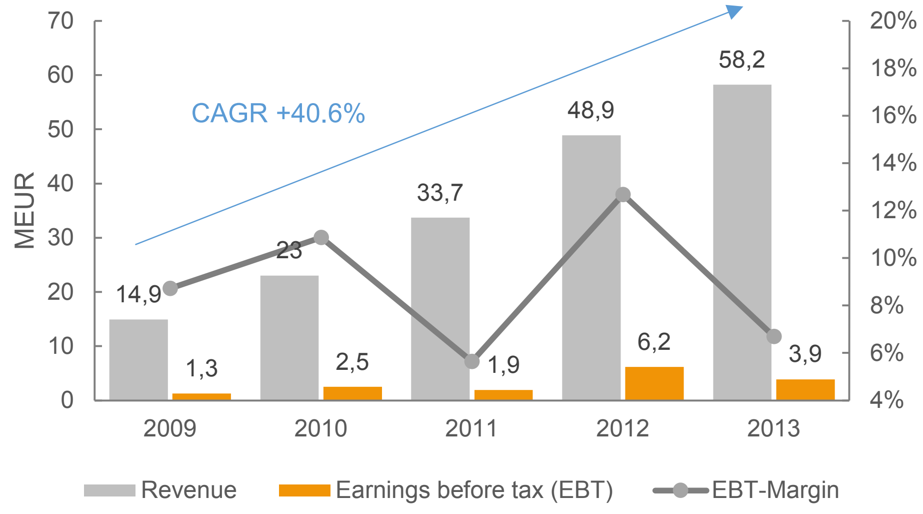
average loan facts

36 years age of customer

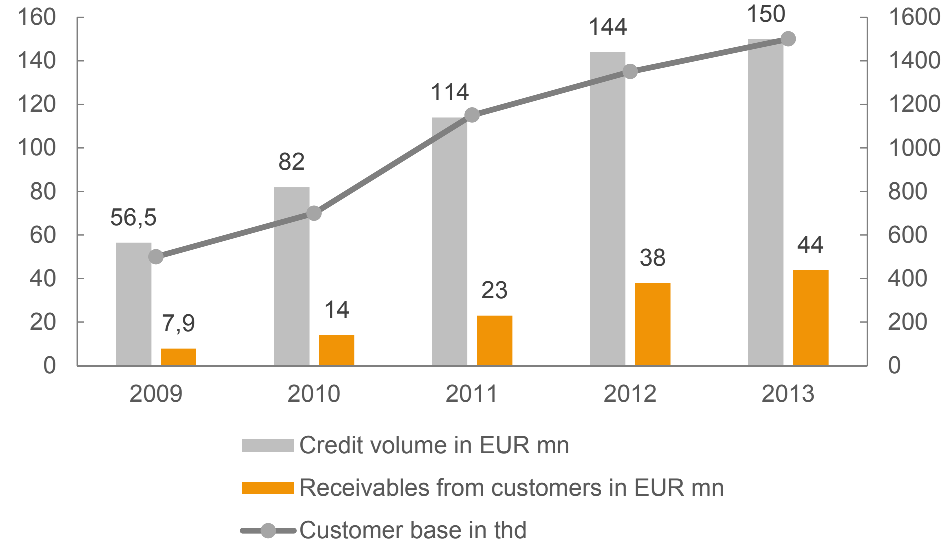
217 euro loan amount

33 days maturity

executive summary: key figures at a glance



* 2012 & 2013 uses IFRS as accounting method, other years FAS



	2009	2010	2011	2012	2013
Countries*	13	15	17	18	23
Employees	87	107	206	257	310

* including countries without local operations

management board: group board

Erik Ferm

Chairman, since 2012

Director and Board member of GP Chambers Limited

Director and Board member of Espresso House Sweden AB

Jorma Jokela

CEO, since 2005

Founder of staffing services company Jokela Capital, 1998 (acquired by CapMan in 2004)

Holds about 83% of Ferratum's shares

Lea Liigus

Head of Legal & Compliance, since 2006

Lawyer at Sorainen

Lecturer at Estonian Business School

Juhani Vanhala

Board member, since 2006,
Board chairman 2009-2012

Vice President at Empower

Chairman of the Board at PSII Consulting

Kai Becker

Board member, since 2009

CEO, Pontos Group

Investment Director at Ahlström Capital

Consultant at Boston Consulting Group

strategy

Leading European micro lender

High growth figures and always profitable

Applying high-tech scoring

MISSION

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VISION

Leading global mobile bank

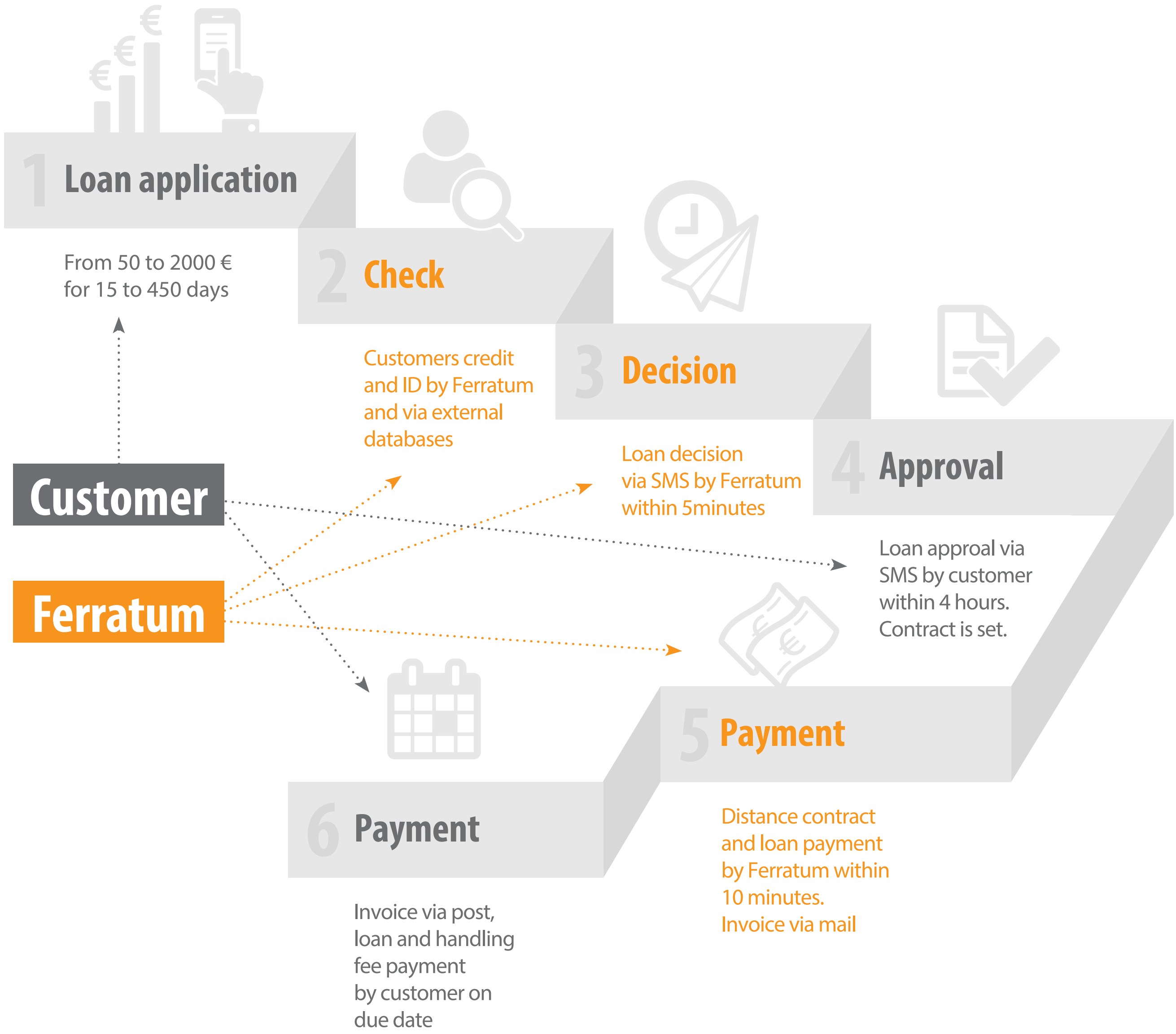
VALUES

Profitability
Speed
Growth
Profit

Transparency
Responsibility
Openess
Ethics

Professionalism
Continuous learning
Clear operation model
Responsibility

Fast, Efficient and Easy Transfer of Cash in 6 Steps



Powerful Software and Experienced Processes lead to Fast and Successful Loan Check

Digital Identification based on hard facts as name and date of birth

Effective check of the customer by means of:

- External data bases with information on credit-worthiness
- Tested and dedicated internal Scoring
- FICO-Tools *
- Self-learning software: Increasing approvals while decreasing charge-offs

Credit decision within seconds

- Less than 0,1% fraud cases – professional frauds even 0,0%

* Further information: www.fico.com

our customers

Three customers, three little stories

Currently I'm studying at the University of Bratislava. On the one hand for me as a student every single euro is important and on the other hand I am far away from my boyfriend who lives in Munich. Before I receive my scholarship next month, I can bridge this time with the Ferratum micro-credit of EUR 200 and go to Germany already this weekend. And without having to ask my parents for money.

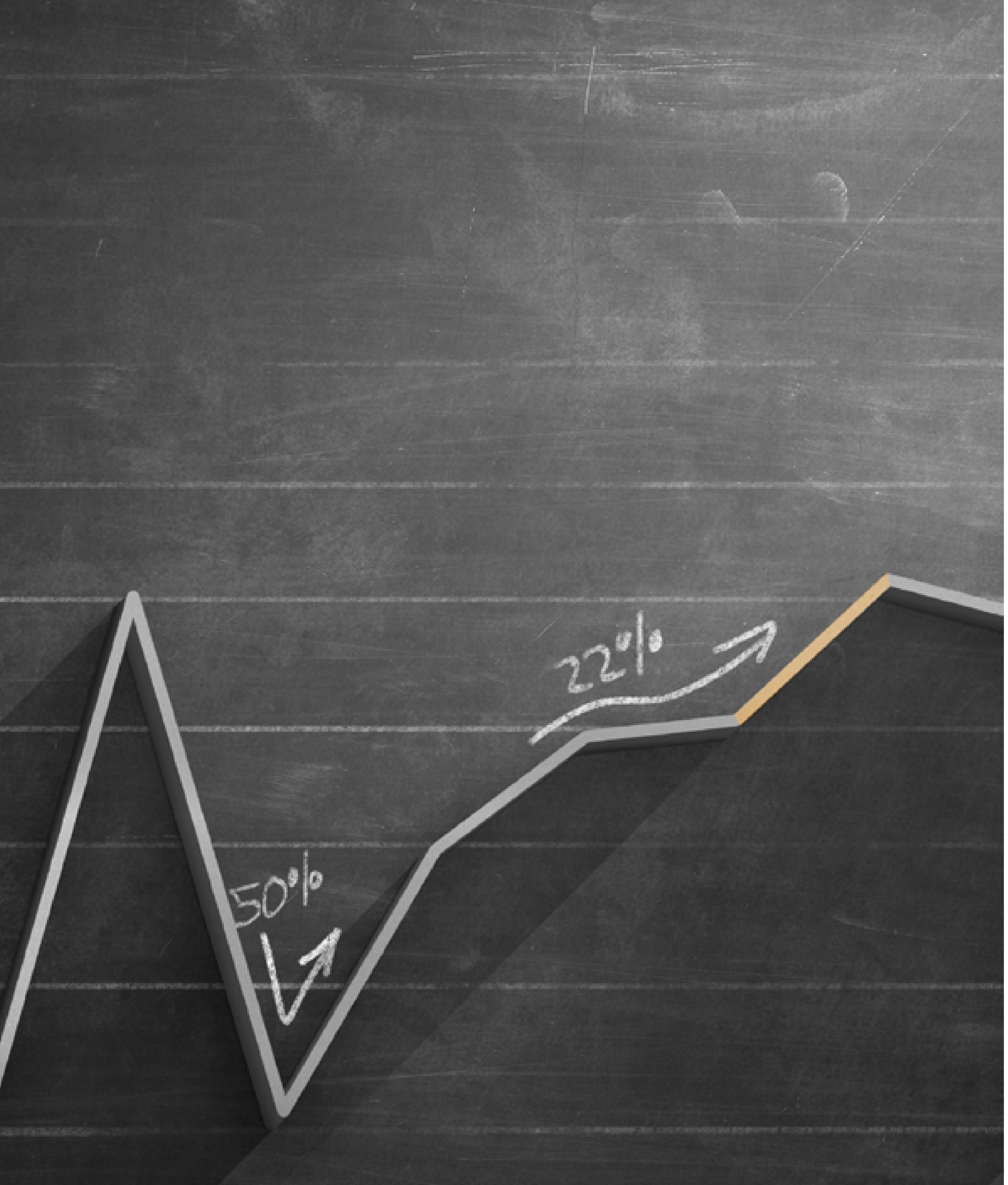
— **Tanja Evankova,** 20 years, student in Bratislava

I have an income, but not a regular one. Sometimes the money at the end of the month is simply not enough and there is no new project in sight. With the service provided by Ferratum I can pay my mobile phone bill always in time and don't get problems with my mobile phone provider.

— **Carlos Rodriguez Moreno,** 40 years, Freelancing artist in Bilbao

Just before Christmas, I am of course always looking for suitable gifts for my children. When I spontaneously see a gift, I would most like to buy it directly, of course. With the credits of Ferratum this is possible anytime and anywhere – even with my low income.

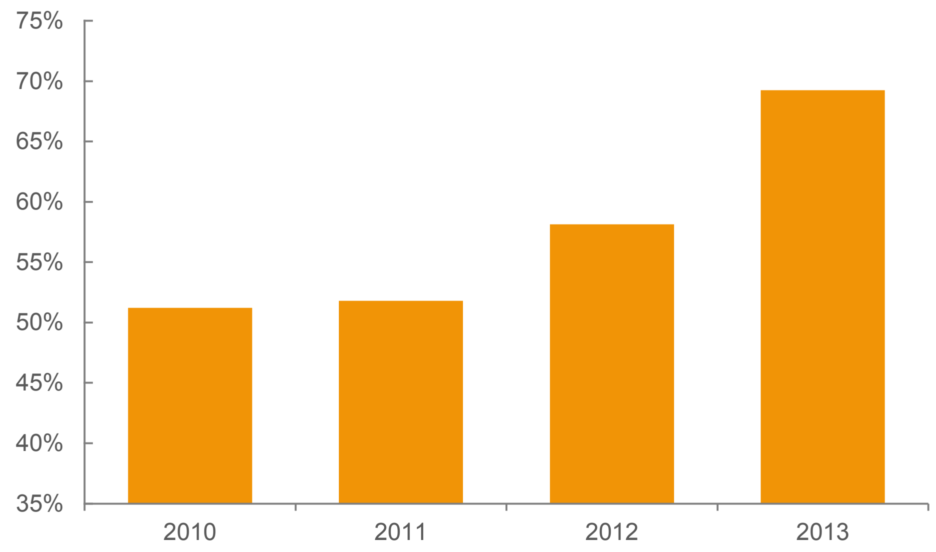
— **Svenska Saari,** 32 years, Hairdresser in Helsinki



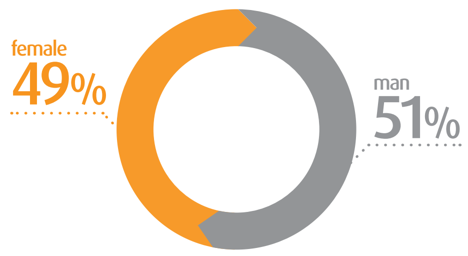
customer base in the micro loan market

Number of customers in thousands

% share of rejected loan applications

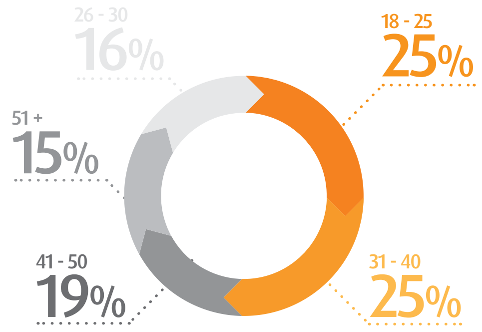


customer profiles enable high market penetration



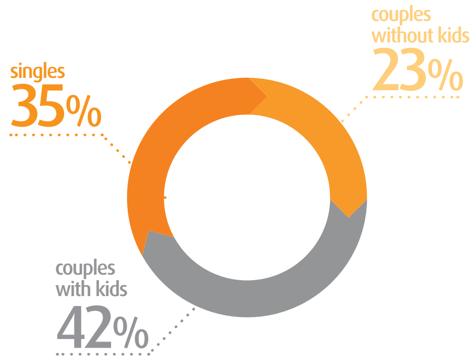
gender

The proportion of women and men is about the same size.



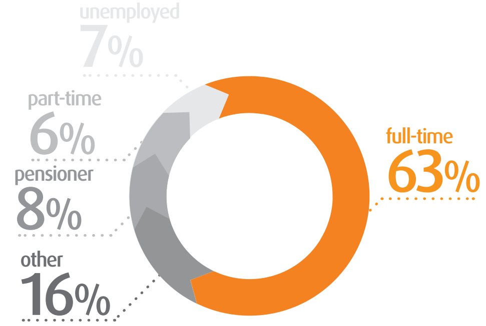
age

All ages over 18 years are intensive users.



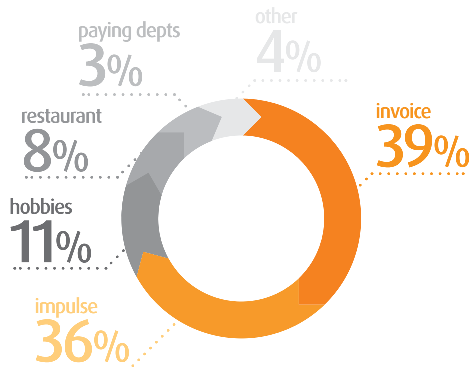
marital status

Singles and couples without children make up the largest group.



employment

2/3 of the clients are employed full time.

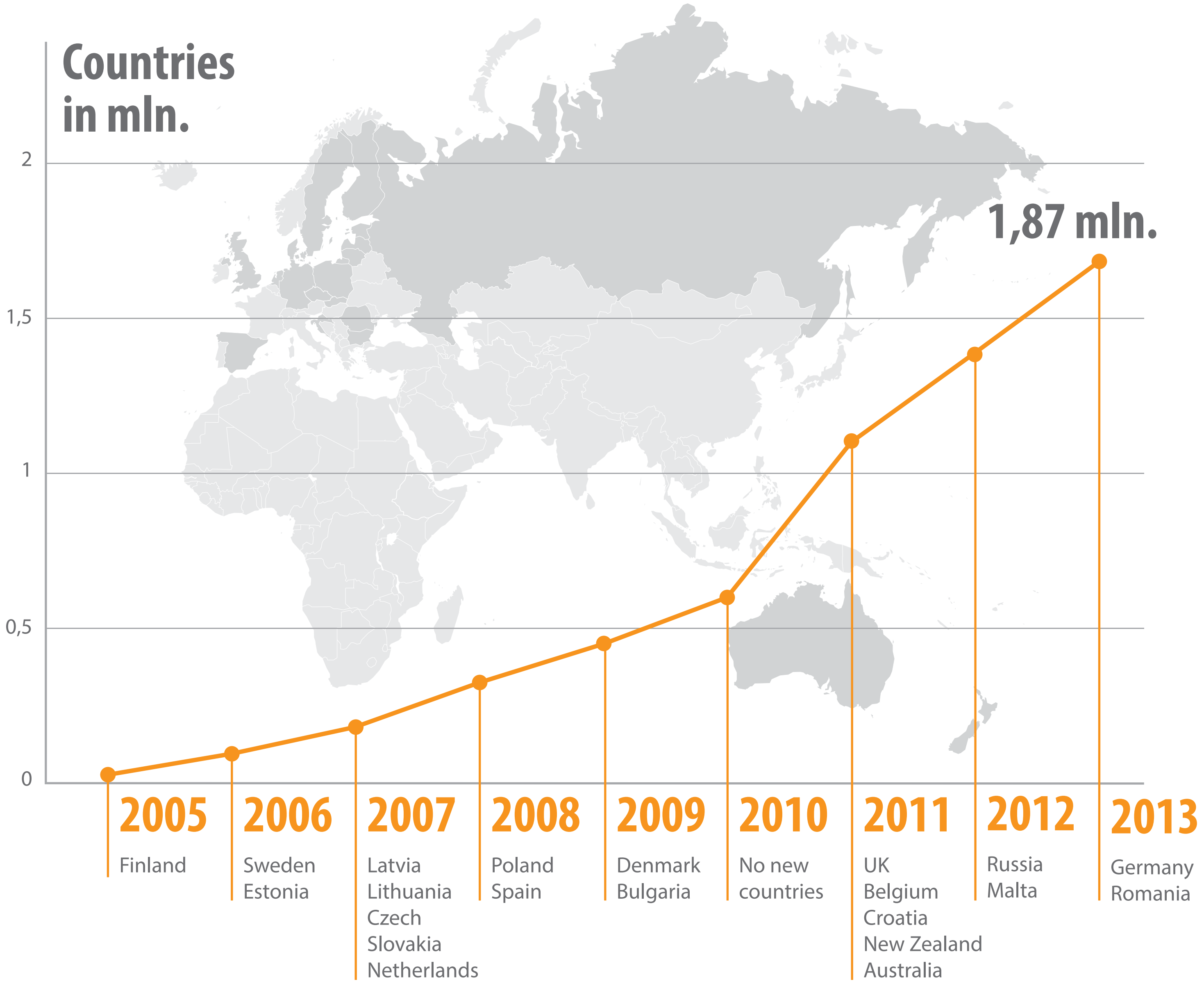


product usages

Product is used mainly for paying bills and impulse purchases

global expansion

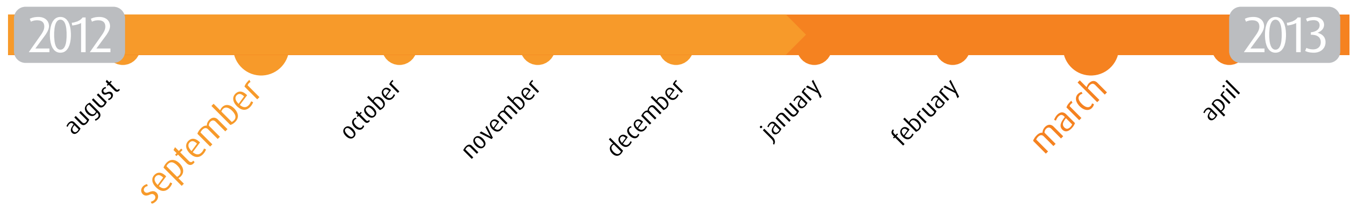
20 countries in only 8 years



Acquiring EU Credit Institution licence

Application
of banking licence
September 2012

Started
operation of bank
March 2013



Significant potential

- Business expansion to countries with mandatory bank license for granting credits (i.e. D, FR or IT)
- Optimization of the business model in some existing countries
- Use of deposit funding for financing further company growth

Competitive advantages

- Presence in countries with mandatory bank license
- Reputation advantage as a bank
- Operational advantages

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BOARD OF DIRECTOR´S REPORT 2013

JT Family Holding Oy and its subsidiaries form a group, Ferratum Group, which is one of the leading microloan companies globally. Ferratum Group is a privately owned independent group; it doesn't belong to any other group in the financial or commercial sector. The group commenced its activities in May 2005 and has grown rapidly in 23 countries across Europe and the APAC region.

Ferratum Group is operating under generally accepted ethical principles, and is one of the leading players in developing the credibility of microloan businesses and common industry processes. Ferratum Group has developed its business model and processes to be efficient and customer-oriented. The identification and scoring of customers are key factors in the business globally.

KEY ACTIONS AND DEVELOPMENT DURING THE LAST TWO YEARS

During the last nine financial years Ferratum Group has focused on continuously developing its operations. In the last two years Ferratum Group has developed the product portfolio further now consisting of traditional Microloans, small Installment Loans (Plusloans) and most recently a Credit Limit Product. For all of these products usability - especially from mobile devices - was a priority. In 2013 Ferratum Group has invested in further developing scoring capabilities by founding a dedicated company (Personal Big Data Oy) and acquiring a software in Finland that's allows to access and analyze a broad set of customer data. Ferratum Group has strengthened its position as one of the leading microloan companies in Europe and in the APAC countries. The group has been profitable since the beginning and its financial position is solid (see table below):

Financial highlights	1.1.–31.12.2013	1.1.–31.12.2012
Revenue	58,198,340	48,913,326
Operating profit	7,328,570	8,573,922
Profit before tax	3,888,552	6,236,681
Net cash flows from operating activities	(8,175,772)	(4,467,938)
Net cash flows from investing activities	(990,045)	(735,909)
Net cash flows from financing activities	25,109,844	2,409,500
Net increase/decrease in cash and cash equivalents	15,944,027	(2,794,348)
Account receivables - microloans	44,683,369	37,923,498
Cash and cash equivalents	17,528,034	2,670,730
Total assets	71,762,727	46,473,371
Non-current liabilities	26,417,083	21,149,733
Current liabilities	29,666,882	12,163,374
Equity	15,678,763	13,160,263
Return on equity %	24.6 %	49.4 %
Equity ratio %	21.8 %	28.3 %
Net debt to equity ratio	2.46	2.33
Average personnel	283	202
Profit before tax %	6.7 %	12.8 %

Ferratum Group has expanded its business in Europe and in the APAC countries in accordance with a strict and conceptualized model, most recently – in Q1 2014 - loan lending business has been launched in Romania and Germany. Ferratum Group has however decided to withdraw its business from Belgium.

Ferratum Group has successfully launched the credit business under its credit institution license issued by Malta Financial Services Authority in Poland and Slovakia during 2013. The credit institution activities elevate the existing level of trustworthiness; provide access to new external banking scoring databases, and offer options for taking in deposits to support the profitable growth of Ferratum Group.

In addition to the bond issue program which took place in 2011 and 2012 in Poland, Ferratum Group has issued additional bonds in 2013 (series B1, two years term, PLN 10.4 million) and repaid two series (A2 and A4, each one year term) with PLN 6.3 million joint volume.

Most significant, with respect to funding, is the successful issue of a new bond in Germany with a volume of EUR 25 million in October 2013. This bond achieved an investment grade rating (BBB-) by Creditreform Rating AG in Germany. The proceeds from this bond are intended to support the launch of the group's operations in Germany and also other growth initiatives. In Q4 2013 Ferratum Group was able to reduce the usage of its variable credit lines almost completely and achieved very comfortable cash position of EUR 17.5 million as of 31 December 2013.

In 2013 Ferratum Group was significantly able to improve its tax ratio compared to 2012. This has been achieved by structural changes which enabled the group to fully tax deduct its credit losses in countries where restrictions have previously occurred.

Ferratum Group's consolidated financial statements have been prepared in accordance with international Financial Reporting Standards (IFRS), applying the IAS and IFRS standards in force on 31 December 2013 and SIC and IFRIC interpretations. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

CUSTOMER BASE

	12/2013	12/2012	Growth-%
Customer Base	1,872,868	1,377,000	36,01%
Registered	1,111,755	786,000	41,44%
Existing	761,113	591,000	28,78%
New	35,990	42,837	-15,98%

PERSONNEL

At the year-end 2013, Ferratum Group employed 310 persons in 23 countries compared to 256 persons in 18 countries in 2012. The average number of personnel in 2013 was 283. The cost of salaries and wages was, during 2013, EUR 6.8 million and 89% of the personnel were based outside of Finland. The equivalent figures for 2012 were EUR 5.4 million with 81 % of the employees based outside of Finland.

SIGNIFICANT FUTURE INVESTMENTS

Significant future investments will be made in establishing operations in new countries and in IT development projects necessary for operations.

RISK FACTORS AND RISK MANAGEMENT

The purpose of risk management is to decrease the probability of unexpected losses and threats against the reputation of the Group and, in addition, contribute to the increase in profitability and shareholder value. The risks of the Ferratum Group operations can be divided into three main categories: credit risks (receivables from customers), market risks and operational risks (including liquidity, cash flow and other risks).

Credit risks have been managed by developing tools for the subsidiaries to evaluate the payment behavior of customers. These tools are used to only accept customers with solvency, which enables the control of the level of credit losses.

Market risks have been managed by creating continuous co-operation with local authorities and necessary stakeholders. Country specific risks are continuously monitored and changes are immediately reacted to.

Operational risks are managed by a policy of profitable growth in addition to developing and expanding the partner network. The undisrupted and continuous operation of critical IT systems has been effectively guaranteed by different information security solutions. Ferratum Group has developed its processes and systems in order to offer customers, stakeholders and partners the most efficient and practical software to cater for the needs of the developing micro loan industry.

Ferratum Group operates with moderate and calculated risk. The Board of Directors monitors operations regularly and is ultimately responsible for the sufficiency of risk management and that the company has access to appropriate software including instructions on the control and monitoring of risks. The CEO is responsible for the daily operations of the Group. Each member of the Management Team is primarily responsible for identifying and controlling risks related to their functions according to instructions from the Board.

Ferratum follows proactively all legal changes which might take place in the countries where it operates and will adjust its operations accordingly always taking into account the customer user experience.

FUTURE DEVELOPMENT

During financial year 2014 Ferratum Group will further launch its business under the credit institution license in the countries where a credit institution license is required or may be required. During financial year 2014 Ferratum Group is expected to strengthen its position as the leading micro loan company in Europe

SHARES OF THE COMPANY

There were 11,112 issued shares on December 31, 2013. There is one share series. All issued shares are fully paid. According the shareholders agreement of Ferratum Group each share has one vote, and equal rights to a dividend and claim on the Company's assets in proportion to the number of shares issued.

PURCHASE OF OWN SHARES

As authorized by the Extraordinary General Meeting of Shareholders, JT Family Holding Oy has purchased 71 own shares (at an average unit price of EUR 2,055.28) in 2013. Respectively, the company owned 86 own shares at 31 December 2013

COMPANY MANAGEMENT AND AUDITORS

Erik Ferm served as Chairman of the Board. Other members of the Board were Jorma Jokela, Lea Liigus, Juhani Vanhala, Kai Becker and Markus Aho (until 19.11.2013) as a deputy member. The Managing Director was Jorma Jokela. The accounts for the year were audited by PricewaterhouseCoopers Oy, with authorized public accountant Mikko Nieminen bearing main responsibility

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION AND RETURNING OF CAPITAL

The loss for the financial year 2013 of JT Family Holding Oy amounts to EUR 540,919. Distributable equity of the parent company at the end of the financial year was EUR 4,530,591. The Board of Directors proposes that the company will distribute no dividends from retained earnings. The Board of Directors further proposes that out of the invested funds in the unrestricted equity reserve, EUR 63 per share would be distributed to the shareholders as a return of capital, which equals to EUR 700,056 return of capital. There have been no significant changes in the financial position of the company subsequent to the end of the financial year 2013. The liquidity of the company is solid and, according to the Board, the proposed profit distribution does not jeopardize the solvency of the company.

SUBSEQUENT EVENTS

In Q1 2014 the Board of Directors decided to liquidate the following subsidiaries: Ferratum Belgium BVBA and Pelegrat B.V., which were no longer required and used for Ferratum Groups' operations. The businesses in Germany and Romania launched its operations in Q1 2014.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	Note	2013	2012
Revenue	5	58,198,340	48,913,326
Other income	6	136,670	871,565
Operating expenses:			
Administrative expenses	7	(21,201,588)	(19,564,533)
Impairments on loans		(21,598,446)	(14,992,655)
Depreciations and amortization	8	(526,844)	(491,482)
Other operating expenses	9	(7,679,563)	(6,162,298)
Operating profit		7,328,570	8,573,922
Finance income	10	75,025	1,365,953
Finance costs	11	(3,515,042)	(3,703,194)
Finance costs – net		(3,440,017)	(2,337,241)
Profit before income tax		**3,888,552**	**6,236,681**
Income tax expense	12	(341,606)	(1,604,622)
Profit for the year		**3,546,946**	**4,632,059**
Profit attributable to:			
• owners of the parent company		3,546,946	4,632,059
• non-controlling interests		0	0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2013	2012
Profit for the year		3,546,946	4,632,059
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation difference		(229,252)	11,779
Total items that may be reclassified to profit or loss subsequently		(229,252)	11,779
Total comprehensive income		**3,317,693**	**4,643,839**
Allocation of total comprehensive income to:			
• owners of the parent company		3,317,693	4,643,839
• non-controlling interests		0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31–Dec–2013	31–Dec–2012	1–Jan–2012
Assets				
Non-current assets				
Property, plant and equipment	13	282,051	298,359	300,805
Intangible assets	14	3,104,905	2,459,739	2,183,682
Deferred income tax assets	15	1,865,580	1,883,073	1,459,489
Total Non-Current Assets		**5,252,535**	**4,641,171**	**3,943,976**
Current assets				
Account receivables – microloans	16	44,683,369	37,923,498	25,322,578
Other receivables		3,963,145	1,015,481	1,018,679
Income tax assets		335,643	222,490	85,142
Cash and cash equivalents (excluding bank overdrafts)	17	17,528,034	2,670,730	5,225,065
Total current assets		**66,510,192**	**41,832,200**	**31,651,463**
Total assets		**71,762,727**	**46,473,371**	**35,595,439**
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	18	10,000	10,000	10,000
Treasury shares	18	(142,315)	(16,130)	0
Reserves	18	(171,135)	5,320	(3,871)
Unrestricted equity reserve	18	3,067,590	3,067,590	67,590
Retained earnings		12,914,623	10,093,483	5,536,784
Total equity		**15,678,763**	**13,160,263**	**5,610,503**
of which relate to Non-controlling interests		**0**	**0**	**0**
Liabilities				
Non-current liabilities				
Borrowings	19	26,244,738	20,778,680	20,434,023
Other payables		17,479	26,208	0
Deferred income tax liabilities	15	154.866	344,845	197,555
Total non-current liabilities		**26,417,083**	**21,149,733**	**20,631,578**
Current liabilities				
Income tax liabilities	20	455,909	697,064	1,153,920
Borrowings	19	19,538,425	453,364	416,150
Trade payables	20	7,282,034	7,661,141	6,031,764
Other current liabilities	20	2,390,513	3,351,806	1,751,525
Total current liabilities		**29,666,882**	**12,163,374**	**9,353,358**
Total liabilities		**56,083,965**	**33,313,108**	**29,984,936**
Total equity and liabilities		**71,762,727**	**46,473,371**	**35,595,439**

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 31 December

	2013	2012
Cash flows from operating activities		
PROFIT/LOSS FOR THE PERIOD	3,546,946	4,632,059
Adjustments for:		
Depreciation, amortization & impairment loss	526,844	491,482
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	196,152	-
Unrealized foreign exchange gains (-) and losses (+)	312,192	56,094
Finance income and expenses	3,127,825	2,281,147
Tax on income from operations	341,606	1,604,622
Transactions without cash flow	(67,976)	
Working capital changes:		
Increase (-) /decrease(+) in trade and other receivables	4,480,095	6,110,383
Increase (+) / decrease (-) in trade payables	(2,188,309)	2,973,481
Interest paid	(2,203,604)	(1,984,992)
Interest received	25,949	60,557
Other financing items	(431,291)	(257,505)
Income taxes paid	(968,064)	(2,459,103)
Loans granted	(162,968,684)	(126,015,822)
Proceeds from repayments of loans	148,094,549	107,885,008
Net cash from operating activities	**(8,175,772)**	**(4,467,938)**
Cash flows from investing activities		
Purchase of tangible and intangible assets	(1,279,508)	(737,765)
Proceeds from sale of tangible and intangible assets	136,635	(530)
Disposal of subsidiaries, net of cash disposed of	40,259	
Proceeds from sale of investments	112,568	2,386
Net cash used in investing activities	**(990,045)**	**(735,909)**
Cash flows from financing activities		
Purchase of own shares	(126,186)	(16,130)
Proceeds from short-term borrowings	8,997,633	1,150,557
Repayment of short-term borrowings	(7,107,177)	(1,113,342)
Addition(+)/ decrease(-) of short-term borrowings	(4,117)	
Proceeds from long-term borrowings	25,000,000	3,095,057
Repayment of long-term borrowings	(859,743)	(497,209)
Dividends paid	(790,567)	(209,433)
Net cash used in financing activities	**25,109,844**	**2,409,500**
Net increase/decrease in cash and cash equivalents	**15,944,027**	**(2,794,348)**
Cash and cash equivalents at the beginning of the period	2,670,730	5,225,065
Exchange gains/(losses) on cash and cash equivalents	(1,086,723)	237,464
Net increase/decrease in cash and cash equivalents	15,944,027	(2,794,348)
Cash and cash equivalents at the end of the period	17,528,034	2,670,730

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity 1–12 / 2012	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance	**10,000**	**-**	**67,590**	**702**	**(4,573)**	**5,536,785**	**5,610,503**	**0**	**5,610,503**
Comprehensive income									
Profit or loss						4,632,059	4,632,059	0	4,632,059
Other comprehensive income									
Currency translation difference:				11	8,282	3,486	11,779	0	11,779
Total comprehensive income				**11**	**8,282**	**4,635,545**	**4,643,839**	**0**	**4,643,839**
Transactions with owners									
Dividend distribution						(210,000)	(210,000)	0	(210,000)
Acquisition of treasury shares		(16,130)					(16,130)	0	(16,130)
Reclassifications between classes (unrestricted equity reserve)			3,000,000				3,000,000	0	3,000,000
Share-based payments						132,051	132,051	0	132,051
Reclassifications between classes (legal reserve)				898		(898)	0	0	0
Total transactions with owners	**-**	**(16,130)**	**3,000,000**	**898**	**-**	**(78,847)**	**2,905,921**	**0**	**2,905,921**
Total equity 12 / 2012	**10,000**	**(16,130)**	**3,067,590**	**1,610**	**3,709**	**10,093,483**	**13,160,263**	**0**	**13,160,263**

Changes in equity 1 –12 / 2013	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance	**10,000**	**(16,130)**	**3,067,590**	**1,610**	**3,709**	**10,093,483**	**13,160,263**	**0**	**13,160,263**
Comprehensive income									
Profit or loss						3,546,946	3,546,946	0	3,546,946
Other comprehensive income									
Currency translation difference:				(71)	(176,674)	(52,508)	(229,252)	0	(229,252)
Total comprehensive income				**(71)**	**(176,674)**	**3,494,438**	**3,317,693**	**0**	**3,317,693**
Transactions with owners									
Dividend distribution						(790,000)	(790,000)	0	(790,000)
Acquisition of treasury shares		(126,186)					(126,186)	0	(126,186)
Share-based payments						116,702	116,702	0	116,702
Other changes				290			290	0	290
Total transactions with owners	**-**	**(126,186)**		**290**	**-**	**(673,298)**	**(799,194)**	**0**	**(799,194)**
Total equity 12 / 2013	**10,000**	**(142,315)**	**3,067,590**	**1,829**	**(172,964)**	**12,914,572**	**15,678,711**	**0**	**15,678,763**

1. GENERAL INFORMATION

Ferratum Group is one of the leading microloan companies globally. Ferratum Group is a privately owned independent group and it doesn't belong to any other group in the financial or commercial sector. It is operating under generally accepted ethical principles, and is one of the leading players in developing the credibility of microloan businesses and common industry processes. Ferratum Group has developed its business model and processes to be efficient and customer-oriented. The identification and scoring of customers are key factors in the business globally.

The parent company is JT Family Holding Oy (business identity code 1950969-1). The parent company is headquartered in Helsinki, Finland. The registered address is Ratamestarinkatu 11 A, FI-00520 Helsinki.

The financial year for all Group companies is the calendar year and it ended on December 31, 2013. The Board of Directors of Ferratum Group has approved these financial statements for publication on April 9, 2014. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.
A copy of the consolidated financial statements can be obtained from the head office of Ferratum Group at Ratamestarinkatu 11 A, FI-00520 Helsinki.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHICH ARE NOT YET EFFECTIVE

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

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

2.2 Consolidation

SUBSIDIARIES

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

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

BUSINESS COMBINATIONS

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

2.5 Property, plant and equipment

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

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

Fixed assets are depreciated according to the straight-line method, so that the assets' original cost is depreciated to the residual value over the estimated useful life, which is:

Fixtures, fittings and equipment: 3 – 8 years

Vehicles: 3 – 5 years

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

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

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

2.6 Intangible assets

Intangible assets of Ferratum Group are mainly representing immaterial rights (licences, trademark etc.) and capitalized software development costs.

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

IT software: 2 – 10 years

Trademarks: 3 – 5 years

Licenses: 2 – 10 years

Development costs: 2 – 5 years

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

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement

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

2.9 Impairment of financial assets

Ferratum Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ASSETS CARRIED AT AMORTISED COST

The criteria that Ferratum Group uses to determine that there is objective evidence of impairment loss include:

(a) a significant financial difficulty of the issuer or debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider or

(d) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- i) adverse changes in the payment status of borrowers in the portfolio; and
- ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Ferratum Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that consider on the basis of the group's grading process asset type, past-due status and other relevant factors). Each entity of Ferratum Group tracks its historical data of collected amounts and unpaid amounts on receivables. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2.10 Account receivables – microloans

Upon initial recognition in the statement of financial position, microloans are measured at their fair value. When measured subsequently, microloans are valued at an amortized cost determined using the effective interest rate method, less provisions for impairment of loan receivables.

The provisions for impairments of loan receivables are recognized in the financial statements based on historical trends and collective assessment of groups of microloans with similar credit risk characteristics. When receivables are impaired, the receivable's carrying amount is reduced to the receivable's recoverable amount.

2.11 Cash and cash equivalents

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

2.12 Share capital

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

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

2.13 Trade payables

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

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

2.14 Borrowings

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

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

2.15 Current and deferred income tax

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

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

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

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

2.16 Revenue recognition

Revenues comprise process, prolonging and reminder fees related to microloans issued.

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

2.17 Interest income and expense

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

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

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

2.18 Other income from operations

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

2.19 Share-based payments

Over time, selected employees have been offered the opportunity to invest in the shares of the parent company of Ferratum Group. The individuals have purchased the shares at fair value. Since these minority shareholders are also employed by Ferratum Group, certain expenses needs to be recognized in the income statement according to IFRS 2 (Share based payments). These expenses reflect the potential upside for the minority shareholders in terms of value increase of the shares. The fair value of this potential increase has been calculated on the date of the grant using Black and Scholes –model and recognized as expense over the vesting period. Valuation has been adjusted to take into account the terms and conditions upon which the shares were granted (except for vesting conditions). This incentive scheme is classified as equity settled arrangement and the expenses recognized according to IFRS2 do not have cash flow impact on the group.

2.20 Derivative instruments

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Ferratum Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Ferratum Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group’s financial performance. Ferratum Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group’s operating units. The Board is responsible for the overall effectiveness of the risk management function, which function is however carried out by all the members of the group’s management.

(a) Credit risk

Ferratum Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the group by failing to discharge an obligation. Credit risk is the most important risk for the Group’s business. Accordingly, management carefully manages its exposure to this risk. Credit exposures arise principally through the Group’s participation in short-term lending, and through its investments in debt securities and exposures arising from its investing activities.

The Group’s principal credit risk exposures relating to on-balance sheet financial assets analysed by IAS 39 categorisation, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

	31–Dec–2013	31–Dec–2012	1–Jan–2012
Loans and receivables:			
Cash at bank	17,528,034	2,670,730	5,225,065
Loans and advances to customers	44,683,369	37,923,498	25,322,578
Other receivables	3,963,145	1,015,481	1,018,679
	66,174,549	**41,609,710**	**31,566,321**

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The fair value of loans and receivables are equivalent to their carrying amounts. The table represents a worst case scenario of credit risk exposure to the Group at 31 December 2013 and 2012, without taking account of any collateral held or any other credit enhancements attached.

In order to manage its principal risk exposures arising from its financial assets, primarily its loans and advances to customers, Ferratum Group compiles and updates due diligence reports in respect of these financial assets, in most circumstances referring to external reviews of the primary borrowers and the respective assignees of export receivables carried out by agencies.

LOANS AND ADVANCES TO CUSTOMERS

Credit risk is managed centrally. Scoring and credit policies are centrally steered by the Risk team. Measuring and monitoring the performance of the Countries credit portfolio´s actual risk KPI´s is done on different aggregation levels on a Daily, Weekly and Monthly rhythm. Credit Risk is managed and controlled on the basis of established credit processes, and within a framework of credit policy. Credit grading and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality. Credit decisions are always based on the ethical principles set by the central risk team and the business credit policy as well as being in accordance to the rules of crediting. Every agreement of crediting requires an individually shaped decision. To assess the potential customers' creditworthiness, the credit score is calculated for each new application received. An application scorecard is used for the assessment of new customers and a behavior scorecard is used for the assessment of repeated customers. Based on the obtained credit score, customers are grouped into risk classes that determine the possible credit decision.

Ferratum Group centrally calculates reserving needs for group accounting purposes and also supports subsidiaries in calculating their local reserving requirements. The reserving requirements are calculated based on Gross Roll Rate Model and Transition Matrices (mathematical model of Markov Chains), which measures the probability of delinquency based on payment behavior and calculates the required risk provisions for impairment of loan receivables (reserves) accordingly. The reserving needs based on the reserve model get impaired with the market value of bad debt, i.e. expected or recent sales prices for overdue loans.

(b) Market risk

Ferratum Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

(c) Foreign exchange risk

Ferratum Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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.

Currency exposure arising from the net assets of the Ferratum Group's foreign operations is managed primarily through borrowings in local currencies or occasionally hedging with financial instruments.

Ferratum Group's net loan receivables denominated in EUR and non-EUR currencies:

	2013	2012
EUR	14,767,736	16,972,173
Non-EUR currencies	29,915,633	20,951,326
	44,683,369	37,923,498

Ferratum Group treasury's risk management policy is to hedge the main FX exposures in non-euro currencies:

	2013	2012
Foreign exchange gain through profit and loss	547	1,228,001
Foreign exchange loss through profit and loss	(348,444)	(1,292,287)
Foreign exchange gain/(loss) through equity	(229,252)	11,779
	(577,149)	(52,507)

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 interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose Ferratum Group to cash flow interest rate risk which is partially offset by having a short term loan portfolio as main asset in the group. Increasing refinancing cost can be potentially covered by according price changes in new lending whereby the spread between lending interest and borrowing interest is comparably high anyway. During 2013 and 2012, Ferratum Group's borrowings at variable rate were denominated in the PLN and the EUR.

Ferratum Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, Ferratum Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post tax profit of a 1% shift would be a maximum increase of EUR 281,530 or decrease of EUR 219,300.

Based on the various scenarios, the Group occasionally manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. As per end of 2013, the credit line from Nordea had a floating-to-fixed interest rate swap but this credit line was almost unused. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

(d) Liquidity risk

Cash flow forecasting is performed in the operating entities of Ferratum Group in and aggregated by Ferratum Group finance. Ferratum Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 19) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the group treasury. Ferratum Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held money market funds of that are expected to readily generate cash inflows for managing liquidity risk.

Ferratum Group possesses a number of factoring agreements, mainly in home country Finland. The amount of retained risks and benefits related to such agreements is appropriately measured and recognized in liabilities (trade payables) and assets (accounts receivables) of Ferratum Group.

Repayment schedule for interest- and non-interest-bearing liabilities as of 31 December 2013 including related future interest accruals is the following:

	Less than 12 months	Between 1–2 years	Between 2–5 years	Over 5 years
Bank borrowings	4,717,276			
Interest	578,973			
Bonds issued	9,821,149	2,498,616	23,746,122	5,000,000
Interest	2,797,741	2,108,178	5,605,479	
Derivatives	45,449			
Trade payables and other liabilities	10,083,008			
	28,043,596	4,606,794	29,351,601	5,000,000

3.2 Capital management

Ferratum Group's objectives when managing capital are to safeguard Ferratum Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the Group's stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Ferratum Group may adjust the amount of dividends paid to shareholders, issue new bonds or sell assets to reduce debt.

Ferratum Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents.

During 2013, Ferratum Group's strategy, which was unchanged from 2012, was to maintain the gearing ratio below 3.

Gearing ratio	31–Dec–2013	31–Dec–2012	1–Jan–2012
Total liabilities	56,083,965	33,313,108	29,984,936
Less: cash and cash equivalents	17,528,034	2,670,730	5,225,065
Net debt	38,555,931	30,642,377	24,759,872
Total equity	15,678,763	13,160,263	5,610,503
Gearing ratio	2.5	2.3	4.4

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGMENTS

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

4.1 Impairment losses on loan and advances

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

4.2 Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The assumptions and models used for estimating fair value for share-based payments transactions are disclosed in Note 22.

5. SEGMENT INFORMATION

Ferratum Group has two operating reportable segments. Operating segments are based on Group's management structure which consists of two geographical regions: West and East. The West region includes Australia, New Zealand, UK, Spain, Netherlands, Belgium, Sweden, Denmark, and Finland. The East region includes Estonia, Lithuania, Latvia, Poland, Czech, Slovakia, Croatia, Bulgaria and Russia.

5.1 Business segments 2013

Year ended 31 December

	West	East	Other*	Group
Revenue	33,912,729	24,285,611	-	58,198,340
Other income	24,619	21,339	90,713	136,670
Operating expenses:	-	-	-	-
Selling, marketing and administration	(14,103,533)	(5,463,510)	(1,634,545)	(21,201,588)
Impairments on loans	(11,970,260)	(9,628,186)	-	(21,598,446)
Depreciations and amortisation	(247,196)	(53,310)	(226,338)	(526,844)
Other operating expenses	(3,369,228)	(1,318,739)	(2,991,596)	(7,679,563)
Operating profit	**4,247,132**	**7,843,205**	**(4,761,767)**	**7,328,570**
Total segment assets	**48,872,658**	**20,041,427**	**2,848,642**	**71,762,727**
Total segment liabilities	**38,741,293**	**13,224,625**	**4,118,046**	**56,083,965**

5.2 Business segments 2012

Year ended 31 December

	West	East	Other*	Group
Revenue	26,630,731	22,282,594	-	48,913,326
Other income	33,327	20,348	817,890	871,565
Operating expenses:				
Selling, marketing and administration	(13,244,674)	(3,647,365)	(2,672,494)	(19,564,533)
Impairments on loans	(6,589,199)	(8,403,456)	-	(14,992,655)
Depreciations and amortisation	(236,123)	(52,868)	(202,492)	(491,482)
Other operating expenses	(2,213,332)	(1,069,372)	(2,879,593)	(6,162,298)
Operating profit	**4,380,730**	**9,129,881**	**(4,936,689)**	**8,573,922**
Total segment assets	**26,431,606**	**17,407,812**	**2,633,953**	**46,473,371**
Total segment liabilities	**10,606,955**	**13,185,305**	**9,520,848**	**33,313,108**

*Includes administration and other services of the parent company, as well as all other income and expenses, assets and liabilities not allocated to operating segments.

5.3 Geographical areas

	2013	2012
Revenue, abroad	47,627,726	39,691,713
Revenue, domestic	10,570,614	9,221,613
Total Revenue	**58,198,340**	**48,913,326**

6. OTHER INCOME

	2013	2012
Refunds of government charges relating to previous financial periods		817,890
Other income	136,670	53,675
Total Other income	**136,670**	**871,565**

7. SELLING, MARKETING AND ADMINISTRATION

	2013	2012
Personnel expenses:	(8,760,443)	(7,300,488)
Salaries and other employee benefits (incl. bonuses)	(6,781,522)	(5,401,318)
Employee pension expenses	(415,100)	(522,637)
Other personnel expenses	(1,447,120)	(1,244,482)
Share-based payments equity settled (i)	(116,702)	(132,051)
Selling and marketing expenses	(5,961,239)	(6,511,650)
Lending expenses	(2,850,851)	(2,892,824)
Other administrative expenses	(3,629,055)	(2,859,571)
Total Administrative expenses	**(21,201,588)**	**(19,564,533)**

(i) The full amount relates to equity settled share-based payments as explained and calculated in disclosure 22. There were no cash-settled share-based payments.

8. DEPRECIATION AND AMORTIZATION

	2013	2012
Depreciation and Amortization		
Tangible assets		
Machinery & Equipment	(123,519)	(100,057)
Other tangible assets	(1,590)	(1,029)
	(125,109)	(101,086)
Intangible assets		
Trademark and licenses	(220,136)	(220,665)
Internally generated software development costs		
IT Software	(181,599)	(169,730)
	(401,734)	(390,395)
Total depreciation and amortization	**(526,844)**	**(491,482)**

9. OTHER OPERATING EXPENSES

	2013	2012
Rent and other office expenses	(1,224,806)	(906,544)
Travel expenses	(1,076,971)	(990,589)
Professional fees (excl. Audit)	(2,453,666)	(2,044,005)
Audit fees	(239,558)	(178,591)
Other expenses	(2,684,562)	(2,042,569)
Other operating expenses	**(7,679,563)**	**(6,162,298)**

Audit fees and other services from audit companies:

	2013	2012
PwC		
Audit fees	193,581	128,971
Non-audit fees:		
Tax advise	12,779	-
Other services	224,224	196,038
Other audit companies		
Audit fees	45,978	49,620
Non-audit fees:		
Other services	123,888	111,757
Total audit fees	**239,558**	**178,591**
Total non-audit fees	**360,892**	**307,795**

10. FINANCE INCOME

	2013	2012
Other interest income from others	25,949	60,557
Foreign exchange gain on liabilities, realized	547	1,228,001
Derivative held for trading – gain / (loss)	10,645	0
Other financing income from others	37,883	77,396
Total finance income	**75,025**	**1,365,953**

11. FINANCE EXPENSES

	2013	2012
Interest on borrowings from others	(2,760,367)	(2,086,584)
Derivative held for trading – gain / (loss)	0	(56,094)
Other financing expenses paid to borrowings from others	(406,231)	(268,229)
Foreign exchange loss on liabilities, realised	(348,444)	(1,292,287)
Total finance expenses	**(3,515,042)**	**(3,703,194)**

12. INCOME TAX EXPENSES

	2013	2012
Current tax:		
Current tax on profits for the year	(597,640)	(1,840,454)
Adjustments in respect of prior years	(3,773)	733
Total current tax	**(601,413)**	**(1,839,721)**
Changes in deferred taxes	259,806	235,099
Total deferred tax	**259,806**	**235,099**
Income tax expense	**(341,606)**	**(1,604,622)**

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

	2013	2012
Profit before tax	**3,888,552**	**6,236,681**
Tax calculated at Finnish tax rate	(952,695)	(1,527,987)
Tax effects of:		
– Difference between Finnish tax rate and rates in other countries	631,957	1,701,671
– Income not subject to tax	476,171	753,843
– Expenses not deductible for tax purposes	(1,414,155)	(3,473,076)
– Utilization of previously unrecognized tax losses	818,356	1,119,089
– Tax losses for which no deferred income tax asset was recognised	(942,997)	(421,965)
– Tax assets from previously unrecognised tax losses	982,477	207,927
Re-measurement of deferred tax – change in tax rate *	67,142	0
Adjustment in respect of prior years	(3,773)	733
Others	(4,089)	35,143
Tax charge	**(341,606)**	**(1,604,622)**

*The corporate income tax rate decreased in Finland from 24,5% to 20%, in Denmark from 25% to 24,5% and in Slovakia from 23% to 22% in 2014. As a result, deferred tax assets and liabilities relating to operations in these countries have been valued at the new tax rate. The full effect of the change has been recorded in the income statement.

	2013	2012
Losses carried forward balance at 31-Dec	8,832	5,174
out of which		
– expires in one year	0	0
– expires in two years' time	0	0
– expires later than two years	8,832	5,174

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery & Equipment	Other tangible assets	Total
Cost, opening balance, as at 1 January 2012	**529,484**	**29,817**	**559,301**
Year ended 31 December 2012:			
Additions of the period	72,258	63,810	136,068
Disposals of the period	(43,542)		(43,542)
Reclassification during the period	-	(24,319)	(24,319)
Cost, closing balance, as at 31 December 2012	**558,201**	**69,308**	**627,508**
Cumulative depreciation, opening balance, as at 1 January 2012	**(256,795)**	**(1,029)**	**(257,824)**
Year ended 31 December 2012:			
Cumulative depreciation of disposals	29,760		29,760
Depreciation for the period	(100,057)	(1,029)	(101,086)
Cumulative depreciation, closing balance, as at 31 December 2012	**(327,091)**	**(2,058)**	**(329,150)**
Net book amount, opening balance	**272,690**	**28,788**	**301,477**
Net book amount, closing balance	**231,109**	**67,249**	**298,359**
Cost, opening balance, as at 1 January 2013	**558,201**	**69,308**	**627,508**
Year ended 31 December 2013:			
Additions of the period	251,314	8,242	259,556
Disposals of the period	(382,499)	(12,448)	(394,947)
Reclassification during the period	59,198	(63,898)	(4,700)
Cost, closing balance, as at 31 December 2013	**486,214**	**1,203**	**487,417**
Cumulative depreciation, opening balance, as at 1 January 2013	**(327,091)**	**(2,058)**	**(329,150)**
Year ended 31 December 2013:			
Cumulative depreciation of disposals	245,691	3,202	248,893
Depreciation for the period	(123,519)	(1,590)	(125,109)
Cumulative depreciation, closing balance, as at 31 December 2013	**(204,920)**	**(446)**	**(205,366)**
Net book amount,opening balance	**231,109**	**67,249**	**298,359**
Net book amount, closing balance	**281,294**	**757**	**282,051**

14. INTANGIBLE ASSETS

	Immaterial rights	Internally generated software development costs	Computer Software	Total
Cost, opening balance, as at 1 January 2012	**1,103,034**	**754,442**	**664,240**	**2,521,716**
Year ended 31 December 2012:				
Additions of the period	1,274	150,219	514,976	666,469
Disposals of the period	(804)			(804)
Cost, closing balance, as at 31 December 2012	**1,103,505**	**904,661**	**1,179,216**	**3,187,381**
Cumulative depreciation, opening balance, as at 1 January 2012	**(221,570)**	**0**	**(116,463)**	**(338,033)**
Year ended 31 December 2012:				
Cumulative depreciation of disposals	786			786
Depreciation for the period	(220,665)		(169,730)	(390,395)
Impairment				
Cumulative depreciation, closing balance, as at 31 December 2012	**(441,449)**	**0**	**(286,193)**	**(727,642)**
Net book amount, opening balance	**881,464**	**754,442**	**547,777**	**2,183,683**
Net book amount, closing balance	**662,056**	**904,661**	**893,023**	**2,459,739**
Cost, opening balance, as at 1 January 2013	**1,103,505**	**904,661**	**1,179,216**	**3,187,381**
Year ended 31 December 2013:				
Additions of the period	597	847,982	198,560	1,047,139
Disposals of the period				
Cost, closing balance, as at 31 December 2013	**1,104,102**	**1,752,642**	**1,377,776**	**4,234,521**
Cumulative depreciation, opening balance, as at 1 January 2013	**(441,449)**	**0**	**(286,193)**	**(727,642)**
Year ended 31 December 2013:				
Cumulative depreciation of disposals	(239)			(239)
Depreciation for the period	(220,136)		(181,599)	(401,734)
Cumulative depreciation, closing balance, as at 31 December 2013	**(661,823)**	**0**	**(467,792)**	**(1,129,615)**
Net book amount, opening balance	**662,056**	**904,661**	**893,023**	**2,459,739**
Net book amount, closing balance	**442,278**	**1,752,643**	**909,984**	**3,104,905**

15. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Changes in deferred taxes during the financial year 2013

	at 1–Jan 2013	Recognized in income statement	Recognized in Equity	Translation difference	at 31–Dec 2013
Deferred tax assets					
Tax losses carried forward	1,599,931	(455,342)	0	(21,347)	1,123,241
Deferred revenue and credit loss reserve	269,400	525,908	0	(64,583)	730,725
Derivative	13,743	(2,129)	0	0	11,614
Other	0	0	0	0	0
Total	**1,883,073**	**68,437**	**0**	**(85,930)**	**1,865,580**
Deferred tax liabilities					
Discretionary provisions	344,845	(191,370)	0	1,390	154,866
Deferred tax net	**1,538,228**	**259,806**	**0**	**(87,320)**	**1,710,714**

Changes in deferred taxes during the financial year 2012

	at 1–Jan 2012	Recognized in income statement	Recognized in Equity	Translation difference	at 31–Dec 2012
Deferred tax assets					
Tax losses carried forward	1,126,394	456,543	0	16,994	1,599,931
Deferred revenue and credit loss reserve	333,095	(69,148)	0	5,452	269,400
Derivative	0	13,743	0	0	13,743
Other	0	0	0	0	0
Total	**1,459,489**	**401,139**		**22,446**	**1,883,073**
Deferred tax liabilities					
Discretionary provisions	197,555	166,039	0	(18,749)	344,845
Deferred tax net	**1,261,934**	**235,099**	**0**	**41,196**	**1,538,228**

16. ACCOUNT RECEIVABLES – MICROLOANS

	31–Dec–2013	31–Dec–2012	1–Jan–2012
Loan receivables	82,371,449	57,067,064	44,028,493
Less: provision for impairment of loan receivables	(37,688,079)	(19,143,565)	(18,705,916)
Loan receivables - net	44,683,369	37,923,498	25,322,577

The ageing analysis of these loan receivables is as follows:

	31–Dec–2013			31–Dec–2012		
	GBV	**Impairments**	**NBV**	**GBV**	**Impairments**	**NBV**
Not due	17,768,761	(1,314,774)	16,453,987	14,956,826	(1,545,716)	13,411,111
1–90 days due	11,770,407	(3,106,821)	8,663,586	14,565,909	(3,977,500)	10,588,409
91–180 days due	10,992,578	(4,067,267)	6,925,311	7,804,882	(3,593,694)	4,211,188
> 181 days due	41,839,702	(29,199,218)	12,640,485	19,739,446	(10,026,655)	9,712,791
	82,371,449	**(37,688,079)**	**44,683,369**	**57,067,064**	**(19,143,565)**	**37,923,498**

17. CASH AND CASH EQUIVALENTS

	31–Dec–2013	31–Dec–2012	1–Jan–2012
Cash at bank and in hand	17,528,034	2,670,730	5,225,065
Short-term bank deposits			
Cash and cash equivalents (excluding bank overdrafts)	17,528,034	2,670,730	5,225,065

18. SHARE CAPITAL AND OTHER RESERVES

	Number of share	Share capital	Treasury share	Unrestricted equity reserve	Other reserves
At 1–Jan–2012	10,000	10,000	0	67,590	(3,871)
Share issue					
Acquisition of treasury shares			(16,130)		
Convertible Loan	1,112			3,000,000	
Currency translation differences					9,191
At 31–Dec–2012	11,112	10,000	(16,130)	3,067,590	5,320
Share issue					
Acquisition of treasury shares			(126,186)		
Currency translation differences					(176,455)
At 31–Dec–2013	11,112	10,000	(142,315)	3,067,590	(171,135)

The cumulative translation differences EUR 172.9 (3.7) thousand in the Statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-Euro area business units.

On December 31, 2013 Ferratum Group had 86 treasury shares in its possession which represent approximately 0.8 % of the share capital and voting rights. No consideration is paid to the treasury shares in a distribution of equity. The treasury shares are to be used for share purchase plans.

The unrestricted equity reserve contains the amount paid for shares in a share issue and the amount when converting convertible capital notes to shares.

Other reserves include legal reserves in Ferratum Group companies.

19. INTEREST BEARING LIABILITIES

	31–Dec–2013	31–Dec–2012	1–Jan–2012
Non-current interest bearing liabilities			
Bank borrowings	0	10,888,158	14,267,347
Bonds issued	26,244,738	9,890,522	6,166,675
	26,244,738	20,778,680	20,434,023
Current interest bearing liabilities			
Bank borrowings	4,717,276	453,364	416,150
Bonds issued	14,821,149		
	19,538,425	453,364	416,150
Total interest bearing liabilities	**45,783,163**	**21,232,044**	**20,850,172**

20. CURRENT NON-INTEREST BEARING LIABILITIES

	31–Dec–2013	31–Dec–2012	1–Jan–2012
Current tax liabilities	455,909	697,064	1,153,920
Trade payables	7,282,034	7,661,141	6,031,764
Factoring trade payables	4,806,779	5,373,742	5,187,917
Other trade payables	2,475,255	2,287,399	843,847
Other current liabilities	2,390,513	3,351,806	1,751,525
Derivatives	45,449	56,094	0
Interest liabilities	559,147	1,632,312	81,482
Accrued employee expenses	568,918	668,765	709,487
Other current accrued liabilities on expenses, interest-free	1,217,000	994,635	960,556
Total current non-interest bearing liabilities	**7,256,691**	**11,710,010**	**8,937,209**

21. CARRYING VALUES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Financial assets	**2013**	**2013**	**2012**	**2012**
	Carrying value	Fair value	Carrying value	Fair value
Items recognized at amortized cost				
Loans and other receivables				
Cash and cash equivalents	17,528,034	17,528,034	2,670,730	2,670,730
Loan receivables	41,811,603	41,811,603	37,923,498	37,923,498
Trade receivables	3,963,145	3,963,145	1,015,481	1,015,481
Financial liabilities				
Items recognized at amortized cost				
Loans from financial institutions	9,717,276	9,674,172	453,364	453,364
Bonds	36,065,887	35,483,937	9,890,522	9,856,158
Trade payables	23,948,693	23,948,693	8,114,505	8,114,505
Items recognized at fair value through profit and loss				
Derivatives *	45,449	45,449	56,094	56,094
Share-based payment liability **	248,753	248,753	132,051	132,051

* Derivatives valued at fair value consist of interest rate swap agreements which are on Level 2 in fair value hierarchy.

** The share-based payments liabilities include the fair value of the share purchase scheme for the key management which is on Level 3 in the fair value hierarchy.

FAIR VALUE MEASUREMENT

Financial assets and liabilities valued at fair value are classified on three levels, depending on the estimated reliability of the valuation method:

LEVEL 1:

A reliable quoted market price exists for identical instruments quoted on an active market.

LEVEL 2:

A market price quoted on the active market exists for similar but not identical instruments. The price may, however, be derived from observable market information. The fair values of interest rate derivatives are calculated by deriving them from price information obtained on the active market and using valuation techniques that are commonly applied in the market.

LEVEL 3:

There is no active market for the instrument, a fair market price cannot be reliably derived, and defining the fair value requires significant assumptions.

Commitments	31–Dec–2013	31–Dec–2012
Collateral for own debt		
Credit limit agreement		
Total amount of granted limit	2,500,000	10,000,000
Limit in use	779,251	8,310,284
Guarantees	38,869,630	13,844,697
Corporate pledge	3,000,000	0
Pledged subsidiary shares	10,000	0
Pledged investments	5,000	5,000

22. SHARE BASED PAYMENTS

Over time selected employees have been offered the opportunity to invest in the shares of the parent company of Ferratum Group. The individuals have purchased the shares at fair value. Since these minority shareholders are also employed by Ferratum Group, certain expenses needs to be recognized in the income statement according to IFRS 2 (Share based payments). These expenses reflect the potential upside for the minority shareholders in terms of value increase of the shares. The fair value of this potential increase has been calculated on the date of the grant using Black and Scholes –model and recognized as expense over the vesting period. Valuation has been adjusted to take into account the terms and conditions upon which the shares were granted (except for vesting conditions). This incentive scheme is classified as equity settled arrangement and the expenses recognized according to IFRS2 do not have cash flow impact on the group.

GENERAL DETAILS:

	Scheme 2007	Scheme 2008	Scheme 2009	Scheme 2010	Scheme 2011	Scheme 2012
Number of personnel in scheme at grant date	4	1	3	12	2	5
Number of shares sold at grant date	100	10	165	325	40	183
Number of shares at 1.1.2012	100	10	165	285	40	183
Number of shares at 31.12.2012	100	10	165	270	40	183
Number of shares at 31.12.2013	94	10	165	205	40	183
Vesting period begins (date)	12/31/2007	10/9/2008	1/2/2009	4/22/2010	4/30/2011	2/28/2012
Vesting period ends	12/30/2011	10/8/2012	1/1/2013	4/21/2014	4/29/2015	2/27/2016
Share ownership obligation (in years)	4	4	4	4	4	4
Vesting period left	Vested	Vested	Vested	0.30 years	1.33 years	2.16 years
Realization of pay-out criteria (%) at the end of reporting period	100%	100%	100%	93%	67%	46%
Total value of award at grant date, EUR	36,956.54	4,692.59	93,044.83	214,741.10	41,408.25	220,316.21
The impact of the scheme on 2013 result before tax, EUR	-	-	-	51,207.49	10,352.06	55,079.05
The impact of the scheme on 2012 result before tax, EUR	-	903.16	23,261.21	51,207.49	10,352.06	46,326.77

23. BRIDGE ACCOUNTING

These consolidated financial statements of Ferratum Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as at 31 December, 2013 and adopted by European Union. The term IFRS refers to the IFRS and International Accounting Standards ("IAS") and SIC and IFRIC interpretations as issued by International Accounting Standards Board ("IASB") and adopted by European Union as at December 31, 2013.

The consolidated financial statements of Group until 31 December 2012 have been prepared in accordance with Finnish Generally Accepted Accounting Standards ("FAS"). Since FAS differs from IFRS in some respects, certain accounting, valuation and classification principles under FAS have been adjusted for IFRS purposes.

The date of transition from FAS to IFRS is 1 January 2012. The financial statements include comparative information for the financial year ended 31 December 2012, which is restated in accordance with IFRS.

Transition to IFRS did not have impact on cash flows.

REVENUE RECOGNITION

Under FAS Ferratum Group recognises the fees associated with its microloan lending activities either on the date of loan issue (process fees, prolonging fees) or on cash basis (reminder fees, monthly fees). Under IFRS such fees are considered part of the loan origination that should be amortized from loan inception over the loan period using the effective interest method. Accordingly, JT Family Holding has adjusted the revenue, trade receivables and credit loss reserve. Adjustment to trade receivables, net of adjustment to credit loss reserve, in the opening balance sheet as at 1 January 2012 was EUR -1,183 thousand and the net impact of related adjustment to opening equity was EUR -956 thousand. The revenues, credit loss reserve account receivables – microloans for the financial year ended 31 December 2012 under IFRS was adjusted by EUR 1,774 thousand, EUR -744 and EUR 1,029 respectively.

Due to wide geography of the Ferratum Group's business adjustment of revenues affected foreign exchange result of the group in amount EUR 21 thousand as at 1 January 2012 and EUR 26 thousand as at 31 December 2012.

FINANCIAL ASSETS AND LIABILITIES

Ferratum Finland Oy has sold certain financial assets to an external party and derecognised such financial assets against the consideration received. Under contract terms Ferratum Finland Oy has an obligation to repurchase the sold financial assets in case of payment default. Therefore, Ferratum Finland Oy retains substantially the credit and late payment risk and should continue to recognise the financial assets and also recognise a financial liability for consideration received. Under IFRS Ferratum Group have recognised financial assets (net of credit loss reserve) of EUR 4,564 thousand as at 1 January 2012 and EUR 4,828 thousand as at 31 December 2012 respectively. Further, it has recognised a financial liability of EUR 4,819 thousand and EUR 4,987 thousand as at 1 January 2012 and 31 December 2012, respectively.

In 2012 Ferratum Finland Oy has obtained financing from an external party against certain financial assets. Under FAS the cash received for financing transaction was netted against the financial assets. As under IFRS offsetting financial assets and liabilities is not generally permitted, Ferratum Group reclassifies the net presentation and recognises a financial liability. The reclassification from financial assets to financial liabilities amounted to EUR 349 thousand as at 31 December 2012.

Ferratum Capital Poland has issued bonds in Polish bond market Catalyst in Warsaw Stock Exchange in 2011, 2012 and 2013. Under FAS the transaction costs relating to the bond issue have been capitalised as other assets. Under IFRS the borrowings are initially recognised at fair value, net of transaction costs incurred and later carried at amortised costs using the effective interest method. Therefore under IFRS Ferratum Group has adjusted the financial liabilities with EUR -114 thousand and EUR -11 thousand as at 1 January 2012 and 31 December 2012, respectively

OTHER IFRS IMPACTS

Under FAS Ferratum Group has goodwill of EUR 22 thousand as at transition date 1 January 2012 and EUR 7 thousand as at 31 December 2012. The Group has chosen to apply IFRS 3 Business Combinations retrospectively to all acquisitions prior to transition to IFRS and as the existing goodwill recognised pertains to acquisitions that do not qualify as a business combination under IFRS 3 all goodwill under FAS is derecognised to retained earnings.

In 2012 Ferratum Group has obtained derivative instruments for its risk management activities. Under FAS Ferratum Group has not recognized such derivatives. Under IFRS the fair value of such instruments has to be recognized therefore the group adjusted the financial liabilities with EUR 56 thousand as at 31 December 2012.

Ferratum Group operates an equity settled share-based compensation plan. The fair value of the employee services received in exchange for the stock appreciation rights was recognised as an expense in amount EUR 132 thousand during the year ended 31 December 2012.

	1–Jan 2012 FAS	Revenue	Solid financial assets	Goodwill	Polish bond	Forex impact	Total ADJs	1–Jan 2012 IFRS
Assets								
Non-current assets								
Property, plant and equipment	301							301
Intangible assets	2,206			(22)			(22)	2,184
Deferred income tax assets	1,155	227	63			14	304	1,459
Total Non-Current Assets	**3,662**	**227**	**63**	**(22)**		**14**	**282**	**3,944**
Current assets								
Account receivables - microloans	21,935	(1,183)	4,564			7	3,387	25,323
Other receivables	1,019							1,019
Income tax assets	85							85
Cash and cash equivalents (excluding bank overdrafts)	5,225							5,225
Total current assets	**28,264**	**(1,183)**	**4,564**			**7**	**3,387**	**31,651**
Total assets	**31,926**	**(956)**	**4,626**	**(22)**		**21**	**3,669**	**35,595**
Equity and liabilities								
Equity attributable to owners of the parent								
Share capital	10							10
Unrestricted equity reserve	68							68
Reserves	(4)							(4)
Retained earnings	6,594	(956)	(193)	(22)	92	21	(1,057)	5,537
Total equity	**6,668**	**(956)**	**(193)**	**(22)**	**92**	**21**	**(1,057)**	**5,611**
Liabilities								
Non-current liabilities								
Borrowings	20,548				(114)		(114)	20,434
Other payables	0							0
Deferred income tax liabilities	176				22		22	198
Total non-current liabilities	**20,724**				**(92)**		**(92)**	**20,632**
Current liabilities								
Income tax liabilities	1,154							1,154
Borrowings	416							416
Trade payables	1,213		4,819				4,819	6,032
Other current liabilities	1,752							1,752
Total current liabilities	**4,534**		**4,819**				**4,819**	**9,353**
Total liabilities	**25,259**		**4,819**		**(92)**		**4,726**	**29,985**
Total equity and liabilities	**31,926**	**(956)**	**4,626**	**(22)**	**0**	**21**	**3,669**	**35,595**

	31–Dec 2012 FAS	Opening balance ADJ	Revenue	Solid financial assets	Goodwill	Derivatives	Polish bonds	Share based payment	Forex impact	Total ADJs	31–Dec 2012 IFRS
Assets											
Non-current assets											
Property, plant and equipment	298										298
Intangible assets	2,467	(22)			15					(7)	2,460
Deferred income tax assets	1,776	304	(196)	(24)		14	4		5	107	1,883
Total Non-Current Assets	**4,541**	**282**	**(196)**	**(24)**	**15**	**14**	**4**		**5**	**100**	**4,641**
Current assets											
Account receivables - microloans	32,917	3,387	1,029	613					(23)	5,006	37,923
Other receivables	1,119						(103)		0	(103)	1,015
Income tax assets	222										222
Cash and cash equivalents (excluding bank overdrafts)	2,671										2,671
Total current assets	**36,929**	**3,387**	**1,029**	**613**			**(103)**		**(23)**	**4,903**	**41,832**
Total assets	**41,471**	**3,669**	**833**	**589**	**15**	**14**	**(99)**		**(18)**	**5,003**	**46,473**
Equity and liabilities											
Equity attributable to owners of the parent											
Share capital	10										10
Treasury reserves	(16)										(16)
Unrestricted equity reserve	3,068										3,068
Reserves	5										5
Retained earnings	10,338	(1,057)						132	26	(899)	10,093
Total equity	**13,405**	**(1,057)**						**132**	**26**	**(899)**	**13,160**
Liabilities											
Non-current liabilities											
Borrowings	20,915	(114)					(12)		(11)	(136)	20,779
Other payables	26										26
Deferred income tax liabilities	330	22					(9)		2	15	345
Total non-current liabilities	**21,272**	**(92)**					**(21)**		**(9)**	**(122)**	**21,150**
Current liabilities											
Income tax liabilities	697										697
Borrowings	453										453
Trade payables	2,326	4,819		516						5,335	7,661
Other current liabilities	3,318					56	(23)		0	33	3,352
Total current liabilities	**6,795**	**4,819**		**516**		**56**	**(23)**		**0**	**5,369**	**12,163**
Total liabilities	**28,066**	**4,726**		**516**		**56**	**(43)**		**(9)**	**5,247**	**33,313**
Total equity and liabilities	**41,471**	**3,669**		**516**		**56**	**(43)**	**132**	**17**	**4,348**	**46,473**

	31–Dec 2012 FAS	Revenue	Solid financial assets	Goodwill	Derivatives	Polish bonds	Share based payment	Forex impact	Total ADJs	31–Dec 2012 IFRS
Revenue	47,157	1,774						(17)	1,756	48,913
Other income	872									872
Operating expenses:										
Selling, marketing and administration	(19,432)						(132)		(132)	(19,565)
Impairments on loans	(14,343)	(744)	96					(1)	(649)	(14,993)
Depreciation and amortization	(509)			17					17	(491)
Other operating expenses	(6,137)			(2)				(22)	(25)	(6,162)
Operating profit	**7,606**	**1,029**	**96**	**15**			**(132)**	**(41)**	**968**	**8,574**
Finance income	1,366									1,366
Finance costs	(3,580)				(56)	(69)		2	(123)	(3,703)
Finance costs – net	**(2,214)**				**(56)**	**(69)**		**2**	**(123)**	**(2,337)**
Profit before income tax	**5,392**	**1,029**	**96**	**15**	**(56)**	**(69)**	**(132)**	**(39)**	**844**	**6,237**
Income tax expense	(1,415)	(196)	(24)		14	13		4	(189)	(1,605)
Profit for the year	**3,977**	**833**	**73**	**15**	**(42)**	**(56)**	**(132)**	**(36)**	**655**	**4,632**

24. RELATED PARTY DISCLOSURE

Ferratum Group is controlled by Jorma Jokela, who owns 83% of the parent company's shares. The remaining shares are held by investors and key management personnel.

Ferratum Group are members of the board, senior management team, their close family members and the companies in which the member of the board or senior management team has significant influence.

TRANSACTIONS WITH RELATED PARTIES

	2013	2012
Purchase of goods from related parties	0	0
Purchase of services from related parties	710,677	668,862
	710,677	**668,862**

Ferratum Group has business relationships with related party companies. The acquired services include administration services, project management, advisory and consulting services, IT services, legal counseling, flight travel services and warehousing services. Related party transactions have been carried out on generally accepted market terms and they have been based on market price of goods and services.

KEY MANAGEMENT COMPENSATION

	2013	2012
Jorma Jokela, CEO, Member of the Board of Directors		
Salary + Bonuses	203,209	195,600
The Board of Directors		
Salary + Bonuses	42,000	49,600
Share based payments	30,127	35,888
Senior Management Team		
Salary + Bonuses	776,798	585,604
Share based payments	86,576	96,162
Total compensation of Key management	**1,138,709**	**962,855**

25. GROUP COMPANIES

Ownership in group companies	Country	Group share of holding	Parent company share of holding
Ferratum Finland Oy	Finland	100%	100%
Ferratum Estonia OÜ	Estonia	100%	100%
Ferratum Latvia SIA	Latvia	100%	100%
UAB Ferratum	Lithuania	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferratum Poland Sp. Z.o.o.	Poland	100%	100%
Ferratum Finance Sp. Z.o.o.	Poland	100%	100%
Ferratum Spain SL	Spain	100%	100%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Finance d.o.o.	Slovenia	100%	100%
Ferratum Slovakia s.r.o.	Slovakia	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum Belgium BVBA	Belgium	100%	99.99%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Ferratum d.o.o.	Croatia	100%	100%
Ferratum Capital Poland S.A.	Poland	100%	100%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Finance B.V.	Netherlands	100%	100%
Pelegrat B.V.	Netherlands	100%	100%
Ferratum Australia Pty Ltd	Australia	100%	100%
Ferratum Singapore Pte.	Singapore	90%	90%
Numeratum d.o.o.	Croatia	100%	100%
OOO Ferratum Russia	Russia	100%	100%
Rus-Kredit Ltd	Russia	100%	100%
Ferratum Bank (Malta) Limited	Malta	100%	0.00001 %
Ferratum (Malta) Holding Limited	Malta	100%	99.99999 %
Ferbuy Singapore Pte. Ltd.	Singapore	90%	90%
Swespar AB	Sweden	100%	100%
Nereida Spain S.L.	Spain	100%	100%
Ferratum Capital Germany GmbH	Germany	100%	100%
Ferratum Romania I.F.N.S.A.	Romania	99%	99%
Personal Big Data Oy	Finland	100%	100%
Sideways Sp z.o.o	Poland	100%	0%
Highways Sp z.o.o	Poland	100%	0%
Highways Sp. Kom	Poland	100%	0%

26. PARENT COMPANY STATEMENT 2013

26.1 JT-Family Holding Oy – Income statement

	Note	1.1.–31.12.2013	1.1.–31.12.2012
Other operating income	2	1,683,038	597,621
Personnel expenses	4	(1,545,169)	(2,607,025)
Depreciation, amortisation and impairment	6	(226,338)	(202,492)
Other operating expenses	7	(3,042,972)	(2,945,063)
Operating profit		(3,131,442)	(5,156,958)
Financial income and expenses	8	2,521,969	4,379,026
Profit/loss before extraordinary items		(609,472)	(777,932)
Extraordinary items	9	68,553	3,704,186
Profit/loss after extraordinary items		(540,919)	2,926,254
Income tax		0	0
Profit for the year		**(540,919)**	**2,926,254**

26.2 JT Family Holding Oy – Statement of financial position

	Note	31.12.2013	31.12.2012
Assets			
Non-current assets			
Intangible assets	10	1,760,404	1,646,895
Tangible assets	11	143,281	210,787
Investments	12	13,659,370	12,146,889
Total Non-current Assets		**15,563,054**	**14,004,570**
Current assets			
Non-current receivables	13	21,131,384	23,121,029
Current receivables	14	8,605,370	4,686,851
Cash and bank		129,197	598,924
Total current assets		**29,865,951**	**28,406,804**
Total assets		**45,429,006**	**42,411,374**
Equity and liabilities			
Equity	16-18		
Share capital		10,000	10,000
Treasury shares		(142,315)	(16,130)
Other reserves total		3,067,590	3,067,590
Retained earnings		2,146,236	9,982
Profit/loss for the period		(540,919)	2,926,254
Total equity		**4,540,591**	**5,997,696**
Liabilities			
Non-current liabilities, interest-bearing	19	26,794,043	16,508,468
Current liabilities, interest-bearing	20	12,628,998	18,254,110
Current liabilities, interest-free	20	1,465,373	1,651,100
Total liabilities		**40,888,414**	**36,413,678**
Total equity and liabilities		**45,429,006**	**42,411,374**

26.3 JT Family Holding Oy – Cash flow statement

	1.1.–31.12.2013	1.1.–31.12.2012
Cash flows from operating activities		
PROFIT/LOSS FOR THE PERIOD	(540,919)	2,926,254
Adjustments for:		
Depreciation, amortisation & impairment loss	226,338	202,492
Financial income and expenses	(2,521,969)	(4,379,026)
Other adjustments	54,278	(3,704,186)
Operating profit before working capital changes	**(2,782,273)**	**(4,954,467)**
Working capital changes:		
Increase (-) /decrease(+) in trade and other receivables	(3,282,099)	(565,854)
Increase (+) / decrease (-) in trade payables	(726,010)	63,240
Cash generated from operations	**(6,790,382)**	**(5,457,080)**
Interest paid	(2,703,013)	(1,461,342)
Interest received	3,353,632	276,602
Other financing items	18,802	(196,139)
Cash flow before extraordinary items	(6,120,961)	(6,837,959)
Cash flow from extraordinary items	0	817,890
Net cash from operating activities	**(6,120,961)**	**(6,020,069)**
Cash flows from investing activities		
Purchase of tangible and intangible assets	(411,309)	(688,852)
Proceeds from sale of tangible and intangible assets	29,136	0
Acquisition of subsidiaries	(1,530,481)	(11,167,874)
Disposal of subsidiaries	5,000	0
Loans granted (-) / Repayments of loans (+)	(12,334,824)	(5,181,769)
Net cash used in investing activities	**(14,242,478)**	**(17,038,495)**
Cash flows from financing activities		
Purchase of own shares	(126,186)	(16,130)
Proceeds from borrowings (+) / Repayment (-)	19,660,463	17,152,162
Dividends paid	(790,567)	(209,433)
Group contribution received (+) / paid (-)	1,150,000	4,010,832
Net cash used in financing activities	**19,893,711**	**20,937,432**
Net increase/decrease in cash and cash equivalents	**(469,728)**	**(2,121,132)**
Cash and cash equivalents at beginning of the period	598,924	2,720,056
Net increase/decrease in cash and cash equivalents	(469,728)	(2,121,132)
Cash and cash equivalents at the end of the period	129,197	598,924

26.4 Notes to financial statement of parent company

1. Notes to financial statement of parent company

PARENT COMPANY INFORMATION

JT Family Holding Oy, registered in Helsinki, is the parent company of the JT Family Holding Group. Copies of the consolidated financial statements can be obtained from JT Family Holding Oy, located in Ratamestarinkatu 11 A, 00520 Helsinki.

ACCOUNTING PRINCIPLES

VALUATION METHODS

Tangible assets have been valued at acquisition cost.

ALLOCATION PRINCIPLES AND METHODS

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

DEPRECIATION PERIODS

Investments for rental premises: 4 years

Immaterial rights: 3 to 10 years

Tangible assets: 25% declining depreciation

The credit limit arrangement under short-term liabilities is for an indefinite period. The agreement can be terminated in less than a year and therefore the credit limit is presented under short-term liabilities.

COMPARATIVE DATA

The length of the financial year is 12 months (1.1.2013-31.12.2013). The comparative data from financial year 2012 has been changed to reflect the presentation of income statement and balance sheet items in financial year 2013.

FOREIGN CURRENCY VALUATION

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

EXCEPTIONAL ITEMS

Exceptional items consist of group contributions received from Ferratum Finland Oy.

SHARE CAPITAL

The share capital of the company is EUR 10,000.00 and the number of the company shares is 11,112 shares. The shares have no nominal value. All the shares are attached with equal voting rights and equal right when distributing dividend.

26.5 Notes to the income statement of parent company

2. Other operating income	1.1.–31.12.2013	1.1.–31.12.2012
Other operating income	1,683,038	597,621

3. Average personnel		
During financial year	23	40

4. Personnel expenses		
Wages and salaries	(1,317,179)	(2,158,758)
Pension expenses	(181,879)	(302,037)
Other social expenses	(46,111)	(146,229)
Personnel expenses, total	**(1,545,169)**	**(2,607,025)**

5. Management compensation		
Board of directors and CEO	(212,056)	(245,200)

6. Depreciation and amortization by asset class category		
Intangible assets		
Other capitalised expenditure	(147,564)	(135,991)
Tangible assets		
Machinery and equipment	(78,774)	(66,500)
Total	**(226,338)**	**(202,492)**

7. Other operating expenses		
Selling, marketing and administration	(2.990.710)	(2.912.068)
Audit fees	(52.263)	(32.994)

8. Financial income and expences	1.1.–31.12.2013	1.1.–31.12.2012
Financial income		
Intra-group dividend income	3,043,010	4,176,309
Intra-group dividend income, total	3,043,010	4,176,309
Other intra-group interest and financial income	2,884,161	2,332,357
Other interest and financial income from others	7,973	1,271,553
Other financial income	**2,892,134**	**3,603,911**
Financial income, total	**5,935,144**	**7,780,220**
Financial expenses		
Other intra-group interest and financial expenses	(2,252,327)	(1,227,699)
Other interest and financial expenses from others	(1,160,848)	(2,173,495)
Other financial expenses	**(3,413,175)**	**(3,401,193)**
Financial income and expenses, total	**2,521,969**	**4,379,026**
Foreign exchange gains and losses, total	**(388,738)**	**(127,218)**

9. Extraordinary items		
Other extraordinary income	0	817,890
Group contributions received	68,553	2,888,296
Group contributions paid	0	(2,000)
Extraordinary items, total	**68,553**	**3,704,186**

26.6 Notes to the statement of financial position of parent company

10. Intangible assets	Other capitalised expenditures
Acquisition cost 1.1.	1,899,349
Additions	261,073
Acquisition cost 31.12.	2,160,422
Accumulated depreciation 1.1.	(252,454)
Amortisation for the period	(147,564)
Accumulated depreciation 31.12.	(400,018)
Book value 31.12.2013	**1,760,404**
Book value 31.12.2012	**1,646,895**

11. Tangible assets	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1.	372,276	(64,760)	437,037
Additions	150,236	0	150,236
Disposals	(365,218)	0	(365,218)
Reclassification between items	63,810	(63,810)	0
Acquisition cost 31.12.	221,104	950.00	222,055
Accumulated depreciation 1.1.	(226,250)	0	(226,250)
Accumulated depreciation on disposals	226,250	0	226,250
Amortisation for the period	(78,774)	0	(78,774)
Accumulated depreciation 31.12.	(78,774)	0	(78,774)
Book value 31.12.2013	**142,330**	**950**	**143,281**
Book value 31.12.2012	**146,026**	**64,760**	**210,787**

12. Investments 2013	Other shares and equity interests
Acquisition cost 1.1.	12,146,889
Additions	1,530,481
Disposals	(18,000)
Acquisition cost 31.12.2013	13,659,370
Book value 31.12.2013	**13,659,370**
Book value 31.12.2012	**12,146,889**

13. Non-current receivables	31.12.2013	31.12.2012
Receivables from intra-group companies	21,125,384	23,117,829
Permanent receivables from employees	6,000	3,200

14. Current receivables	31.12.2013	31.12.2012
Other receivables	414,445	637,416
Receivables from intra-group companies	6,834,509	3,994,502
Accruals	1,356,417	54,933
Current receivables, total	**8,605,370**	**4,686,851**

15. Accruals	31.12.2013	31.12.2012
Other accruals	1,362,417	58,133
Total	**1,362,417**	**58,133**

16. Change in equity 2012	Share capital	SVOP reserve	Retained earnings	Equity total
Equity, opening balance	10 000	67,590	219,982	297,572
Reclassification between items		3,000,000		3,000,000
Dividend distribution			(210,000)	(210,000)
Treasury shares			(16,130)	(16,130)
Profit/loss for the period			2,926,254	2,926,254
Total equity, end of 2012	**10 000**	**3,067,590**	**2,920,106**	**5,997,696**

17. Change in eqyuity 2013	Share capital	SVOP reserve	Retained earnings	Equity total
Equity, opening balance	10,000	3,067,590	2,920,106	5,997,696
Dividend distribution			(790,000)	(790,000)
Treasury shares			(126,186)	(126,186)
Profit/loss for the period			(540,919)	(540,919)
Total equity, end of 2013	**10,000**	**3,067,590**	**1,463,001**	**4,540,591**

18. Non-current liabilities	31.12.2013	31.12.2012
Other liabilities	26,105	36,564
Non-current intra-group debts	26,767,938	16,471,904
Total Non-current liabilities	**26,794,043**	**16,508,468**

19. Current liabilities	31.12.2013	31.12.2012
Loans from financial institutions	3,279,251	8,310,284
Trade payables	181,435	416,462
Other liabilities	128,541	56,459
Accruals	457,264	645,016
Intra-group liabilities	10,047,880	10,477,020
Total current liabilities	**14,094,371**	**19,905,240**

20. Accruals (non-current and current)	31.12.2013	31.12.2012
Accruals of personnel expenses	199,091	382,505
Other accruals	258,174	262,511
Total	**457,264**	**645,016**

21. Other rental liabilities	31.12.2013	31.12.2012
Current rental liabilities	16,389	21,300
Total other rental liabilities	**16,389**	**21,300**

22. Commitments	31.12.2013	31.12.2012
Credit limit agreement		
Total amount of granted limit	**2.500.000**	**10.000.000**
Limit in use	779.251	8.310.284
Pledged subsidiary shares	10.000	
Corporate pledge	3.000.000	0
Commitments for intra-group companies	38.869.630	13.844.697

JT Family Holding Oy has pledged Ferratum Finland's shares to Nordea Bank Finland. JT Family Holding Oy is the guarantor of the bonds issued by Ferratum Capital Germany GmbH and Ferratum Capital Poland. The funds from the bond issues have in accordance with the intercompany loan agreements been lent to JT Family Holding Oy. JT Family Holding Oy is also the guarantor of the agreement with Svea Ekonomi AB where it guarantees the debt of Ferratum Finland Oy, Ferratum Sweden AB to Svea Ekonomi AB.

23. Derivatives	31.12.2013	31.12.2012
Bought currency option		
Book value	0	0
Fair value	0	19,088
Value of the object, subject to derivative	0	2,926,829
Bought interest derivatives		
Book value	0	0
Fair value	(45,449)	(56,094)
Value of the object, subject to derivative	5,000,000	5,000,000
Bought currency derivatives		
Book value	0	0
Fair value	0	1,435
Value of the object, subject to derivative	0	1,103,266

24. Related party transactions

No loans and nor any other commitments have been issued to any related parties during 2013.

27. LIST OF ACCOUNTING LEDGERS

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

28. SIGNING OF ANNUAL REPORT

The Ferratum Group Annual Report 2013 is submitted by the Company's Management Board composed of:

Erik Ferm
Chairman of the Board

Lea Liigus
Member of the Board

Jorma Jokela
CEO, Member of the Board

Kai Becker
Member of the Board

Juhani Vanhala
Member of the Board

We today issued a report on the audit performed

Helsinki 8.4.2014
PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen, Authorised Public Accountant

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of JT Family Holding Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of JT Family Holding Oy for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 8 April 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

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