# Société Anonyme Mogo Finance

**(UNIFIED REGISTRATION NUMBER B 174.457)**

# CONSOLIDATED ANNUAL REPORT

**For the year ended 31 December 2018**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

**Luxembourg, 2019**

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## General information

| | |
|---|---|
| Name of the Parent Company | Mogo Finance |
| Legal status of the Parent Company | Société Anonyme |
| Unified registration number, place and date of registration | Luxembourg, 18 December 2012 |
| Registered office | 8-10 Avenue de la Gare, L-1610, Luxembourg |

Major shareholders

| | 31.12.2018. |
|---|---|
| Modo Investments Limited (Malta) | 31.62% |
| AutoInvest Inernational (Malta) | 31.62% |
| Centillion Holding Limited (Malta) | 10.54% |
| LVS Limited (Malta) | 10.54% |
| AS Obelo Capital (Latvia) | 10.54% |
| Other shareholders | 5.14% |
| **TOTAL** | **100.00%** |

Directors

Edgars Egle (type A), from 24.07.2017
Caroline Georgen (type A), from 01.03.2016 till 24.07.2018
Liviu Rusu (type B), from 24.07.2017 till 24.07.2018
Inna Horner (type B), from 01.03.2016 till 24.07.2018
Pierre Bernardy (type B), from 01.03.2016 till 23.07.2017
Māris Kreics (type A), from 25.07.2018
Sebastian Koller (type B), from 25.07.2018
Daniela Roca (type B), from 25.07.2018 till 13.09.2018.
Delphine Glessinger (type B), from 14.09.2018

Consolidated subsidiaries

Mogo AS, Latvia (98%)
Mogo LT UAB, Lithuania (98%)
Mogo OU, Estonia (100%) (98% till 31.10.2017.)
Mogo LLC, Georgia (98%) (100% till 27.04.2017.)
Mogo Sp. z o.o., Poland (100%)
Mogo Bulgaria EOOD, Bulgaria (100%)
Mogo IFN SA, Romania (100%)
MOGO IBERIA SL, Spain (100%)
Mogo Albania SHA, Albania (100%)
Risk Management Services, Estonia (100%)
Mogo Loans SRL, Moldova (100%)
Mogo Ukraine LLC, Ukraine (100%)
MOGO Kredit LLC, Belarus (100%)
Longo Group AS, Latvia (100%)
LoanGo AS (100%)
Renti AS (100%)
HUB1 AS, Latvia (100%)
HUB2 AS, Latvia (100%)
HUB3 SIA, Latvia (100%)
HUB4 AS, Latvia (100%)
HUB5 AS, Latvia (100%)
Mogo UCO LLC (100%)
Mogo Lend LTD (100%)
Mogo Kazakhstan TOO (100%)
Longo Estonia OU (100%)
Longo Latvia AS (100%)
Longo LT UAB (100%)
Longo Georgia LLC (100%)
Longo LLC (100%)
Longo Netherlands B.V. (100%)
Longo Belgium B.V.B.A (100%)

| | |
|---|---|
| Financial year | 1 January - 31 December 2018 |
| Previous financial year | 1 January - 31 December 2017 |
| Auditors | Ernst &Young S.A, Société Anonyme,<br>Cabinet de révision agréé<br>35E avenue John F. Kennedy, L-1855 Luxembourg |

# Management report

21 May 2019

The Directors of the Group present the report on the consolidated financial statements for the year ended 31 December 2018. All the figures are presented in EUR (euro).

**General information**

Mogo Finance S.A. (hereinafter referred to as – the Parent Company) and its subsidiaries (hereinafter together referred to as – the Group) is a market leading sale and leaseback and finance lease solutions provider operating in 14 countries globally - Latvia, Lithuania, Estonia, Georgia, Armenia, Poland, Romania, Albania, Bulgaria, Moldova, Belarus, Ukraine, Uzbekistan and Kazakhstan. In 2018 Group launched activities in Belarus, Ukraine, Uzbekistan and Kazakhstan. The Group provides quick and convenient services for both individuals and legal entities offering vehicle finance lease transactions for amounts up to 10 000 euro and sale and leaseback transactions for amounts up to 15 000 euro with duration up to seven years. In both instances the vehicle is used as a collateral and hence mostly loans issued by the Group are secured. Funding is being offered online through Mogo branded website, mobile homepage and onsite at the customer service centers, as well as at the sales centers of car dealerships.

The Group provides also consumer loans in Latvia, Estonia and Armenia to individuals for amounts up to 3 000 euro with duration up to four years. The product is mainly used as an add-on to existing lease and leaseback portfolio and as an upsell tool for existing customers.

Group's main goal is to offer its customers easily available, convenient and affordable sale and leaseback and finance lease solutions. In order to achieve this the Group offers to its customers various solutions adjusted to their needs, as well as highest quality service and accessibility. The Group directly cooperates with a wide network of car dealerships, where the customers can buy a vehicle by obtaining funding from the Group.

**Mission, vision and values**

*Mission*

Mission of the Group is to offer to clients affordable secured car loans in a quick and easy way.

*Vision*

Vision of the Group is to become the market leading leaseback and finance lease solutions organization, highly rated for customer friendliness and accessibility. The strategic priorities of Mogo Finance are focused on consistent profitable growth and geographical expansion. The achievement of this strategy is fueled by more than 600 talented team members and over 100 000 loyal customers, as well as investments in advanced technologies to deliver the best-in-class financial services.

*Values*

- Quick assistance without unnecessary formalities - the Group will provide the required funding within a couple of hours.
- Open communication and adaptation – the core value of the Group is an open communication and an adaptive approach to each and every customer, which results in a mutually beneficial outcome in every situation.
- Long term relationship – the Group values and creates mutually beneficial long term relationship with all its customers and employees, it welcomes feedback and suggestions for improvement.

**Operations and Financial Results**

2018 was a period of very consistent growth for the Group.

Total assets of the Group grew up to 174.3 million euro (55% increase, compared to 2017), Interest and similar income reached 54.4 million euro (53% increase, compared to 2017), and net profit of the Group amounted to 4.6 million euro.

At the end of 31 December 2018 gross value of the lease portfolio reached 155 million euro (48% increase, compared to 31 December 2017).

The Group's net profit has declined compared to 2017 and is mainly driven by the deliberate actions taken to set up regional teams or hubs, all with the goal to better position the Group for the next profitable growth cycle by retaining the hands-on management technique that has successfully proven itself in the past.

The growth of the Group and its market leading position during 2018 was driven by its purposeful strategy, oriented at improvement of customer service quality, as well as professionalism and effort of employees ensuring the set objectives are achieved.

Total number of employees of the Group grew up to 616 (124% increase, compared to 2017) mainly driven by two factors – organic growth of the Group in new markets as well as setting up of the regional hub teams.

Also total number of active clients increased from 40 thousands to 66 thousands (64.9% increase).

The Group has continued to develop provision of its services and has become more accessible to its customers by opening new customer service centers located in various regions of Latvia, Lithuania, Estonia, Georgia, Poland, Romania, Bulgaria, Moldova, Albania, Armenia as well as entering into new countries such as Belarus, Ukraine, Uzbekistan and Kazakhstan. The Group plans to continue expansion of its activity and to open even more new customer service centers in its existing countries of operation, as well as to enter new markets.

2018 was a successful year also in terms of cooperation with the car dealerships.

This network has significantly contributed to the growth of the vehicle finance lease volume. For the establishment of more integrated cooperation with the partners in the field of vehicle trade the Group offers various partnership solutions and individual approach to effective processing of client applications, as well as provides various marketing materials and conducts joint marketing campaigns.

## Management report (continued)

In 2018 the Group continued the execution of various marketing activities on TV, radio and internet advertisements and outdoor ads.

This helped to promote the brand and to strengthen the Group's position in terms of brand recognition (top of mind brand) in the leaseback and finance lease solutions sector.

In 2018 the Group has considerably diversified its source of funding by expanding cooperation with peer-to-peer lending marketplace Mintos (www.mintos.com).
Currently Group offers investors to invest in Group's loans originated in Latvia, Lithuania, Estonia, Poland, Romania, Georgia, Moldova and Bulgaria.

On 11 July 2018, Mogo Finance successfully issued a 4-year corporate bond (XS1831877755), listed on the Open Market of the Frankfurt Stock Exchange, for EUR 50 million at par with an annual interest rate of 9.5%, followed on 16 November 2018 by a EUR 25 million tap at par. After the tap issue, the total amount outstanding of Mogo Finance's 9.50% corporate bonds amounts to EUR 75 million. On 30 November 2018, the bonds were included in the regulated market (General Standard) of the Frankfurt Stock Exchange. Bond maturity is July 2022.

In 2019 the Group will continue to focus on increasing its profitability by controlling its cost base and at the same time growing its portfolio and revenues. The Group plans to continue to develop recently launched markets as well as maintain and improve the successfully working mature geographies.
The Group will also continue to invest in the research and development of IT solutions to increase its competitiveness in the market.

**Other information**

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

**Operational risks**
The Group's operational risks are managed by successful risk underwriting procedures in the loan issuance process as well as efficient debt collection procedures.

**Legal risks**
Legal risks are mainly derived from regulatory changes which Group successful manages with the help of in-house legal department and external legal advisors that closely follow latest developments in regulatory and legal environment developments.
See Note 44 for further information.

**Financial risks**
The main financial risks arising from the Group's financial instruments are liquidity risk, and credit risk.

Liquidity risk

The Group controls it's liquidity by managing the amount of funding it attracts through peer-to-peer platforms, which provides management greater flexibility to manage the level of borrowings and available cash balances. Also the Group manages its longer term liquidity need by issuing bonds.

Credit risks

The Group is exposed to credit risk through its finance lease receivables, as well as cash and cash equivalents.
The key areas of credit risk policy cover lease granting process (including solvency check of the lessee), monitoring methods, as well as decision making principles.

The Group operates by applying a clear set of finance lease and loan granting criteria. This criteria includes assessing the credit history of customer, means of lease and loan repayment and understanding the lease object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each and every customer.

When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group has developed lease monitoring process so that it helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized, and, where appropriate, sufficient provisions are being made.
The Group does not have a significant credit risk exposure to any single counterparty, but has risk to group of counterparties having similar characteristics.
See Notes 23 and 24 for more information.

# Management report (continued)

**Market risks**

Currency risks

The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The most significant foreign currency exposure comes from Georgia, where Group has evaluated potential hedging options, but due to the costs associated with it, has decided not to pursue hedging strategy for now and assume potential short to mid-term currency fluctuations with retaining potential upside from strengthening in Georgian currency.

Interest rate risks

The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

More information is disclosed in Note 45.

**Corporate Governance Statement**

***Introduction***

The Group is subject to and complies with – among the others – the Luxembourg law of 10 August 1915 on commercial companies, as amended and the law of 11 August 2008 on transparency requirements for issuers of securities, as amended (the “Luxembourg Company Law”), as well as the Rules and Regulations of the Frankfurt Stock Exchange. The Group does not apply additional requirements in addition to those required by the above.

***Mogo Group/Shareholding***

Mogo Finance S.A. is the holding company of the Mogo group (the “Group”). As of 31 December 2018, the Group operated into 14 countries. Each country’s subsidiary is entitled to take operational decisions regarding its business activities. Countries located in a certain region are combined in clusters (“Hubs”) coordinated by sub-holding companies controlled by the parent company. Each Hub is entitled to take decisions regarding the activities of the countries included in the Hub as well as Hub common frame activities.

The share capital of the Group is indirectly held by the four founders of the Group (approximately 95%) and by present and former employees for the Group. The shareholders of the Group entered on 5 May 2015 into a shareholders’ agreement, amended from time to time (the “Shareholders’ Agreement”). The Shareholders’ Agreement provides that, among other things,
(i) all shareholders (unless such shareholder ceases to be an employee of the Group) need to be present or represented at a shareholders’ meeting;
(ii) resolutions on certain material matters, including appointment of auditors and entry by the Group into material contracts, need to be passed unanimously (provisions to overcome deadlock scenarios are foreseen); and
(iii) limitation on the transfer of rights, tag-along, drag-along and right of first refusal.

***Powers of the Shareholder***

The shareholders’ general meeting exercises the power granted by the Luxembourg Company Law including
(i) appointing and removing the directors (the “Directors”) and the statutory or independent auditor of the Group as well as setting their remuneration,
(ii) approving the annual financial statements of the Group,
(iii) amending the articles of association of the Group,
(iv) deciding on the dissolution and liquidation of the Group, and (v) changing the nationality of the Group.

***General Powers of the Directors / the Board***

The Gropu is currently managed by a board of directors (the “Board”) whose members have been appointed as type A Directors and type B Directors by the shareholders’ general meeting of the Group. In accordance with Luxembourg Company Law, each type A Director and type B Director may be removed at any time without cause (révocation ad nutum).

Meetings of the Board are convened upon request of the chairman of the Board or any two Directors of the Group as often as the interest of the Group so requires. The meetings of the Board are validly held if at the commencement of the meeting at least one type A Director and one type B Director is present or represented and decisions are validly taken by the majority of the Directors present or represented (including at least one type A Director and at least one type B Director). Any Director may represent one or more other Directors at a Board’ meeting.

The Board of the Group may, from time to time, delegate its power to conduct the daily management (gestion journalière) of the Group to one or more Directors, i.e., the managing Director(s) (administrateur(s) délégué(s)), commit the management of the affairs of the Group to one or more Directors or give special powers for determined matters to one or more proxy holders.

Pursuant to its articles of association, where the Group is administrated by the Board comprising several categories of Directors, it shall be bound by the joint signatures of a type A Director and a type B Director. Thus the "four eyes" principle is established.

The Group is currently managed by a Board composed of two Directors of type A and two Directors of type B, elected pursuant to resolutions of the shareholders of the Group. Based on the articles of association of the Group, Directors of each category are vested with the same individual powers and duties. The Directors of type B are Luxembourg residents, whereas the Directors of type A are not a Luxembourg resident and at the same time hold the positions of CEO and CFO within the Group.

***Specific Powers of the Directors / the Board***

*Process*

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Group in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Group’s financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The Board is obliged to maintain proper books and records as required by Luxemburg Company Law. These include appointing Group management to maintain the accounting records and prepare for review and approval by the Board and annual accounts providing a true and fair view of the financial situation and result of the Group. The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditor’s performance, qualifications and independence.

## Management report (continued)

*Risk Assessment*

The Board is fully responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Group's annual accounts.

The risk appetite of the Group is set by the Board. In line with the principles of the three lines of defense, the Group has a governance process enabling the business to understand, assess and manage risks in accordance to its defined risk appetite. The Group ensures a formal process of regular portfolio reviews, enabling the identification of risks associated with the portfolio, the definition and implementation of any corrective action, whenever required, consistent with the risk/reward approach set by the Board.

*Monitoring*

The Board is directly responsible for establishing a sound control environment.

The Board has an annual process to ensure that appropriate measures are taken to consider and address any shortcomings identified and measures recommended by the external auditors.

*Control Activities*

The Board is responsible for designing and maintaining control structures to manage the risks which are significant for internal control over financial reporting. These control structures include appropriate divisions of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for all significant captions written in the annual accounts and related notes therein.

***Audit Committee***

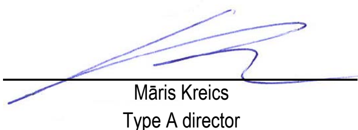
The internal audit department of the Group currently reports directly to the Group's audit committee (the "Audit Committee") and regularly performs an independent assessment of the Group's processes to ensure their compliance with the applicable regulatory framework. The assessment is designed to ensure that all key aspects of risk management are of a high quality. The Group has established information and communication systems to ensure that accounting and internal control compliance procedures are established. All Group companies, including the parent company, use a standardized financial reporting system.

The Audit Committee meets on a regular basis and, during its meetings but also by other means – e.g. review of specific documentation, site visits if necessary – oversees the Group's financial reporting process to ensure the transparency and integrity of published financial information, the effectiveness of the Group's internal control and risk management systems, the effectiveness of the internal audit function, the effectiveness of external audit processes including recommending the appointment and assessing the performance of the external auditor including its independence from the Group, any non-audit services the external auditor has provided the Group with, any such services eventually submitted for approval, as well as the effectiveness of the process for monitoring compliance with laws and regulations affecting financial reporting codes of business conduct (where applicable). The Audit Committee reads the additional report prepared to its attention by the external auditor and ensures that all points therein deemed relevant to the financial reporting are addressed to management and to those charged with governance.

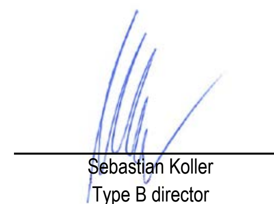
The Audit Committee issues an annual report on its missions, its responsibilities, and the measures that it has taken to properly fulfill its tasks. This report which may be included in the Audit Committee annual report, shall include a summary of the Audit Committee roles and responsibilities, names and titles of all Audit Committee members, the number of meetings held since the last report, the actual attendance of its members and the conclusion on the performance of the Audit Committee missions.

The chairman of the Audit Committee shall attend any meeting of the Board discussing and approving the interim or annual accounts.

Signed on behalf of the Group on 21 May 2019 by:



Māris Kreics
Type A director



Sebastian Koller
Type B director

# Consolidated Financial Statements

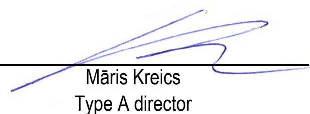
## Consolidated Statement of Comprehensive Income

| | | 2018 | 2017 (restated)* |
|---|---|---|---|
| | | EUR | EUR |
| Interest revenue calculated using the effective interest method | 4 | 54 377 616 | 35 558 688 |
| Interest expense calculated using the effective interest method | 5 | (12 621 246) | (8 526 565) |
| **Net interest income** | | **41 756 370** | **27 032 123** |
| Fee and commission income | 6 | 3 560 157 | 2 923 473 |
| Impairment expense | 7 | (17 597 486) | (6 891 491) |
| Net gain/(loss) from de-recognition of financial assets measured at amortized cost | 8 | (671 333) | (239 638) |
| Expenses related to peer-to-peer platform services | 9 | (740 555) | (869 315) |
| Revenue from leases | 10 | 152 573 | - |
| Revenue from car sales | 11 | 4 027 128 | - |
| Expenses from car sales | 11 | (3 923 474) | - |
| Selling expense | 12 | (2 343 954) | (1 436 006) |
| Administrative expense | 13 | (17 886 436) | (9 278 872) |
| Other operating income | 14 | 782 542 | 193 164 |
| Other operating expense | 15 | (1 155 995) | (593 306) |
| Net foreign exchange result | 16 | (266 577) | (878 498) |
| **Profit before tax** | | **5 692 960** | **9 961 634** |
| Corporate income tax | 17 | (1 425 063) | (956 036) |
| Deferred corporate income tax | 18 | 374 849 | (14 378) |
| **Net profit for the period** | | **4 642 746** | **8 991 220** |
| | | | |
| Other comprehensive income/(loss): | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Translation of financial information of foreign operations to presentation currency | | 53 910 | (507 056) |
| **Other comprehensive income/(loss)** | | **53 910** | **(507 056)** |
| **Total comprehensive income for the year** | | **4 696 656** | **8 484 164** |
| | | | |
| **Profit is attributable to:** | | | |
| Equity holders of the Parent Company | | 4 457 776 | 8 789 841 |
| Non-controlling interests | | 184 970 | 201 379 |
| **Net profit for the year** | | **4 642 746** | **8 991 220** |
| | | | |
| **Other comprehensive income/(loss) is attributable to:** | | | |
| Equity holders of the Parent Company | | 54 369 | (497 801) |
| Non-controlling interests | | (459) | (9 255) |
| **Other comprehensive income/(loss) for the year** | | **53 910** | **(507 056)** |

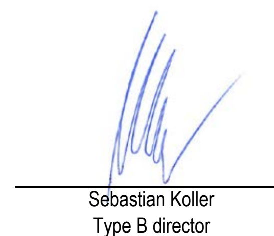
* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

The accompanying notes on pages are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 21 May 2019 by:



Māris Kreics
Type A director



Sebastian Koller
Type B director

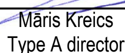
## Consolidated Statement of Financial Position

### ASSETS

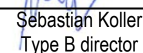
| NON-CURRENT ASSETS | | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|---|
| **Intangible assets** | | | |
| Goodwill | 20 | 1 658 773 | 1 476 745 |
| Internally generated intangible assets | 20 | 1 915 093 | 1 186 313 |
| Other intangible assets | 20 | 75 962 | 59 904 |
| **Total intangible assets** | | **3 649 828** | **2 722 962** |
| **Tangible assets** | | | |
| Right-of-use assets | 21, 22 | 2 378 996 | - |
| Rental fleet | 21 | 1 430 490 | - |
| Property, plant and equipment | 21 | 977 906 | 397 069 |
| Leasehold improvements | 21 | 285 141 | 32 612 |
| Advance payments for assets | 21 | 204 648 | - |
| **Total tangible assets** | | **5 277 181** | **429 681** |
| **Non-current financial assets** | | | |
| Finance lease receivables | 23 | 88 205 664 | 63 823 223 |
| Loans and advances to customers | 24 | 2 183 929 | 698 750 |
| Loans to related parties | 25, 43 | 5 257 221 | 596 250 |
| Other non-current financial assets | 26 | 983 479 | - |
| Deferred tax asset | 18 | 598 362 | 218 311 |
| **Total non-current financial assets** | | **97 228 655** | **65 336 534** |
| **TOTAL NON-CURRENT ASSETS** | | **106 155 664** | **68 489 177** |
| **CURRENT ASSETS** | | | |
| **Inventories** | | | |
| Finished goods and goods for resale | 27 | 1 696 167 | 843 487 |
| **Total inventories** | | **1 696 167** | **843 487** |
| **Receivables and other current assets** | | | |
| Finance lease receivables | 23 | 46 379 266 | 32 092 639 |
| Loans and advances to customers | 24 | 3 092 551 | 541 915 |
| Loans to related parties | 25, 43 | 133 485 | 28 547 |
| Other loans and receivables | 28 | 4 666 488 | - |
| Prepaid expense | 29 | 832 571 | 680 770 |
| Trade receivables | 30 | 804 927 | - |
| Other short term receivables from related parties | 43 | 42 367 | 110 567 |
| Other receivables | 31 | 1 343 990 | 2 299 375 |
| Cash and cash equivalents | 32 | 6 522 838 | 5 234 064 |
| **Total receivables and other current assets** | | **63 818 483** | **40 987 877** |
| Assets held for sale | 33 | 2 633 743 | 2 166 022 |
| **Total assets held for sale** | | **2 633 743** | **2 166 022** |
| **TOTAL CURRENT ASSETS** | | **68 148 393** | **43 997 386** |
| **TOTAL ASSETS** | | **174 304 057** | **112 486 563** |

The accompanying notes on pages are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 21 May 2019 by:



Māris Kreics
Type A director



Sebastian Koller
Type B director

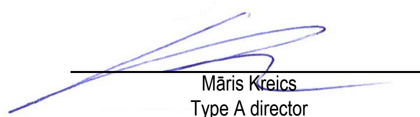
## Consolidated Statement of Financial Position

### EQUITY AND LIABILITIES

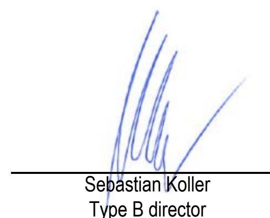
| EQUITY | | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|---|
| Share capital | 34 | 31 036 | 31 036 |
| Share premium | 34 | - | - |
| Reserve | | 86 568 | 86 568 |
| Foreign currency translation reserve | | (438 498) | (492 867) |
| Retained earnings/(losses) | | 15 113 700 | 11 481 795 |
| brought forward | | 10 655 924 | 2 691 954 |
| for the period | | 4 457 776 | 8 789 841 |
| **Total equity attributable to equity holders of the Parent Company** | | **14 792 806** | **11 106 532** |
| Non-controlling interests | | 498 440 | 406 493 |
| **TOTAL EQUITY** | | **15 291 246** | **11 513 025** |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 37 | 122 605 986 | 70 791 385 |
| Other non-current financial liabilities | 42 | 74 418 | 127 300 |
| **Total non-current liabilities** | | **122 680 404** | **70 918 685** |
| | | | |
| Provisions | 36 | 1 091 479 | 665 159 |
| **Total provisions for liabilities and charges** | | **1 091 479** | **665 159** |
| | | | |
| **Current liabilities** | | | |
| Borrowings | 37 | 30 298 310 | 25 847 363 |
| Prepayments and other payments received from customers | 38 | 109 758 | 838 615 |
| Trade payable | | 1 168 462 | 688 508 |
| Corporate income tax payable | 17 | 601 986 | 696 200 |
| Taxes payable | 39 | 649 806 | 217 943 |
| Other liabilities | 40 | 223 994 | 76 122 |
| Accrued liabilities | 41 | 1 773 301 | 966 466 |
| Other current financial liabilities | 42 | 52 600 | 58 477 |
| **Total current liabilities** | | **34 878 217** | **29 389 694** |
| | | | |
| Provisions | 36 | 362 711 | - |
| **Total provisions for liabilities and charges** | | **362 711** | **-** |
| **TOTAL LIABILITIES** | | **159 012 811** | **100 973 538** |
| **TOTAL EQUITY AND LIABILITIES** | | **174 304 057** | **112 486 563** |

The accompanying notes on pages are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 21 May 2019 by:



Māris Kreics
Type A director



Sebastian Koller
Type B director

## Consolidated Statement of Changes in Equity

| | Share capital | Share premium | Foreign currency translation reserve | Retained earnings/ (Accumulated loss) | Reserve | **Total equity attributable to Equity holders of the Parent Company** | Non controlling interest | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 01.01.2017.** | **31 036** | **9 968 964** | **4 934** | **2 969 193** | **2 734** | **12 976 861** | **248 702** | **13 225 563** |
| Profit for the period as reported in the 2017 financial statements | - | - | - | 8 789 841 | - | 8 789 841 | 201 379 | 8 991 220 |
| Other comprehensive income | - | - | (497 801) | - | - | (497 801) | (9 255) | (507 056) |
| Total comprehensive income | - | - | (497 801) | 8 789 841 | - | 8 292 040 | 192 124 | 8 484 164 |
| Acquisition of non-controlling interests (Note 42) | - | - | - | (193 405) | - | (193 405) | 6 429 | (186 976) |
| Profit distribution to mandatory legal reserve | - | - | - | (83 834) | 83 834 | - | - | - |
| Dividends distribution | - | - | - | - | - | - | (40 762) | (40 762) |
| Repayment of share premium (Note 34) | - | (9 968 964) | - | - | - | (9 968 964) | - | (9 968 964) |
| **Balance at 31.12.2017.** | **31 036** | **-** | **(492 867)** | **11 481 795** | **86 568** | **11 106 532** | **406 493** | **11 513 025** |
| **Balance at 01.01.2018.** | **31 036** | **-** | **(492 867)** | **11 481 795** | **86 568** | **11 106 532** | **406 493** | **11 513 025** |
| Effect of adoption of IFRS9 standards (Note 2) | - | - | - | (825 871) | - | (825 871) | (2 564) | (828 435) |
| **Balance at 01.01.2018. (restated)*** | **31 036** | **-** | **(492 867)** | **10 655 924** | **86 568** | **10 280 661** | **403 929** | **10 684 590** |
| Profit for the reporting year | - | - | - | 4 457 776 | - | 4 457 776 | 184 970 | 4 642 746 |
| Other comprehensive income | - | - | 54 369 | - | - | 54 369 | (459) | 53 910 |
| Total comprehensive income | - | - | 54 369 | 4 457 776 | - | 4 512 145 | 184 511 | 4 696 656 |
| Dividends distribution | - | - | - | - | - | - | (90 000) | (90 000) |
| **Balance at 31.12.2018.** | **31 036** | **-** | **(438 498)** | **15 113 700** | **86 568** | **14 792 806** | **498 440** | **15 291 246** |

* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

The accompanying notes on pages are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 21 May 2019 by:

Māris Kreics
Type A director

Sebastian Koller
Type B director

## Consolidated Statement of Cash Flows

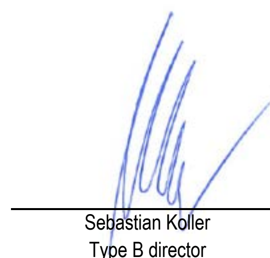
| | Notes | 2018 | 2017 (restated)* |
|---|---|---|---|
| **Cash flows to/from operating activities** | | **EUR** | **EUR** |
| Profit before tax | | 5 692 960 | 9 961 634 |
| Adjustments for: | | | |
| Amortization and depreciation | **20, 21** | 1 844 282 | 585 321 |
| Interest expense | **5** | 12 621 246 | 8 526 565 |
| Interest income | **4** | (54 377 616) | (35 502 352) |
| Loss/(gain) on disposal of property, plant and equipment | | 238 659 | (13 120) |
| Impairment expense | **7** | 17 597 486 | 6 891 491 |
| (Gain)/loss from fluctuations of currency exchange rates | | 266 577 | (878 498) |
| ***Operating profit before working capital changes*** | | **(16 116 406)** | **(10 428 959)** |
| Increase in inventories | | (852 680) | (796 639) |
| Increase in finance lease receivables, loans and advances to customers and other current assets | | (52 456 481) | (43 551 188) |
| Increase in accrued liabilities | | 1 215 457 | 858 399 |
| Increase/(decrease) in trade payable, taxes payable and other liabilities | | 142 488 | 380 403 |
| ***Cash generated to/from operations*** | | **(68 067 622)** | **(53 537 984)** |
| Interest received | | 54 256 178 | 35 489 653 |
| Interest paid | **37** | (12 365 407) | (7 815 520) |
| Corporate income tax paid | | (1 205 375) | (757 292) |
| **Net cash flows to/from operating activities** | | **(27 382 226)** | **(26 621 143)** |
| | | | |
| **Cash flows to/from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | **20, 21** | (1 891 756) | (722 666) |
| Purchase of rental fleet | **21** | (1 437 196) | - |
| Acquisition of a subsidiary, net of cash acquired | **19** | (927 180) | - |
| Advance payments for acquisition of a subsidiaries | | (983 479) | - |
| Loan repayments received | | 1 510 189 | 50 520 |
| Loans issued | | (10 691 207) | (612 042) |
| **Net cash flows to/from investing activities** | | **(14 420 629)** | **(1 284 188)** |
| | | | |
| **Cash flows to/from financing activities** | | | |
| Proceeds from issue/(repayment) of share premium | **34** | - | (9 968 964) |
| Proceeds from borrowings | **37** | 304 668 737 | 150 120 241 |
| Repayments for borrowings | **37** | (259 455 044) | (109 311 898) |
| Repayment of liabilities for right-of-use assets | **37** | (1 809 657) | - |
| Dividends paid to non-controlling shareholders | | (68 200) | (40 762) |
| **Net cash flows to/from financing activities** | | **43 335 836** | **30 798 617** |
| Effect of exchange rates on cash and cash equivalents | | (244 207) | 105 872 |
| Change in cash | | **1 288 774** | **2 999 157** |
| | | | |
| Cash at the beginning of the year | | 5 234 064 | 2 234 907 |
| **Cash at the end of the year** | **32** | **6 522 838** | **5 234 064** |

* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

The accompanying notes on pages are an integral part of these consolidated financial statements.

Signed on behalf of the Group on 21 May 2019 by:

Māris Kreics
Type A director



Sebastian Koller
Type B director

# Notes to the Consolidated Financial Statements

## 1. Corporate information

Mogo Finance S.A. (hereinafter "the Parent Company") is a Luxembourg company incorporated on December 18, 2012 as a Société Anonyme for an unlimited duration, subject to general company law.

The consolidated financial statements of the Group include:

| | | | | % equity interest | |
|---|---|---|---|---|---|
| Subsidiary name | Registration number | Country of incorporation | Principal activities | **2018** | **2017** |
| Mogo AS | 50103541751 | Latvia | Financing | 98% | 98% |
| Mogo UAB LT | 302943102 | Lithuania | Financing | 98% | 98% |
| Mogo OU | 12401448 | Estonia | Financing | 100% | 98% |
| Mogo LLC | 404468688 | Georgia | Financing | 98.00% | 98.00% |
| Mogo Sp. z o.o. | 7010514253 | Poland | Financing | 100% | 100% |
| Mogo Bulgaria EOOD | 204009205 | Bulgaria | Financing | 100% | 100% |
| Mogo IFN SA | 35917970 | Romania | Financing | 100% | 100% |
| Mogo LT SIA | 40103964830 | Latvia | Financing | 100% | 100% |
| Mogo Albania SHA | NUIS L71528013A | Albania | Financing | 100% | N/A |
| Risk Management Services | 14176671 | Estonia | Financing | 100% | 100% |
| Mogo Loans SRL | 10086 000260223 | Moldova | Financing | 100% | N/A |
| Mogo Ukraine LLC | 41738122 | Ukraine | Financing | 100% | N/A |
| MOGO Kredit LLC | 192981714 | Belarus | Financing | 100% | N/A |
| Renti AS | 40203174147 | Latvia | Rent services | 100% | N/A |
| Mogo UCO LLC* | 42 | Armenia | Financing | 100% | N/A |
| HUB1 AS | 40203145805 | Latvia | Management services | 100% | N/A |
| HUB2 AS | 40203150045 | Latvia | Management services | 100% | N/A |
| HUB3 AS | 40103964830 | Latvia | Management services | 100% | N/A |
| HUB4 AS | 40203150030 | Latvia | Management services | 100% | N/A |
| HUB5 AS | 40203182962 | Latvia | Management services | 100% | N/A |
| Longo Group AS | 42103081417 | Latvia | Management services | 100% | N/A |
| Mogo Lend LTD | 305723654 | Uzbekistan | Financing | 100% | N/A |
| Mogo Kazakhstan TOO | 180940010094 | Kazakhstan | Financing | 100% | N/A |
| LoanGo AS | 40203148375 | Latvia | Financing | 100% | N/A |
| Longo Estonia OU | 14554950 | Estonia | Retail of motor vehicles | 100% | N/A |
| Longo Latvia AS | 40203147079 | Latvia | Retail of motor vehicles | 100% | N/A |
| Longo LT UAB | 304837699 | Lithuania | Retail of motor vehicles | 100% | N/A |
| Longo Georgia LLC | 402095166 | Georgia | Retail of motor vehicles | 100% | N/A |
| Longo LLC | 286.110.1015848 | Armenia | Retail of motor vehicles | 100% | N/A |
| Longo Netherlands B.V. | 71706267 | Netherlands | Wholesale of motor vehicles | 100% | N/A |
| Longo Belgium B.V.B.A* | 0881.764.642 | Belgium | Wholesale of motor vehicles | 100% | N/A |

* - subsidiaries have been acquired in course of signing share purchase agreement from one of the Group's shareholders (Note 19)

The core business activity of the Group comprises of providing finance lease services, leaseback services and loans and advances to customers.

Consolidated financial statements of 2018 has been approved by decision of the directors on 21 May 2019.

Shareholders have the financial statements' approval rights after approval by the Board of Directors.

## 2. Summary of significant accounting policies

### a) Basis of preparation

These consolidated annual financial statements as of and for the year ended 31 December 2018 are prepared in accordance with IFRS as adopted in the European Union.

The Group's consolidated annual financial statements and its financial result are affected by accounting policies, assumptions, estimates and management judgement (Note 3), which necessarily have to be made in the course of preparation of the annual consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

The consolidated financial statements are prepared on a historical cost basis as modified by the recognition of financial instruments measured at fair value, except for inventory which is accounted in net realizable value and contingent consideration that has been measured at fair value.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The Group's presentation currency is euro (EUR). The financial statements cover the period from 1 January 2018 till 31 December 2018. Accounting policies and methods are consistent with those applied in the previous years, except as described below.

***Going concern***

These consolidated financial statements are prepared on the going concern basis.

### *b) Reclassification of comparative indicators*

1) The Group considers its net interest income to be a key performance indicator; the measure includes interest calculated using the effective interest method.

With effect from 1 January 2018, paragraph 82(a) of IAS 1 requires interest revenue calculated using the effective interest rate (EIR) method to be presented separately on the face of the income statement. This implies that interest revenue calculated using the EIR method is to be differentiated and presented separately from interest revenue calculated using other methods. To achieve such presentation the Group reclassified some of the items as described below. Together with such reclassifications also the titles of certain Statement of Comprehensive income lines were changed for them to properly reflect the nature of items presented under IFRS 9.

2) "Interest and similar income" is renamed to "Interest revenue calculated using the effective interest method". In 2017 consolidated financial statements the Group used "Interest and similar income" to present interest income calculated using EIR and this line also included other income, such as fee, penalties and commissions earned from customers in accordance with IAS 18. These fees and commissions are not calculated using EIR and therefore under IFRS 9 are to be presented separately. Such fees are therefore reclassified from this position and presented separately under "Fee and commission income".

3) To present all revenue recognized using EIR in a single Statement of Comprehensive line, other interest revenue calculated using EIR and previously presented under "Other interest income and similar income" is reclassified to "Interest revenue calculated using the effective interest method".

4) "Interest expense and similar expenses" is renamed to "Interest expense calculated using the effective interest method". In 2017 consolidated financial statements the Group used "Interest expense and similar expenses" to present interest expense calculated using EIR and this line also included other costs, such as expenses related to peer-to-peer platforms, that are fees incurred for servicing the related loans and are recognized as incurred. These costs are not calculated using EIR and therefore under IFRS 9 are to be presented separately. Such costs are therefore reclassified from this position and presented separately under "Expenses related to peer-to-peer platforms services".

5) With introduction of IFRS9 the Group also changed title of 2017 Statement of Comprehensive income line "Loss arising from cession of financial lease receivables" to "Net loss from de-recognition of financial assets measured at amortized cost". This change was required as until 2018 only financial lease receivables were ceded, however, from 2018 the Group also cedes loans and advances to customers. Therefore, the title change was required to properly present the nature of the underlying transactions under this line.

These changes are also consistent with Group' internal reporting and provides relevant information to its stakeholders. The above changes constitute a change in accounting policy in accordance with IAS 1 and the 2017 comparatives have been reclassified accordingly (Notes 4, 5, 6 and 9).

The Group has not presented the consolidated statement of financial position as at 1 January 2017 as the reclassifications do not have any effect on the information therein.

Reclassification made in financial statements:

| ***Statement of Comprehensive income*** | **Annual report 2017 31.12.2017. before reclassification** | **Change in title** | **Reclassifi-cations [1)]** | **Annual report 2018 31.12.2017. after reclassification** |
|---|---|---|---|---|
| Interest and similar income [2)] | 38 425 825 | (38 425 825) | | - |
| Interest revenue calculated using the effective interest method [2)] | - | 38 425 825 | (2 867 137) | 35 558 688 |
| Fee and commission income [2)] | - | | 2 923 473 | 2 923 473 |
| Other interest income and similar income [3)] | 56 336 | | (56 336) | - |
| Interest expense and similar expenses [4)] | (9 395 880) | 9 395 880 | | - |
| Interest expense calculated using the effective interest method [4)] | - | (9 395 880) | 869 315 | (8 526 565) |
| Expenses related to peer-to-peer platforms services [4)] | - | | (869 315) | (869 315) |
| Loss arising from cession of financial lease receivables [5)] | (239 638) | 239 638 | | - |
| Net loss from de-recognition of financial assets measured at amortized cost [5)] | - | (239 638) | | (239 638) |
| | **TOTAL:** | **-** | **-** | |

**2. Summary of significant accounting policies**

| ***Consolidated Statement of Cash Flows*** | **Annual report 2017 31.12.2017. before reclassification** | **Reclassifications** | **Annual report 2018 31.12.2017. after reclassification** |
|---|---|---|---|
| *Reclassification of interest income from investing activities to operating activities* | | | |
| Interest income | (39 241) | (35 463 111) | (35 502 352) |
| Interest received | 26 542 | 35 463 111 | 35 489 653 |
| *Change in names of the items in the statement of cash flow* | | | |
| Increase in receivables | (43 589 503) | 43 589 503 | - |
| Increase in finance lease receivables, loans and advances to customers and other current assets | - | (43 551 188) | (43 551 188) |
| Increase/(decrease) in payables | 380 403 | (380 403) | - |
| Increase/(decrease) in trade payable, taxes payable and other liabilities | - | 380 403 | 380 403 |
| *Separation of incoming and outgoing cash flows from financing activities* | | | |
| Proceeds from borrowings | 41 231 201 | 108 889 040 | 150 120 241 |
| Payments for borrowings acquisition costs | (422 858) | 422 858 | - |
| Repayments for borrowings | - | (109 311 898) | (109 311 898) |
| | **TOTAL:** | **38 315** | |

**2. Summary of significant accounting policies (continued)**

***c) Changes in accounting policy and disclosures***

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

***IFRS 9 Financial Instruments***

The Group applied IFRS 9 "Financial instruments" for the first time.

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable with the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018 and are disclosed below.

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

| | According to IAS 39 | Adjustment due to impairment recalculation* | Adjustment due to effective interest rate recalculation and modifications | According to IFRS 9 |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| *Assets* | | | | |
| Finance lease receivables** | 95 915 862 | (22 987) | (392 784) | 95 500 091 |
| Loans and advances to customers | 1 240 665 | (26 463) | - | 1 214 202 |
| Trade receivables*** | 2 323 472 | - | - | 2 323 472 |
| Loans to related parties | 624 797 | - | - | 624 797 |
| Other short term receivables from related parties | 110 567 | - | - | 110 567 |
| Cash and cash equivalents | 5 234 064 | - | - | 5 234 064 |
| *Equity* | | | | |
| Retained earnings | 11 481 795 | (46 886) | (778 985) | 10 655 924 |
| Non-controlling interests | 406 493 | (2 564) | - | 403 929 |
| *Current borrowings* | | | | |
| Borrowings**** | 96 638 748 | - | 386 201 | 97 024 949 |
| Other non-current financial liabilities | 185 777 | - | - | 185 777 |

* - IFRS 9 and ECL model adoption resulted in an increase of recognised impairment allowances. Increase of impairment allowance was primarily driven by introduction of IFRS 9 staging. Under IFRS 9 expected loss model higher probability of default rates are used due to switching to lifetime credit losses for exposures with an increased credit risk. This impact was offset to some extent by exposure at default modelling which decreased the average exposure to which PD rates were applied, as well as introduction of credit loss discounting and recovery rate element introduction in the LGD determination.

** - Impact on finance lease asset carrying amount from IFRS 9 introduction is due to the revised principles around treatment of modifications in lease arrangements. IAS 39 guidance on modifications gain/loss recognition for financial assets was not as prescriptive, whereas IFRS 9 has introduced more prescriptive principles relating treatment of modifications. Finance lease receivables are subject to the derecognition provisions of IFRS 9. The Group has revised its approach to treating modifications of finance lease receivables upon adoption of IFRS 9. This resulted in a decreased carrying amount of finance lease receivables by 392 784 EUR as at 1 January 2019 with a corresponding decrease to retained earnings. Group's policy of financial lease modification under IFRS 9 is disclosed in Note 2.

*** - Trade receivables as at 1 January 2018 also includes Other receivables subject to IFRS 9 impairment provisions included in Note 31 (Receivables for commissions, Receivable for attracted funding through P2P platform, Other debtors).

**** - Under IAS 39 the Group's accounting policy for a non-substantial modification of a financial liabilities was not to recognize any gain or loss at the time of non-substantial modification. At the point of modification the carrying amount of the financial liability was revised for directly attributable transaction costs and any consideration paid to or received from counterparty. The EIR was then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.
Under IFRS 9 a gain or loss should be recognized at the time of non-substantial modification. The modification gain or loss is equal to the difference between the present value of the cash flows under original and modified terms discounted at the original EIR. At the point of modification the carrying amount of the financial liability is revised to reflect the new cash flows discounted by the original EIR (resulting in modification gain or loss) as well as directly attributable transaction costs and any cash paid to or received from the counterparty. The EIR is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

For financial liabilities recognized at the date of initial application, 1 January 2018, the carrying amount is adjusted and effect of the respective adjustment is to be recognized in retained earnings at this date. Accordingly, for Mezzanine facility borrowings (Note 37) this resulted in an increased amortised cost amount by EUR 386 201 from EUR 96 638 748 with a corresponding decrease to retained earnings.

The adoption of IFRS 9 had no effect on deferred tax assets as at the transition date.

**2. Summary of significant accounting policies (continued)**

(a) Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial asset (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortized cost) have been replaced by:
• Debt instruments at amortized cost
• Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
• Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition
• Financial assets at FVPL

The Group has assessed its intentions for the above identified financial assets on a portfolio and financial instrument type basis and has reviewed its past practices in relation to sales of loan portfolios. From previous experience the Group has entered sales of loans agreements but only in response to significant credit deterioration. This is assessed to be in line with the described business model of the Group.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 January 2018:

| | IAS 39 measurement category | | | IFRS 9 measurement category | | |
|---|---|---|---|---|---|---|
| | Fair value through profit or loss | Amortized cost | Available for sale | Fair value through profit or loss | Amortized cost | Fair value through OCI |
| Loans and advances to customers | - | 1 240 665 | - | - | 1 214 202 | - |
| Trade receivables* | - | 2 323 472 | - | - | 2 323 472 | - |
| Loans to related parties | - | 624 797 | - | - | 624 797 | - |
| Other short term receivables from related parties | - | 110 567 | - | - | 110 567 | - |
| Cash and cash equivalents | - | 5 234 064 | - | - | 5 234 064 | - |
| | | | | | | |
| Borrowings | - | 96 638 748 | - | - | 97 024 949 | - |
| Other non-current financial liabilities | 185 777 | - | - | 185 777 | - | - |

* - Trade receivables as at 1 January 2018 also includes Other receivables subject to IFRS 9 impairment provisions included in Note 31 (Receivables for commissions, Receivable for attracted funding through P2P platform, Other debtors).

Since Other debtors amount contained also receivables not subject to IFRS 9, the amount of Trade receivables included in schedule above does not include whole balance of Other receivables from 31 December 2017.

The change in carrying amounts of the assets is a result of additional impairment allowance. See the discussion on impairment below.

(b) Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for credit impairments on lease receivables and loans by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all lease and loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Upon adoption of IFRS 9 the Group recognized additional impairment on the Group's Finance lease receivables and Loans and advances to customers of EUR 49 450, which resulted in a decrease in retained earnings of EUR 49 450 as at 1 January 2018. ECL impact on other financial assets was assessed as insignificant.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

| | Allowance for impairment under IAS 39 as at 31 December 2017 | Remeasure-ment | ECL under IFRS 9 as at 1 January 2018 |
|---|---|---|---|
| Finance lease receivables | 9 070 543 | 22 987 | 9 093 530 |
| Loans and advances to customers | 56 305 | 26 463 | 82 768 |
| Trade receivables | - | - | - |
| Loans to related parties | - | - | - |
| Other short term receivables from related parties | - | - | - |
| Cash and cash equivalents | - | - | - |
| **TOTAL:** | **9 126 848** | **49 450** | **9 176 298** |

## 2. Summary of significant accounting policies (continued)

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective approach with the date of initial application of 1 January 2018. The comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations. IFRS 15 adoption did not have a major impact on the Group. The effect of the transition on the
current period has not been disclosed as the standard provides an optional practical expedient. The Group elected to apply the standard only to contracts that are not completed at the date of initial application. The Group did not apply any of the other available optional practical expedients.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

| | Amounts prepared under | | |
|---|---|---|---|
| | IFRS15 | Previous IFRS | Increase/ (decrease) |
| **Consolidated Statement of Comprehensive Income** | **EUR** | **EUR** | **EUR** |
| Interest revenue calculated using the effective interest method | 54 377 616 | 54 377 616 | - |
| Interest expense calculated using the effective interest method | (12 621 246) | (12 621 246) | - |
| **Net interest income** | **41 756 370** | **41 756 370** | **-** |
| Fees and commissions income | 3 560 157 | 3 560 157 | - |
| Impairment expense | (17 597 486) | (17 597 486) | - |
| Loss arising from cession of financial lease receivables | (671 333) | (671 333) | - |
| Expenses related to peer-to-peer platform services | (740 555) | (740 555) | - |
| Revenue from car sales | 4 027 128 | 4 027 128 | - |
| Expenses from car sales | (3 923 474) | (3 923 474) | - |
| Revenue from leases | 152 573 | - | 152 573 |
| Selling expense | (2 343 954) | (2 343 954) | - |
| Administrative expense | (17 886 436) | (17 886 436) | - |
| Other operating income | 782 542 | 935 115 | (152 573) |
| Other operating expense | (1 155 995) | (1 155 995) | - |
| Other interest expense and similar expense | (266 577) | (266 577) | - |
| **Profit before tax** | **5 692 960** | **5 692 960** | **-** |
| Corporate income tax | (1 425 063) | (1 425 063) | - |
| Deferred corporate income tax | 374 849 | 374 849 | - |
| **Net profit for the period** | **4 642 746** | **4 642 746** | **-** |
| | | | |
| Other comprehensive income: | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Translation of financial information of foreign operations to presentation currency | 53 910 | 53 910 | - |
| **Other comprehensive income** | **53 910** | **53 910** | **-** |
| **Total comprehensive income for the year** | **4 696 656** | **4 696 656** | **-** |
| | | | |
| **Profit is attributable to:** | | | |
| Equity holders of the Parent Company | 4 457 776 | 4 457 776 | - |
| Non-controlling interests | 184 970 | 184 970 | - |
| **Net profit for the year** | **4 642 746** | **4 642 746** | **-** |

There no impact on the revenue recognition of the Group. There is a change in the presentation of comprehensive income statement arising from separating revenue earned under IFRS 15 from other sources of income.

**2. Summary of significant accounting policies (continued)**

***IFRS 15 Revenue from Contracts with Customers (continued)***

| | Amounts prepared under | | |
|---|---|---|---|
| | IFRS15 | Previous IFRS | Increase/ (decrease) |
| **ASSETS** | **EUR** | **EUR** | **EUR** |
| Goodwill | 1 658 773 | 1 658 773 | - |
| Internally generated intangible assets | 1 915 093 | 1 915 093 | - |
| Other intangible assets | 75 962 | 75 962 | - |
| Right-of-use assets | 2 378 996 | 2 378 996 | - |
| Rental fleet | 1 430 490 | 1 430 490 | - |
| Property, plant and equipment | 977 906 | 977 906 | - |
| Leasehold improvements | 285 141 | 285 141 | - |
| Advance payments for assets | 204 648 | 204 648 | - |
| Finance lease receivables | 88 205 664 | 88 205 664 | - |
| Loans and advances to customers | 2 183 929 | 2 183 929 | - |
| Loans to related parties | 5 257 221 | 5 257 221 | - |
| Other non-current financial assets | 983 479 | 983 479 | - |
| Deferred tax asset | 598 362 | 598 362 | - |
| Finished goods and goods for resale | 1 696 167 | 1 696 167 | - |
| Finance lease receivables | 46 379 266 | 46 379 266 | - |
| Loans and advances to customers | 3 092 551 | 3 092 551 | - |
| Loans to related parties | 133 485 | 133 485 | - |
| Other loans and receivables | 4 666 488 | 4 666 488 | - |
| Prepaid expense | 832 571 | 832 571 | - |
| Trade receivables | 804 927 | - | 804 927 |
| Other short term receivables from related parties | 42 367 | 42 367 | - |
| Other receivables | 1 343 990 | 2 148 917 | (804 927) |
| Cash and cash equivalents | 6 522 838 | 6 522 838 | - |
| Assets held for sale | 2 633 743 | 2 633 743 | - |
| **TOTAL ASSETS** | **174 304 057** | **174 304 057** | **-** |

| | Amounts prepared under | | |
|---|---|---|---|
| | IFRS15 | Previous IFRS | Increase/ (decrease) |
| **EQUITY AND LIABILITIES** | **EUR** | **EUR** | **EUR** |
| Share capital | 31 036 | 31 036 | - |
| Reserve | 86 568 | 86 568 | - |
| Foreign currency translation reserve | (438 498) | (438 498) | - |
| Retained earnings/(losses) | 15 113 700 | 15 113 700 | - |
| brought forward | 10 655 924 | 10 655 924 | - |
| for the period | 4 457 776 | 4 457 776 | - |
| Non-controlling interests | 498 440 | 498 440 | - |
| Provisions | 1 091 479 | 1 091 479 | - |
| Borrowings | 122 605 986 | 122 605 986 | - |
| Other non-current financial liabilities | 74 418 | 74 418 | - |
| Borrowings | 30 298 310 | 30 298 310 | - |
| Prepayments and other payments received from customers | 109 758 | 109 758 | - |
| Trade payable | 1 168 462 | 1 168 462 | - |
| Corporate income tax payable | 601 986 | 601 986 | - |
| Taxes payable | 649 806 | 649 806 | - |
| Other liabilities | 223 994 | 223 994 | - |
| Accrued liabilities | 1 773 301 | 1 773 301 | - |
| Other current financial liabilities | 52 600 | 52 600 | - |
| Provisions | 362 711 | 362 711 | - |
| **TOTAL EQUITY AND LIABILITIES** | **174 304 057** | **174 304 057** | **-** |

With adoption of IFRS 15 Group also changes the presentation of trade receivables recognized under IFRS 15 and discloses those separately from other receivables.

***IFRS 15: Revenue from Contracts with Customers (Clarifications)IFRS 15 Revenue from Contracts with Customers***

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

**2. Summary of significant accounting policies (continued)**

***IFRS 16: Leases***

In January 2016, the IASB published the accounting standard IFRS 16 “Leases”, which was implemented into European law on November 9, 2017. The standard replaces the existing guidance on leases, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Assessing the substance of transactions in the legal form of leases”.

IFRS 16 provides that in general, all leases and the associated contractual rights and duties must be reflected in the lessee’s balance sheet, unless the term does not exceed 12 months or it constitutes a low-value asset. This classification required under IAS 17 into operating or finance leases therefore does not apply to the lessee. As for leases, the lessee recognizes a liability for lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which in principle is equivalent to the present value of the future lease payments plus directly attributable costs and is amortized over the useful life.

*Elected transition approach*

IFRS 16 is required to be applied for the first time for financial years commencing on or after January 1, 2019. The Group has exercised the option of early adoption of the standard and has applied IFRS 16 for the first time as of January 1, 2018, using the modified retrospective approach. First-time application within The Group to date has affected leases that previously had been classified as operating leases.

The Group has elected to apply modified retrospective approach. Under this approach it applies IFRS 16 to its leases retrospectively with the cumulative effect of initially applying IFRS 16 recognized at the date of initial application (1 January 2018). Group applies its elected transition approach consistently to all leases in which it is a lessee. The financial information for the financial year 2017 were not restated.

As an accounting policy choice, the Group elects to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. As a result, Group applies the requirements of the standard to identify a lease only to contracts entered into after the date of initial application.

For leases previously classified as operating leases by applying IAS 17, the Group:

1. recognizes a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group measures that lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application;

2. recognizes a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. On a lease-by-lease basis the Group measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application; and

3. the Group applies the practical expedient permitted by IFRS 16 and relies on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Group thus adjusts the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application.

*Elected practical expedients on transition where the Group is a lessee*

Where the Group is a lessee the following practical expedients are applied on transition on a lease-by-lease basis. The Group:

1. applies a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

2. does not make any adjustments on transition for leases for which the underlying asset is of low value (has a value, when new of 5 000 EUR or less). The Group accounts for those leases applying IFRS 16 from the date of initial application.

3. excludes initial direct costs of leases previously classified as operating leases from the measurement of the right-of-use asset at the date of initial application.

4. uses hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. Consistently with IAS 8, usage of hindsight is applied only to matters of judgement and estimates and, therefore, is not applied to matters of fact such as changes to an index or rate.

IFRS 16 does not specify how a lessee would separate and allocate lease and non-lease components of a contract upon transition when the modified retrospective approach is adopted. Accordingly, the Group elects to use the practical expedient to account for each lease component and any associated non-lease components as a single lease component consistently with Group’s policy.

*Group as a lessor*

With the exception of subleases, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying IFRS 16 from the date of initial application.

*Other considerations*

As a lessee the Group is not engaged in sale and leaseback transactions as well as it is not an intermediate lessor in sublease transactions. Furthermore, as a lessee it has no leases previously classified as finance leases. Accordingly, those transition provisions does not have an impact on the Group upon transition to IFRS 16.

*Effect of IFRS 16 adoption*

The Group has two main categories of right-of-use assets - lease of office premises and lease of motor vehicles.
Majority of lease agreements for office premises are either short term agreements with the rights for the Group to extent the agreements by the initiative of the Group or lease agreements without defined expiration date with flexible termination options by initiative of the Group. Agreements do not include significant penalties for termination of agreements by the initiative of the Group.

Agreements of lease of motor vehicles are concluded for 2 to 3 years.
The average interest rate as of 1 January 2018 is approximately - 3.57%.

**2. Summary of significant accounting policies (continued)**

The off-balance sheet lease obligations as of 31 December 2017 are reconciled as follows to the recognized lease liabilities as of 1 January 2018:

| | 01.01.2018. |
|---|---|
| Off-balance lease obligation as of 31 December 2017 | 733 547 |
| Operating lease obligations as of 1 January 2018 (gross, without discounting) | 733 547 |
| **Operating lease obligations as of 1 January 2018 (net, discounted)** | **697 597** |
| Residual value guarantees | **-** |
| Non-lease-components | **-** |
| **Lease liabilities due to initial application of IFRS 16 as of 1 January 2018** | **697 597** |

The quantitative impact of the first-time application of IFRS 16 on the consolidated balance sheet as of 31 December 2017 or 1 January 2018 is shown in the following table:

| | 31.12.2017 before application of new IFRS | Adjustments IFRS 16 | 01.01.2018 after application of new IFRS |
|---|---|---|---|
| Right-of-use assets | - | 697 597 | 697 597 |
| Borrowings | 96 638 748 | 697 597 | 97 336 345 |

Additional information on introduction of IFRS16 is presented in Note 21 and Note 22.

The Group has two main categories of right-of-use assets - lease of office premises and lease of motor vehicles.

Due to early adoption of IFRS 16 impact on the Group's expenses in 2018 were the following:

- depreciation expenses increased by 1 044 497 EUR;
- interest expenses increased by 87 546 EUR;
- rent expenses decreased by 1 132 043 EUR.

***IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)***

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

***IAS 40: Transfers to Investment Property (Amendments)***

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

***IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration***

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

**2. Summary of significant accounting policies (continued)**

***d) Standards issued but not yet effective and not early adopted***

**Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

• IFRS 9: Prepayment features with negative compensation (Amendment)
The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

**IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

**IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

**IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

**Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

**IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

**2. Summary of significant accounting policies (continued)**

**IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management has assessed that there will be no effect on the Group accounting policies due to this standard. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed that there will be no effect on the Group accounting policies due to this standard.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

***e) Significant accounting policies***

***Basis of Consolidation***

The consolidated financial statements comprise the financial statements of Mogo Finance S.A. (Parent company) and entities controlled by the Parent Company (its subsidiaries) as at 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as for the Parent company, using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealized gains and losses on transactions between members of the Group are eliminated in full on consolidation. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. The Group recognizes this effect in retained earnings. If the subsidiary to which these non-controlling interests relate contain accumulated components recognized in other comprehensive income/ (loss), those are reallocated within equity of the Parent.

If the Group loses control over a subsidiary, it:
- Derecognizes the related assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the statement of comprehensive income;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

**2. Summary of significant accounting policies (continued)**

***Foreign currency translation***

The financial statements are presented in euro (EUR), which is the presentation currency of the Group. EUR is the monetary unit of Luxembourg, where the Parent Company is established. Transactions in foreign currencies are translated into the euro at the reference exchange rate fixed by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the reference exchange rate established by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are recorded in the income statement accounts.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The non-monetary items are carried at historical cost and no further retranslation is performed.

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of transactions. If subsidiary's functional currency differs from the presentation currency of the Group, income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the currency exchange rates at the date of the transactions are applied. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Currency exchange rates used for translation of foreign operations into euros:

| | 31.12.2018.<br>1 EUR | 31.12.2017.<br>1 EUR |
|---|---|---|
| GEL | 3.0701 | 3.1044 |
| PLN | 4.3014 | 4.1770 |
| RON | 4.6635 | 4.6585 |
| BGN | 1.9558 | 1.9558 |
| ALL | 123.42 | 132.95 |
| MDL | 19.5212 | 20.4099 |
| BYR | 2.4734 | 2.3553 |
| UAH | 31.7141 | 33.4954 |
| UZS | 9 413.74 | - |
| KZT | 439.37 | - |

***Business combinations***

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating expense in the statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured at fair value in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain is recognized in statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**2. Summary of significant accounting policies (continued)**

***Goodwill***

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units. Such units represent the lowest level at which the Group monitors goodwill. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

The recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require the use of estimates as disclosed in Note 20.

***Internally generated intangible assets***

Internally generated intangible assets primarily include the development costs of Group's information management systems. These costs are capitalized only if they satisfy the criteria as defined by IAS38 and described below.

Internal and external development costs on management information systems arising from the development phase are capitalized. Significant maintenance and improvement costs are added to the initial cost of assets if they specifically meet the capitalization criteria.

Internally generated intangible assets cost value is increased by Group's information technology costs - salaries and social security contribution capitalization. Asset useful life is reassessed by management at each year end and amortization periods adapted accordingly.

Internally generated intangible assets are amortized over their useful lives of 7 years. The main internally generated intangible assets are CRM systems.

According to IAS38, development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

• the project is clearly identified and the related costs are itemized and reliably monitored;
• the technical and industrial feasibility of completing the project is demonstrated;
• there is a clear intention to complete the project and to use or sell the intangible asset arising from it;
• the Group has the ability to use or sell the intangible asset arising from the project;
• the Group can demonstrate how the intangible asset will generate probable future economic benefits;
• the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are recognized as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use.

Additional information is included in Notes 3 and 20.

***Other intangible assets***

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Other intangible assets mainly consists of acquired computer software products.

Amortization is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|---|---|
| Concessions, patents, licences and similar rights | - over 1 year; |
| Other intangible assets - IT systems | - over 2 to 7 years. |

***Property, plant and equipment***

Equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|---|---|
| Computers | - over 3 years; |
| Furniture | - over 5 years; |
| Vehicles | - over 5 years; |
| Leasehold improvements | - over lease term; |
| Other equipment | - over 2 years. |

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income in the impairment expense caption.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

**2. Summary of significant accounting policies (continued)**

***Rental fleet***

Rental fleet includes assets leased by the Group (as lessor) under operating leases. Group accounts for the underlying assets in accordance with IAS 16. Depreciation policy for the underlying assets subject to operating leases is consistent with the Group's depreciation policy for similar assets (vehicles) and amounts to 7 years.

The Group adds initial direct costs incurred in obtaining the operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Group applies IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

***Financial assets (according to IAS39) (policy applicable prior to 1 January 2018)***

*Initial recognition and measurement*

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' account. The Group recognizes due to customer balances when funds reach the Group.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

*Subsequent measurement*

Subsequent measurement is performed according to effective interest rate method. The effective interest rate (EIR) 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. The amortized cost of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities.

*Derecognition of financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. Group also derecognizes the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Group has transferred the asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the asset

or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions when Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates
- Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows
- Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Renegotiated finance lease receivables and loans and advances to customers*

Where possible, the Group seeks to restructure financial lease receivables and loans and advances to customers rather than to take possession of the collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Typically, the renegotiation has been caused by the borrower's financial difficulty and results in reviewing cash flows using conditions which are favourable for the borrower. In this case the loan is not derecognized, but a new effective interest rate is determined based on the cash flows until maturity according to the terms of the contract.

Once the terms have been renegotiated, the finance lease receivables and loans and advances to customers is no longer considered past due within the scope of collective impairment assessment (Note 3).

*Treatment of non-substantial modifications (IAS 39)*

The carrying amount of the financial asset is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial asset measured at amortized cost does not result in the derecognition a modification gain/loss is not calculated. Any costs or fees incurred adjust the carrying amount of the modified financial asset. The net present value of changes to the future contractual cash flows is amortized over the remaining term of the modified asset through the revised EIR.

**2. Summary of significant accounting policies (continued)**

***Financial assets (according to IFRS 9) (policy applicable from 1 January 2018)***

*Financial instruments – initial recognition*

Date of recognition

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. Other assets are recognized on the date when Group enters into the contract giving rise to the financial instruments.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described further in the accounting policies. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Other receivables are measured at the transaction price.

*Classification of financial assets*

From 1 January 2018, the Group only measures Loans and advances to customers, Loans to related parties, Receivables from related parties, cash equivalents and Other loans and receivables at amortized cost if both of the following conditions are met:
• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

*Business model assessment*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows.

*SPPI test*

As a second step of its classification process the Group assesses the contractual terms of the financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).
The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Group has performed the SPPI assessment and assessed its financial assets to be compliant with SPPI criteria.

*Embedded derivatives*

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.
Under IAS 39, derivatives embedded in financial assets, liabilities and non-financial host contacts, were treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL (fair value through profit or loss). The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognized in the income statement.
From 1 January 2018, with the introduction of IFRS 9, the Group accounts in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments as outlined above.

*Reclassification of financial assets*

From 1 January 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.
Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2018 or 2017.

## 2. Summary of significant accounting policies (continued)

***Derecognition of financial assets and finance lease receivables***

Derecognition provisions below apply to all financial assets measured at amortized cost.

*Derecognition due to substantial modification of terms and conditions*

The Group derecognizes loan to a customer or finance lease receivable when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or lease, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased or originated credit impaired (POCI).
When assessing whether or not to derecognize a financial asset, amongst others, the Group considers the following qualitative factors:
• Change in currency of the loan
• Change in counterparty
• If the modification is such that the instrument would no longer meet the SPPI criterion
• Whether legal obligations have been extinguished.
• Furthermore, for loans and advances to customers and financial lease receivables the Group specifically considers the purpose of the modifications. It is evaluated whether modification was entered into for commercial reasons or for credit restructuring reasons. Modification is considered to occur for a commercial reasons, and therefore no derecognition is applied, if the DPD (days past due) of the counterparty immediately prior the modification is less than 5 DPDs.

*Derecognition other than for substantial modification*

A financial asset or finance lease receivable (or, where applicable, a part of a financial asset or finance lease receivable or part of a group of similar financial assets or finance lease receivables) is derecognized when the rights to receive cash flows from the financial asset or finance lease receivable have expired. The Group also derecognizes the financial asset or finance lease receivable if it has both transferred the financial asset or finance lease receivable and the transfer qualifies for derecognition.
The Group has transferred the financial asset or finance lease receivable if the Group has transferred its contractual rights to receive cash flows from the financial asset or finance lease receivable.

The Group has transferred the asset if, and only if, either:
- The Group has transferred its contractual rights to receive cash flows from the asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions when Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Modifications*

The Group sometimes makes modifications to the original terms of loans/lease as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a lease/loan restructured when such modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include default or DPDs prior to the modifications. Such modifications may involve extending the payment arrangements and the agreement of new loan conditions.

If the modification does not result in cash flows that are substantially different, as set out above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss in interest revenue/expenses calculated using the effective interest method (Note 4, 5) in the consolidated statements of comprehensive income, to the extent that an impairment loss has not already been recorded (Note 7). Further information on modified financial assets and finance lease receivables is disclosed in the following section on impairment.

As described in section on 'Derecognition due to substantial modification of terms and conditions' if modification is performed for commercial reasons, then it is considered to result in derecognition of the initial lease/loan receivable. Such modifications include increase in the lease amount and increase in lease term, which are agreed upon with customers for commercial reasons (i.e.-, customers and the Group are both interested in substantially modifying the scope of the lease/loan transaction). Whenever such an agreement to modify is reached the old agreement and respective receivable is derecognized.

*Treatment of non-substantial modifications (IFRS 9)*

If expectations of fixed rate financial assets' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.
The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial asset or liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.
Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

**2. Summary of significant accounting policies (continued)**

*Overview of the expected credit loss principles (according to IFRS 9)*

The adoption of IFRS 9 has fundamentally changed the Group's finance lease receivables and loans and advances to customers loss impairment calculation method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL and finance lease receivables, in this section all referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in below. The Group's policies for determining if there has been a significant increase in credit risk are set out in below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in section on Significant increase in credit risk (Note 3).

***Impairment of finance lease receivables and loans and advances to customers (according to IFRS 9)***

*Defining credit rating*

Group's core business assets – financial lease receivables and loans and advances to customers – are of retail nature, therefore are grouped per countries and products (finance lease receivables and loans and advances to customers) for a collective ECL calculation that is predominantly based on DPD. The Group analyzes its portfolio of finance lease receivables and loans and advances to customers by segregating receivables in categories according to each receivables days past due metrics.

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition across the portfolios within the country based on product type – lease or loan product.

The Group segregates finance lease receivables and loans and advances to customers in the following categories:

Finance lease receivables (lease):
1) Not past due
2) Days past due up to 30 days
3) Days past due 31 up to 60 days
4) Days past due over 60 days

Loans and advances to customers (loan):
1) Not past due
2) Days past due up to 30 days
3) Days past due 31 up to 75 days
4) Days past due over 75 days

Based on the above process, the Group groups its leases and loans into Stage 1, Stage 2, and Stage 3, as described below:

• Stage 1: When loans/leases are first recognized, the Group recognizes an allowance based on 12mECLs. The Group considers leases that are current or with DPD up to 30 as Stage 1 for mature countries. Mature countries are Latvia, Lithuania, Estonia and Georgia as these countries have the longest time of operations, the rest are considered immature countries. For other countries 25 DPD is used. A loan is considered Stage 1 if DPD is up to 30 days. A healing period of 1 month is applied before an exposure previously classified as Stage 2 can be transferred to Stage 1 and such an exposure must meet the general Stage 1 DPD criteria above. Exposures are classified out of Stage 1 if they no longer meet the criteria above.
• Stage 2: When a loan/lease has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The Group generally considers leases that have a status of 31-60 DPD (or 26-30 DPD for immature countries) to be Stage 2 loans. A loan is considered Stage 2 if DPD is in range of 30 to 75 days. Exposures remain in Stage 2 for a healing period of 1 month, even if they otherwise would meet Stage 1 criteria above during this period.
• Stage 3: Leases and loans considered credit-impaired and at default. The Group records an allowance for the LTECLs.
The Group considers a finance lease agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 60 DPD on its contractual payments or the lease agreement is terminated. For immature countries the definition is stricter and with a 35 DPD back stop.
The Group considers a loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 75 days past due on its contractual payments.
Exposures remain in Stage 3 for a healing period of 2 months for mature countries, even if they otherwise would meet Stage 2 criteria above during this period. For immature countries a 1 month healing period is applied to transfer the lease/ loan to Stage 2 due to the lower threshold of DPDs used initially to transfer such exposures in Stage 2.

Due to the nature of credit exposures of the Group qualitative assessment of whether a customer is in default is not performed and primary reliance is placed on the above criteria.

**2. Summary of significant accounting policies (continued)**

*The calculation of ECLs*

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
• PD The Probability of Default is an estimate of the likelihood of default over a given time horizon.
• EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise.
• LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Significant judgments used for determining PD and LGD are described in Note 3.

The mechanics of the ECL method are summarized below:
• Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
• Stage 3: For loans considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

*ECL on restructured and modified loans*

Modifications performed to customers that serve to renegotiate terms of an agreement that was previously in default result in continued Stage 3 treatment during the one month healing period for mature countries followed by 2 months of healing period in Stage 2. For immature countries due to the nature of the default definition and lack of ability to renew terminated agreements, exposure enters Stage 2 directly. In case of modification for credit reasons prior to default (generally term extension), exposure is moved to Stage 2 for a healing period of 2 months for mature countries and 1 month for others.

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. Such items will be classified as Stage 2 assets for a healing period of 2 months for mature countries and 1 month for others reflective of the increase from initial credit risk.

*Write off of unrecoverable debts*

The Group considers any kind of receivable completely unrecoverable and writes off the receivable from balance sheet entirely if all legal actions have been performed to recover the receivable and debt is considered as unrecoverable by respective court.

***Impairment of financial assets other than loans and advances and on contract assets***

Financial assets where the Group calculates ECL on an individual basis or collective basis are:

• Other receivables from customers/contract assets
• Trade receivables
• Loans to related parties
• Cash and cash equivalents
• Deposits

*Impairment of other receivables from customers/contract assets*

During the course of business, the Group may have other type of claims against its leasing customers. In such cases the ECL methodology of the related lease receivable is mirrored and the ECL mirrors the impairment of the lease receivable. For other receivables and contract assets that are not related to lease portfolio receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL recorded is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Impairment for loans to related parties*

Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on Moody's corporate statistics studies has been applied in determining the ECLs.

*Impairment of cash and cash equivalents*

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, ie., a few days.
Therefore, transition is straight from Stage 1 to Stage 3 given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default.

For related party exposures Stage 2 and lifetime ECL calculation is applied based on 30 day back stop and 90 day back stop is applied to Stage 3 determination.
For claims against its leasing customers the Group mirrors the staging applied to the underlying lease exposure.
For cash and cash equivalents no Stage 2 is applied given that any past due days would result in default.

**2. Summary of significant accounting policies (continued)**

***Financial liabilities (according to IAS39 and IFRS 9)***

Policies of accounting of financial liabilities have not significantly change with adoption of IFRS 9.

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.
amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.
This category generally applies to interest-bearing loans and borrowings.

*Modification of financial liabilities*

For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. If the modification is substantial, then a derecognition gain or loss is recorded on derecognition. If the modification does not result in cash flows that are substantially different the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

*Treatment of non-substantial modifications (IFRS 9)*

If expectations of fixed rate financial liabilities' cash flows are revised, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial liability on the consolidated statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense (Note 5).

Changes in the contractual cash flows of the asset are recognized in statement of comprehensive income and any costs or fees incurred adjust the carrying amount of the modified financial asset or liability and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

*Treatment of non-substantial modifications (IAS 39)*

The carrying amount of the financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial asset or liability measured at amortized cost does not result in the derecognition a modification gain/loss is not calculated. Any costs or fees incurred adjust the carrying amount of the modified financial asset or liability. The net present value of changes to the future contractual cash flows is amortized over the remaining term of the modified asset or liability through the revised EIR.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.
The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

*Loans and borrowings*

All loans, borrowings and funding attracted through peer-to-peer platforms are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.
After initial recognition, loans, borrowings and funding attracted through peer-to-peer platforms are subsequently measured at amortized cost using the effective interest rate method.
Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.
Gains and losses are recognized in the statement of comprehensive income as interest income/ expense when the liabilities are derecognized through the amortization process.

**2. Summary of significant accounting policies (continued)**

***Finance lease – Group as lessor (according to IAS 17 and IFRS 16)***

Accounting principles under IFRS 16 from a lessor perspective remains substantially unchanged from IAS 17. Therefore, the Group does not have any impact on accounting from early adoption of IFRS 16.

Whilst financial lease receivables that represent financial instruments and to which IAS 17 or IFRS 16 applies are within the scope of IAS 32 and IFRS 7, they are only within the scope of IFRS 9 to the extent that they are (1) subject to the derecognition provisions, (2) 'expected credit loss' requirements and (3) the relevant provisions that apply to derivatives embedded within leases.

Group is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts. Group also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Group purchases the underlying asset and the leases it back to the same customer. Vehicle serves as a collateral to secure all leases. In order to assess whether such leaseback transactions are to classify as finance leases, the Group applies the same indicators of a lease classification, as for finance leases.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

• a lease is classified as a finance lease; and
• the amounts to be recognized at the commencement of the lease term are determined.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

A lease is classified as a finance lease at the inception of the lease if it transfers substantially all the risks and rewards incidental to ownership. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

• the lease transfers ownership of the asset to the lessee by the end of the lease term;
• the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
• the lease term is for the major part of the economic life of the asset, even if title is not transferred;
• at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
• the lease assets are of a specialized nature such that only the lessee can use them without major modifications being made.

Further indicators that individually or in combination would also lead to a lease being classified as a finance lease are:

• the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
• gains or losses from the fluctuation in the fair value of the residual accrue to the lessee;
• the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent..

*Initial measurement*

At lease commencement, the Group accounts for a finance lease, as follows:

• derecognizes the carrying amount of the underlying asset;
• recognizes the net investment in the lease; and
• recognizes, in profit or loss, any selling profit or selling loss. Such profit or loss is recognized under "Revenue from leases" (Note 10).

Upon commencement of finance lease, the Group records the net investment in leases, which consists of the sum of the minimum lease term payments, and gross investment in lease less the unearned finance lease income. The difference between the gross investment and its present value is recorded as unearned finance lease income. Initial direct costs, such as client commissions and commissions paid by the Group to car dealers, are included in the initial measurement of the lease receivables.

Prepayments and other payments received from customers are recorded in statement of financial position upon receipt and settled against respective client's finance lease receivables agreement at the moment of issuing next monthly invoice according to the agreement schedule.

*Subsequent measurement*

Finance lease income consists of the amortization of unearned finance lease income. Finance lease income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment according to effective interest rate in respect of the finance lease. Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Group recognizes income from variable payments that are not included in the net investment in the lease (e.g. performance based variable payments, such as penalties or debt collection income) separately in the period in which the income is earned. Such income is recognized under "Fee and commission income" (Note 6) in accordance with IFRS 15 and IAS 18 in 2018 and 2017, respectively.

After lease commencement, the net investment in a lease is not remeasured unless the lease is modified and the modified lease is not accounted for as a separate contract or the lease term is revised when there is a change in the non-cancellable period of the lease.

Group applies derecognition and impairment requirements in IFRS 9 and IAS 39 in 2018 and 2017, respectively, to the net investment in the lease.

**2. Summary of significant accounting policies (continued)**

***Operating lease – Group as lessor (according to IAS 17 and IFRS 16)***

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

***Operating lease – Group as lessee (according to IAS 17)***

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included in administrative expenses.

***Operating lease – Group as lessee (since adoption of IFRS 16)***

***<u>Lease liability</u>***

*Initial recognition*

At the commencement date of the lease the Group measures the lease liability at the present value of the lease payments that are not paid at that date in accordance with lease term. Lease payments included in the measurement of the lease liability comprise:

• fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
• amounts expected to be payable by the Group under residual value guarantees;
• the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
• payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group has elected for all classes of underlying assets not to separate non-lease components from lease components in lease payments. Instead Group accounts for each lease component and any associated non-lease components as a single lease component. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset, together with both:
(a) Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
(b) Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

At the commencement date, the Group assesses whether it is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease.

*Subsequent measurement*

*After the commencement date, the Group measures the lease liability by:*
*• increasing the carrying amount to reflect interest on the lease liability;*
*• reducing the carrying amount to reflect the lease payments made; and*
*• remeasuring the carrying amount to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.*

***<u>Right-of-use assets</u>***

*Initial recognition*

At the commencement date of the lease, the Group recognizes right-of-use asset at cost. The cost of a right-of-use asset comprises:

• the amount of the initial measurement of the lease liability;
• any lease payments made at or before the commencement date, less any lease incentives received;
• any initial direct costs incurred by the Group; and
• an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are to produce inventories.

*Subsequent measurement*

Group measures the right-of-use asset at cost, less any accumulated depreciation and accumulated impairment losses; and adjusted for the remeasurement of the lease liability. Depreciation of the right-of-use asset is recognized on a straight-line basis in profit or loss. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

*Group involvement with the underlying asset before the commencement date*

If a Group incurs costs relating to the construction or design of an underlying asset, the lessee accounts for those costs applying other IFRS, such as IAS 16. Costs relating to the construction or design of an underlying asset do not include payments made by the lessee for the right to use the underlying asset.

Group applies IAS 36 to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

**2. Summary of significant accounting policies (continued)**

*Initial recognition exemptions applied*

As a recognition exemption the Group elects not to apply the recognition requirements of right-of-use asset and lease liability to:
(a) Short term leases – for all classes of underlying assets; and
(b) Leases of low-value assets – on a lease-by-lease basis.

For leases qualifying as short-term leases and/or leases of low-value assets, the Group does not recognize a lease liability or right-of-use asset. The Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.
(a) Short term leases
A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease. This lease exemption is applied for all classes of underlying assets.
(b) Leases of low-value assets
The Group defines a low-value asset as one that:
1)has a value, when new of 5 000 EUR or less. Group assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased.
2)the Group can benefit from use of the assets on its own, or together with, other resources that are readily available to the Group; and
3)the underlying asset is not dependent on, or highly interrelated with, other assets.

***Inventories***

Inventories are valued at the lower of cost and net realizable value.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business less estimated costs necessary to make the sale.

Inventories contain only vehicles which are purchased for the sole purpose of selling them to customers.

Value of inventories is measured on a stock item by item basis. Write-off of each individual stock item is performed on sale of respective individual stock item.

***Cash and cash equivalents***

Cash comprises cash at bank and on hand with an original maturity of less than three months.

***Assets held for sale***

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale includes vehicles which are obtained by enforcement of repossession in case clients default on existing lease agreements. Such repossessed collaterals are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell (FVLCTS). Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented separately as current items in the statement of financial position.

***Reserves***

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Lithuania companies are required to allocate to a legal reserve a minimum of 10% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Foreign currency translation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations.

***Accrual for unused holidays***

Accrual for unused holidays is calculated based on local legislation requirements in each respective jurisdiction.

**2. Summary of significant accounting policies (continued)**

***Transactions with peer-to-peer platforms***

*Background*

Certain subsidiaries, as loan originators, have signed cooperation agreements with operator of a peer-to-peer (P2P) investment internet-based platform. Cooperation agreements and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Group is to attract funding through the P2P platform.

P2P platform makes possible for individual and corporate investors to obtain a fully proportionate interest cash flows and the principal cash flows from debt instruments (finance lease receivables or loans and advances to customers) issued by the Group in exchange for an upfront payment. These rights are established through assignment agreements between investors and P2P platform, who is acting as an agent on behalf of the Group. Assignment agreements are of two types:

1) Agreements with recourse rights which require the Group to guarantee full repayment of invested funds by the investor in case of default of Group's customer (buy back guarantee);
2) Agreements without recourse rights which do not require the Group to guarantee repayment of invested funds by the investor in case of default of the customer (no buy back guarantee).

The Group retains the legal title to its debt instruments (including payment collection), but transfers a part of equitable title and interest to investors through P2P platform.

*Receivables and payables from/to P2P platform*

P2P platform is acting as an agent in transferring cash flows between the Group and investors. Receivable for attracted funding from investors through P2P platform corresponds to the due payments from P2P platform.

Receivable is arising from assignments made through P2P platform where the related investment is not yet transferred to the Group (Note 31).

P2P platform commissions and service fees incurred by the Group are fees charged by P2P platform for servicing the funding attracted through peer-to-peer platform and are disclosed in Note 9.

*Funding attracted through peer-to-peer platform*

Liabilities arising from assignments with or without recourse rights are initially recognized at cost, being the fair value of the consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in statement of financial position caption Funding attracted through peer-to-peer platform (Note 37) and are treated as loans received.

After initial recognition Funding attracted through peer-to-peer platform is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of comprehensive income as interest income/ expense when the liabilities are derecognized.

Group has to repay to the investor the proportionate share of the attracted funding for each debt instrument according to the conditions of the respective individual agreement with Group's client, which can be up to 72 months.

*Assignments with recourse rights (buy back guarantee)*

Assignments with recourse rights provide for direct recourse to the Group, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IFRS 9.

Therefore, the Group's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under Interest revenue calculated using effective interest method (Note 4).

*Assignments without recourse rights (no buy back guarantee)*

Assignments without recourse rights are arrangements that transfer to investors substantially all the risks and rewards of ownership equal to a fully proportionate share of the cash flows to be received from Group's debt instruments. Therefore such arrangements are classified as pass-through arrangements in accordance with IFRS 9.

As such, a fully proportionate share, equal to investor's claim in relation to the related debt instrument, is derecognized.

The derecognized part is accounted as an off-balance sheet item (Note 37) and interest income is recognized to the extent of being the residual interest. Residual interest is the difference between the interest earned on the respective debt instrument by the Group and the respective share of interest earned by the investor.

***Provisions***

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

***Accruals and deferrals***

Accruals and deferrals are recorded to recognize revenues and costs as they are earned or incurred.

***Contingencies***

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**2. Summary of significant accounting policies (continued)**

***Share-based payments***

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

***Income and expenses***

Expenses are recognized as incurred. Expenses are recognized net of the amount of value added tax. In certain situations value added tax incurred on a services received or calculated in accordance with legislation requirements is not recoverable in full from the taxation authority. In such cases value added tax is recognized as part of the related expense item as applicable. The same principles is applied if value added tax is not recoverable on acquisition an asset.

Revenue is recognized in accordance with the related standard's requirements and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

*The effective interest rate method (IAS 39 and IFRS 9)*

Under both IFRS 9 and IAS 39 for all financial instruments measured at amortized cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

When a financial asset becomes credit-impaired and is regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

*Income from cession of bad debt*

Gain or loss from sale of doubtful financial lease receivables and loans and advances to customers is presented on net basis under " Net loss from de-recognition of financial assets measured at amortized cost". Gains or losses arising on cession deals are recognized in the statement of comprehensive income at transaction date as the difference between the proceeds received and the carrying amount of derecognized lease receivables assigned through cession agreements.

*Expenses related to attracting funding*

Expenses related to attracting funding consists of administration fee for using peer-to-peer platform. Expenses are charged monthly and recognized in Group's statement of comprehensive income when they occur.

**2. Summary of significant accounting policies (continued)**

***Revenue and expenses from contracts with customers (according to IFRS 15)***

Revenue from contracts with customers in scope for IFRS 15 encompasses sold goods or services provided as output of the Group's ordinary activities. The Group uses the following criteria to identify contracts with customers:
– the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
– can be identified each party's rights regarding the goods or services to be transferred;
– can be identified the payment terms for the goods or services to be transferred;
– the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract);
– it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Performance obligations are promises in the contracts (either explicitly stated or implied) with Group's customers to transfer to the customers distinct goods or services. Promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if the customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract). Both of these criteria must be met to conclude that the good or service is distinct.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

In 2017 and 2018 the Group did not enter into contracts with variable considerations, rights of return, financing components, non cash considerations or consideration payable to the customer.

The Group recognizes revenue when (or as) it satisfies a performance obligation to transfer a promised good or service to a customer. Revenue is recognized when customer obtains control of the respective good or service. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from satisfied performance obligations is recognized over time, if one of the following criteria is met:
– customer simultaneously receives and consumes the benefits;
– customer controls the asset as it is created or enhanced;
– the Group's performance creates an asset and has a right to payment for performance completed.

Payment terms for goods or services transferred to customers according to contract terms are within 45 to 60 days from the provision of services or sale of goods. The transaction price is generally determined by the contractually agreed conditions. Invoices typically are issued after the goods have been sold or service provided.

In year 2018 the Group did not enter into contracts with variable considerations, rights of return, financing components, non cash considerations or consideration payable to the customer.

The Group has generally concluded that it is the principal in its revenue arrangements, except for the debt collection activities and agency services below, because it typically controls the goods or services before transferring them to the customer.

When another party is involved in providing goods or services to Group's customers, the Group considers that it is a principal, if it obtains control of any one of the following:
a) a good or another asset from the other party that it then transfers to the customer.
b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.
Management judgment on transactions where the Group acts as agent is disclosed in Note 3.

***Fee and commission income (Note 6)***

*Income from debt collection activities and earned penalties (point in time)*

Income from debt collection activities and penalties is recognized in Group's statement of comprehensive income at the moment when the likelihood of consideration being settled for such services is high, therefore income is recognized only when actual payment for provided services is actually received.

Income from penalties arise in case customers breach the contractual terms of financial lease receivables and loans and advances to customers agreements, such as exceeding the payment date. In those situations Group is entitled to charge the customers in accordance with the agreement terms. The Group recognizes income from penalties at the moment of cash receipt as likelihood and timing of settlement is uncertain. In case customers does not settle the penalty amount, the Group is entitled to enforce repossession of the collateral.

Debt collection activities revenue typically arises when customers delay the payments due. As a lessor , the Group has protective rights in the lease agreements with customers that require the customers to safeguard and maintain the condition of the vehicle, as it serves as a collateral to the lease. Group's revenue encompasses a compensation of internal and external costs incurred by the Group in relation to debt management, legal fees as well as repossession of vehicle in case of lease agreement termination and are recharged to the customers in accordance with the agreement terms. Debt collection income is recognized on net (agent) basis as it these amounts are recharged to the customers in accordance with agreement terms and Group does not control these services before they are transferred to a customer. The performance obligation is satisfied when respective service has been provided.

*Income from commissions (point in time)*

Income from commissions arises from additional services provided by the Group to its customers. Main additional source of income from commissions is from premature termination of contracts by the initiative from a customer. Income is recognized at the moment of cash receipt as likelihood and timing of settlement is uncertain. The performance obligation is satisfied when respective service has been provided.

**2. Summary of significant accounting policies (continued)**

*Income from providing registration services (point in time)*

In certain countries the Group provides vehicle registration services to its customers. The Group organizes the registration of leased vehicles in state authorities on behalf of the customer, which is a separate service provided by the Group. Typically these services are before customers enter finance lease agreements.. Income from providing these services is recognized at the moment of providing the services. In majority of countries such services are not provided by the Group as customers perform registration procedures themselves and costs are covered by the customers directly without the need for such services from the Group. The performance obligation is satisfied when respective service has been provided.

***Revenue from car sales (Note 11)***

*Sale of motor vehicles (point in time)*

The Group earns part of its revenues from the sales of used vehicles that were either bought from third parties or repossessed from its non-performing leasing customers . The Group is calculating minimum sales price based on initial cost or value after repossession plus additional cost incurred (e.g. repairs) and a margin added in order to make profit from the deal. The performance obligation is satisfied when car is registered on client’s name.

***Other operating income (Note 14)***

*Income from management services (over time)*

The Group provides management services to its related parties. Income is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing these services. The performance obligation is satisfied as the respective service is being provided.

*Revenue from agency services (point in time)*

Agency services consist of different services, such as settlement of costs on behalf of 3rd parties and recharging those costs to customers. The Group is acting as an agent in provision of these services to the customers. Such services are provided with the intention to realize the economies of scale of purchasing power for a service that is both used by the Group and the 3rd party. The performance obligation is satisfied when respective service has been provided.

### *Contract balances*

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

At 31 December 2018 the Group did not have any contract assets in its consolidate statement of financial position.

*Trade receivables*

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

These receivables are disclosed in balance sheet caption 'Trade receivables' (Note 30).

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

At 31 December 2018 the Group had minor amount of contract liabilities in its consolidate statement of financial position (Note 38).

### *Income taxes*

Income taxes include current and deferred taxes. The tax rates and tax laws used to compute the amount are those that are applicable during the taxation period in the countries where the Group and the Parent Company operates.

Current corporate income tax rate for the Parent company is applied at the statutory rate of 18%. Current corporate income tax rates for the foreign subsidiaries are:

| Country | Tax rate |
|---|---|
| Estonia | 20% |
| Latvia | 20% |
| Lithuania | 15% |
| Georgia | 15% |
| Poland | 19% |
| Romania | 16% |
| Bulgaria | 10% |
| Netherlands | 25% |

| Country | Tax rate |
|---|---|
| Moldova | 12% |
| Albania | 15% |
| Belarus | 18% |
| Ukraine | 18% |
| Uzbekistan | 14% |
| Kazakhstan | 20% |
| Belgium | 29% |

**2. Summary of significant accounting policies (continued)**

***Deferred tax assets and liabilities***

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income 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 transaction affects neither accounting nor taxable profit / loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income 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 income taxes 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.

In Latvia deferred tax assets and liabilities are not recognized for the year 2017 in accordance with local legislation. Accordingly, deferred tax assets and liabilities which were calculated and recognized in previous reporting periods have been reversed through the current statement of comprehensive income in the financial statements for the year ended 31 December 2017.

In Latvia legal entities will not be required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax will be paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions will be subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of comprehensive income as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year. Deferred tax was provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities were measured at the tax rates that were expected to apply to the period when the asset was realized or the liability was settled, based on tax rates that had been enacted or substantively enacted by the balance sheet date.

In Estonia and Georgia deferred tax assets and liabilities are not recognized for the year 2017 in accordance with local legislation. Deferred tax assets and liabilities which were calculated and recognized in previous reporting periods have been reversed through the statement of comprehensive income in the financial statements in the years prior to 2017.

***Related parties***

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who could control or who have significant influence over the Group in accepting operating business decisions, key management personnel of the Group including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

***Non-controlling interest***

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

***Dividend distribution***

Dividend distribution to the shareholders of the Group is recognized as a liability and as distribution of retained earnings in the financial statements in the period in which the dividends are approved by the shareholders.

**2. Summary of significant accounting policies (continued)**

***Subsequent events***

Post-period-end events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

**3. Significant accounting judgments, estimates and assumptions**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the financial statements relate to capitalization of development costs, depreciation and amortization, fair value measurement of repossessed collaterals, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

***Principal versus agent assessment***

In provision of debt collection (Note 6) and agency services (Note 14) the Group has assessed that it does not obtain control of these services before they are transferred to customers, as these services or goods are acquired on their behalf. Therefore, it is considered agent in these transactions. The Group has assessed that it is acting as agent when purchasing specific debt collection services in behalf of its customers. These services typically occur when customers are in breach of the contract with the Group and when collateral (vehicle) repossession takes place. If vehicle is repossessed, transported and repaired by third parties due to customer default under the lease agreement terms, the Group is entitled to recharge these costs to the customers. As the Group does not obtain control of the service nor has discretion in determining the sales price, the Group has assessed that it is acting as an agent in these transactions.

The Group is also acting as an agent in purchasing specific goods and services from 3rd parties on behalf of customers - mainly legal, recruitment and similar services, as it does not obtain control of the service, does not incur inventory risk nor has discretion in determining the sales price

***Goodwill impairment tests and other non-current financial assets***

The calculation of value in use for cash generating units among other is sensitive to the assumptions of discount rate and growth rates. These assumptions are outlined in Note 20 and Note 26.

***De facto control evaluation over investees***

The Group has entered into share purchase agreements for acquisition of entities in Bosnia and Macedonia before 31 December 2018 and paid advance payments as disclosed in Note 26. In case of both acquisition transactions the acquisition has to be approved by the local regulator. This is considered not to be just a formality. Local authority has the right to reject shareholder change approval, thus the Group might not become a shareholder of that entity. The purchase transaction will be considered completed only when approval from governing entity will be received. Given that the Group does not have any other contractual arrangements limiting current shareholder the Group practically does not consider that it at 31 December 2018 would have control over the acquired entity.

Process of acquisition of entity in Macedonia was completed in February 2019. Further information provided in Notes 21 and 49.

**3. Significant accounting judgments, estimates and assumptions (continued)**

***Impairment of financial assets (policy applicable till 31 December 2017)***

In assessing the need for collective loss allowances, Group considers factors such as probability of default (PD) and loss given default (LGD). In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience. The significant assumptions used in determining collective impairment losses for the finance lease receivables portfolio include:

Probability of default (PD)

- Group calculates probability of default ratios using historic portfolio movement matrixes for the last 12 months. The last 12 months portfolio movement matrixes are considered sufficient for PD calculation as they represent the most recent portfolio composition that represents consistency in the lease issuance pattern.
- The movement matrix for the portfolio is calculated each month where the movement between previously described portfolio groups from month to month is shown.
- From the 12 month historical movement the default probability is calculated by estimating the movement for next 6 months. As a result a probability of default rate is derived for each of the portfolio groups respectively. 6 months probability of default is the assumed average default recognition period from the triggering event till the moment when the loan defaults.

Loss given default (LGD)

- Group closely follows recoveries from delinquent finance lease receivables and revises LGD rates every month for portfolios based on actual recoveries received.
- The sample used for LGD calculation consists of all the finance lease receivables that have been terminated historically except for the receivables that have been renewed after termination. If a loan is terminated again after a renewal then it goes back into the sample.
- Estimated LGD rate is used for all portfolio groups except for unsecured group. For unsecured group the value estimate from independent third party cession offers is applied. In Estonia and Georgia LGD is calculated as the recovery in the initial 12 months since the loan became unsecured divided by initial unsecured loan balance, where the provision are being calculated by 1 minus this ratio.

For immature countries until enough data is gathered, in the initial 9 months of operations, provisions are calculated based on the highest rates for given group in the more mature countries of operations. Groups are PD, LGD and recovery rate on unsecured part of portfolio.

Other significant assumption used in the determination of collective impairment losses related to renegotiation. Once the terms have been renegotiated, the relevant agreement is no longer considered past due within the scope of collective impairment assessment. Management continually reviews renegotiated agreements to ensure that all criteria are met and that future payments are likely to occur. The relevant agreements' continue to be subject to collective impairment assessment, calculated using the financial lease receivables' original or current effective interest rate.

Allowances for impairment are made in the currency of the related asset and are subject to revaluation at period end at the rate set by the European Central Bank. Foreign exchange rate differences arising from such revaluation are recorded in the statement of comprehensive income as additional allowances or income from the recovery of existing allowances (if any).

See further information in Note 23.

***Impairment allowance for loans and advances to customers (policy applicable till 31 December 2017)***

As at 31 December 2017 all loans products had been launched relatively recently and, therefore, insufficient statistical data for these particular loan portfolios was available to perform an ECL calculation utilising the data from the portfolio. Until enough data is gathered, generally in the initial 9 months of operations, impairment allowances are calculated by applying financial lease product's PD rate from the same country and publicly available industry's average LGD rate of instalment loans.

See further information in Note 24.

***Determination of the FVLCTS of assets held for sale***

Determination of the FVLCTS for repossessed vehicles is made collectively due to the varying condition of vehicles at the moment of the repossession, which sometimes is not readily determinable.

Management estimate is based on available data from historical sales transactions for such assets in previous reporting periods. Group also considers factors such as historical actual average loss (if any) from the previous years. Management considers whether also events after the reporting year indicate a decline in the sales prices of such assets.

See further information in Note 33.

**3. Significant accounting judgments, estimates and assumptions (continued)**

***Impairment of financial assets (Policy applicable from 1 January 2018)***

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include Probability of Default and Loss Given Default, judgment is applied also when determining significant increase in credit risk.

*The Probability of Default (PD)*

The Probability of Default is an estimate of the likelihood of default over a given time horizon.
In order to estimate PDs the Group utilizes roll-rate (rates by which receivables roll over to other DPD buckets) methodology, respectively Markov chains, in order to estimate its PDs. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the loans that will eventually end up in write offs. In PD calculations the Group utilises last 12 month period statistics, since these are most representative of the both lending and default trends, while at the same time providing sufficient number of observations. Calculations are applied at country level and product level (leasing vs loans products) within a country if applicable. Exposures are grouped into buckets of days past due (DPD) loans/leases and statistical analysis is used to estimate the likelihood of loans/leases in each of the buckets will eventually enter default status.

*Forward-looking information incorporation in PDs*

In modelling impact of forward looking information inclusion in determining PD as at 1 January 2018 and 31 December 2018, the Group explored a broad range of forward looking information as economic inputs, such as:
• GDP growth;
• Unemployment rates;
• Consumer price indices;
• House price indices;
• Household debt.

Different variables were found to form statistically significant links to individual countries' PD data. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements.

The Group obtains the data used from third party sources (e.g. Latvian Central Statistical Bureau and CEIC Data and Trading economics, private data providers, Latvian and Lithuanian central banks, European Commission, World Bank, and Asian Development Bank) and internal statisticians verify the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate and alternative scenarios and their weighting as at 31 December 2018.

The tables show the values of the key forward looking economic variables/assumptions as at 31 December 2018 used in each of the economic scenarios for the ECL calculations for Latvia. Lithuania, Estonia.

| **House price index growth for 2019** | **Weighting** | **Latvia** | **Lithuania** | **Estonia** |
|---|---|---|---|---|
| Base case | 40% | 14.10% | 5.61% | 3.60% |
| Pessimistic scenario | 30% | 6.90% | -12.67% | 0.70% |
| Optimistic scenario | 30% | 21.30% | 23.89% | 7.87% |
| **Household debt levels as a % of GDP at end of 2019** | | | | |
| Base case | 40% | 23.30% | 44.50% | 47.84% |
| Pessimistic scenario | 30% | 25.80% | 40.58% | 43.01% |
| Optimistic scenario | 30% | 20.80% | 48.42% | 48.42% |

The tables show the values of the key forward looking economic variables/assumptions as at 31 December 2018 used in each of the economic scenarios for the ECL calculations for Georgia, Romania, Bulgaria, Moldova and Armenia. For these countries effect of forward-looking information was incorporated based on Hierarchical Bayes methodology.

| **GDP Growth** | Weighting | Georgia | Romania | Bulgaria | Moldova | Armenia |
|---|---|---|---|---|---|---|
| Base case | 40% | 4.60% | 3.80% | 3.60% | 3.70% | 4.50% |
| Pessimistic scenario | 30% | 3.70% | 2.20% | 2.70% | 1.70% | 3.30% |
| Optimistic scenario | 30% | 5.50% | 5.40% | 4.50% | 5.70% | 5.70% |
| **Inflation rate** | | | | | | |
| Base case | 40% | 3.00% | 3.30% | 2.00% | 4.90% | 3.50% |
| Pessimistic scenario | 30% | 4.50% | 4.80% | 3.10% | 6.30% | 5.20% |
| Optimistic scenario | 30% | 1.50% | 1.80% | 0.90% | 3.50% | 1.80% |
| **Unemployment rate** | | | | | | |
| Base case | 40% | 13.70% | 3.30% | 6.80% | 2.80% | 17.10% |
| Pessimistic scenario | 30% | 14.80% | 3.60% | 7.30% | 3.40% | 17.50% |
| Optimistic scenario | 30% | 12.60% | 3.00% | 6.30% | 2.20% | 16.70% |

Overall impact of forward looking information incorporation as at 31.12.2018. was EUR 29 thousand.

**3. Significant accounting judgments, estimates and assumptions (continued)**

*Loss Given Default*

Group closely follows recoveries from delinquent finance lease receivables and revises LGD rates every month for portfolios based on actual recoveries received.
- The sample used for LGD calculation consists of all the finance lease receivables that have been terminated historically except for the receivables that have been renewed after termination. If a finance lease agreement is terminated again after a renewal then it goes back into the part of population terminated and is not considered as cured. This reflects a change from IAS 39 application, which reflects the combination of facts that PD rates are forward looking and there are generally high number of cures from default within the Group.
- Renewed leases also affect the LGD rate by incorporating recovered cash after renewal of the agreement and comparing it to the exposure at default of the agreements subsequently renewed, implying the cure rate.
- Estimated LGD rate is used for all portfolio groups except for unsecured portion of the defaulted portfolio. For unsecured part of portfolio the value estimate from independent third party cession offers is applied.
Cure rate from renewals is calculated over a three year period for countries where such data is available. For the purposes of 31 December 2018 impairment purposes the following cure rates where observed and applied for the part of default rate portfolio subsequently renewed:
Latvia – 91%, Lithuania – 100%, Estonia – 91%, Georgia – 100%.
For the purposes of 1 January 2018 impairment purposes the following cure rates where observed and applied for the part of default rate portfolio subsequently renewed:
Latvia – 95%,
The following rates were applied for in Lithuania – 99%, Estonia – 88%, Georgia – 100%. These were based on a two year observation period and benchmarked to data for Latvia during the same period and adjusted for an extra year of recoveries expected to take place. This was done due to limited data available for these countries prior to 2016.
For operations were insufficient data about defaults and related recoveries is gathered, data is benchmarked to more mature countries average of cure rate for renewals, which was 96%. Average rates of more mature countries are used on the basis that the Group aims to apply similar work out strategies across the Group.
Renewals cure rate is applied only for lease portfolios where cures occur frequently and represent a reliable pattern within the Group's lending experience. Renewals cure rate is not applied for loans.

*Exposure at default (EAD ) modelling*

Exposure at default is modelled by adjusting the unpaid balance of lease and loan receivables as at the reporting date by expected future repayments during the next 12 months in case of Stage 1 exposures and also beyond 12 months for Stage 2 exposures. This is performed based on contractual repayment schedules, adjusted for historical prepayment rate observed. Historical prepayment patterns are assumed to be a reliable estimate for future prepayment activity.

*Impairment for loans to and receivables from related parties*

Receivables from related parties inherently are subject to the Group's credit risk. Therefore, a benchmarked PD and LGD rate - based on Moody's corporate statistics studies has been applied in determining the ECLs.

Significant increase in credit risk for related party transactions is determined based on information available in the Group about the financial performance of the related parties. Financial position of related parties as at impairment assessment date is compared to that when the exposure was originated. Further 30 days past due back stop indicator is utilized to transfer exposures to Stage 2.

***Recoverability of deferred tax asset***

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The deferred tax assets are recognized based on profitability assumptions over 3 year horizon. The future taxable profit of 2019-2020 has been approved by the Management Board, while 2021 is considered as plausible taxable profit of the Group.

At each reporting date, the Group's management analyses the recoverability of deferred tax and reduces the deferred tax asset if it is no longer probable that during the period of utilization of tax losses future taxable profits will be available against which unused tax losses can be utilized (Note 18).

***Capitalization of development costs***

For capitalization of expenses in process of developing Group's enterprise resource planning (ERP) system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel is based on employee time sheets and personnel involved in development dedicate up to 80% of their time on developing new functionality. Therefore up to 80% of salary expenses of involved personnel are capitalized under Other intangible assets while remaining 20% are recognized as salary expenses in Statement of comprehensive income.

Expenses from amortization of capitalized development costs are included in statement of comprehensive income caption "Administrative expense".
See further information in Note 20.

**3. Significant accounting judgments, estimates and assumptions (continued)**

***Separation of embedded derivatives from the host contract***

Group has certain call and put option agreements that can accelerate repayment of the issued bonds. These options arise out of bond (host contract) prospectus and individual agreements with certain bondholders and meet the definition of an embedded derivative in accordance with IFRS 9.

Call option included in the Latvian bond both prospectus gives Group the right, but not the obligation to carry out early redemption, either in full or partially, of the issued bonds with a 1% premium. Call and put options included in the agreements signed with certain bondholders give the Group and bondholder the respective right of buying back or selling the bonds at exercise price equal to the amortized cost of the respective bond notes.

There are also call and put options included in Eurobond prospectus. The Group may redeem all of the outstanding Eurobonds in full prior to the their maturity date, at the make whole amount if the call is exercised until 11 July 2020; 104.75 percent of the nominal amount if such redemption right is exercised after the first call date up to 11 July 2021; and at 102.375 percent of the nominal amount if is exercised after the second call date up to (but excluding) the maturity date. There is also a put option possibility in case of change of control event, breach of certain financial covenants, ultimate beneficial owner of the Group being included into a sanction list of the European Union and the USE, certain Mintos buy-back obligations are triggered, more than 25% of the Group's net loan portfolio is originated by companies having their registered office in certain countries outside of Europe, then each bondholder has the right to request that all, or only some, of its Eurobonds are repurchased at a price of 101.00 percent of the nominal amount plus accrued unpaid interests.

Group's management has evaluated that the embedded derivatives are not contractually separable, not contractually transferrable independently and has the same counterparty. Each option's exercise price is approximately equal on each exercise date to the amortized cost of bond, therefore these embedded derivatives are not separated from the host contract.
See further information in Note 37.

***Fair value of embedded derivative in mezzanine borrowing facility***

As described further in Note 44 (3), the Group entered into a mezzanine borrowing facility on 5 May 2015. The lending party was granted a warrant over the shares of the Parent company whereby the lender may acquire 2.5% shares of the Group by 21 June 2021 under equity settlement option. In case of the exercise of the warrant and acquisition of the shares, the lender has further put options requiring that the warrant be settled in cash either by the Parent company or its shareholders. The Group identified this embedded derivative, but has not recorded a separate liability for this embedded derivative. This treatment is based on the judgments that at the time of entering the transaction the Group was operating with losses and the fair value of the equity feature was not significant. Further the cash settlement of the derivative was expected and still is expected to be performed by shareholders of the Group rather than Group itself.

***Fair value of employee share options***

Group's employees have entered a share option agreements with Parent Company or Parent Company's shareholders and Subsidiaries. Under the agreements respective employees obtain rights to acquire Parent company's or certain subsidiaries' shares under several graded vesting scenarios. The respective option would be classified as an equity-settled share-based payment transaction in Group's financial statements in accordance with IFRS 2. There are cash settlement alternatives. Given absence of an ongoing sale of any of Subsidiaries or the Parent or any listing process initiated, then cash settlement is considered not to be probable.

Group's management has estimated that fair value of the options would not be materially different than zero. If it were, the Group would have to record expenses related to this transaction and recognize a respective component of equity.

In estimating fair value for the share option the most appropriate valuation model would depend on the terms and conditions of the grant.

Management has considered that the financial position of the Subsidiaries that have issued share options (in particular for General Employee Share Option Plan described in Note 47), the particular features mentioned in the option agreements, such as buy-back options, non-competition clauses embedded in the agreements, restrictions of sales of shares, as well as dividend policy of the Parent Company (for both of the plans described in Note 47) effectively indicate that fair value of the employee options would not be material.

***Fair value measurement of contingent consideration***

As disclosed in Note 42 the Group acquired an additional 2% interest in the shares of Mogo OU (Estonia), increasing its ownership interest to 100%. In accordance with the share purchase agreement an additional cash payments to the previous non-controlling interest holder will be made on the basis of Mogo OU net profit for 2017 – 2020.

The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore it has assessed it to be a financial liability. Consequently, the Group is required to remeasure that liability at fair value at each reporting date with changes in fair value recognized in profit or loss in accordance with IAS 39 and IFRS9.

The fair value is based on management approved budgets of Mogo OU and determined using probability-weighted cash flow under DCF method, based on the expected probable outcome. The fair value of the contingent consideration determined at 31 December 2017 reflects management best estimate.

However, the calculation of the fair value among other is sensitive to the assumptions of discount rate which is estimated as 12% and the precision of budgets approved by the Group management (see Note 42).

***Deferred Tax Liability on unremitted earnings***

In Latvia, Estonia and Georgia legal entities are required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Corporate income tax would be paid on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of comprehensive income as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.
The Group has decided to use these beneficial tax regimes to reinvest profits in further development of respective subsidiaries, therefore it does not plan to distribute dividends from subsidiaries in these countries in the next 5 years. The Group controls the process of dividend distribution and does not plan to distribute dividends from subsidiaries of these countries for year 2018 and before.

Due to above mentioned reason, the Group has not recognized deferred tax liabilities.
See further information in Note 35.

**3. Significant accounting judgments, estimates and assumptions (continued)**

***Lease term determination under IFRS 16 (Group as a lessee)***

IFRS 16 requires that in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract in accordance with IFRS 15 and determine the period for which the contract is enforceable. In assessment of lease term determination the Group considers the enforceable rights and obligations of both parties. If both the lessee and the lessor can terminate the contract without more than an insignificant penalty at any time at or after the end of the non-cancellable term, then there are no enforceable rights and obligations beyond the non-cancellable term. These considerations are also applied for lease agreements without a fixed term and agreements that are "rolled over" on monthly basis until either party gives notice. As a result, such agreements are considered as short term leases in accordance with IFRS 16 definition and the Group does not recognize a lease liability or right-of-use asset for these leases. Group considers that after the non-cancellable term lapses the Group does not have enforceable rights and obligations under such agreements.

In considering the Group's options to extend or not to terminate the lease the Group is firstly evaluates what the rights of the Group and the lessor under such options. The Group considers whether options included in the lease agreements (1) give an unilateral right for one party (i.e. Group) and (2) creates an obligation to comply for the other party (i.e. lessor). If neither party in the contract has an obligation then Group assessment is that no options are to be considered in the context of lease term assessment. In such situations the lease term would not exceed the non-cancellable contractual term. In determining the lease term the Group has assessed the penalties under the lease agreements as well as economic incentives to prolong the lease agreements such as the underlying asset being strategic. The judgment of the Group management has been that the impact of such factors is not significant due to the contractual features and the Group's business model, which is not reliant on strategic assets. See Note 22.

***Lease liability incremental borrowing rate determination under IFRS 16 (Group as a lessee)***

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has used market rates in each of the countries as its incremental borrowing rate. The Group considers market rates used as an appropriate measure for incremental borrowing rates as they correctly reflect the ability the respective subsidiary to finance a specific asset purchase in each of the jurisdictions given the Group's wide geographical coverage, its track record in ability to raise public debt and the overall financial results of the Group and each subsidiary individually.

It is further considered that the way how local lenders would approach asset financing at each subsidiary level. The two most important factors assessed would be the potential borrower's (in this case Group's subsidiary's) financial position and the asset that is being financed (i.e. the quality of the security). As per Group's assessment each of the Group's subsidiaries would qualify as a good quality borrower in the local markets in the context of overall Group results.

***Lease classification for rental fleet (Group as a lessor)***

The Group has entered into vehicle leases on its rental fleet (Note 21). These lease agreements have a non-cancellable term of 6 months and an optional term of up to 72 months. After the non-cancellable term of 6 months the lessee can return the leased asset to the Group and losses associated with the cancellation are borne by the Group. The leased asset is not transferred to lessee at the end of lease term. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the leased assets and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased asset, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

***Inventories net realizable value and allowances***

Management evaluates the net realizable value of inventories (Note 27) based upon the expected sales prices and selling costs per various product groups and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories, an allowance is recorded. At the end of each reporting year the inventories are reviewed for any indications of damages or slow-moving inventories. In cases when damaged or slow-moving inventories are identified allowances are recognized. During the reporting year stock–counts of the inventories are performed with the purpose to identify damaged inventories. Allowances for an impairment loss are recognized for those inventories.

The net realizable value of the car is represented by the latest expected sales price, which is reviewed on a regular basis (at least once a month) and depend on demand for this product and the number of days it has been for sale. In case of damaged inventories, expected sales price is updated and represent the net realizable value in "as-is" state.

***Segment reporting***

Reportable segments are operating segments or their aggregation which meet certain criteria. No less frequently than once a year, the Group assess and identify all potential business segments and determine whether these segments should be accounted for separately. The Group reports the segment if it contributes 10% or more of the entity's total sales (combining internal and inter-segment sales), earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss), or has 10% or more of the combined assets of all operating segments.

In 2018 the Group adjusted reportable operating segments in line with business units to provide more relevant decision-making information for the management. For more details see Note 48.

**4. Interest revenue calculated using the effective interest method**

| | 2018 | 2017 |
|---|---|---|
| | | (restated)* |
| | EUR | EUR |
| Interest income from finance lease receivables** | 52 801 619 | 35 419 952 |
| Interest income from loans and advances to customers | 1 501 335 | 82 400 |
| Other interest income | 74 662 | 56 336 |
| **TOTAL:** | **54 377 616** | **35 558 688** |

* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

** Interest income contains earned interest on portfolio derecognized from Group's assets due to no buy back obligation (see Note 23).

| Gross and net earned interest are as follows: | 2018 | 2017 |
|---|---|---|
| | EUR | EUR |
| Gross interest income | 54 477 300 | 35 847 802 |
| Interest derecognized due to derecognition of portfolio from Group's assets | (99 684) | (289 114) |
| **TOTAL NET INTEREST:** | **54 377 616** | **35 558 688** |

Interest income from impaired Stage 3 finance lease receivables/loans amounts to EUR 177 643.

**5. Interest expense calculated using the effective interest method**

| | 2018 | 2017 |
|---|---|---|
| | | (restated)* |
| | EUR | EUR |
| *Interest expenses on financial liabilities measured at amortized cost:* | | |
| Interest expenses for loans from P2P platform investors | 7 883 909 | 3 294 482 |
| Interest expense on issued bonds** | 3 338 493 | 2 038 396 |
| Interest expenses for bank liabilities and related parties | 1 311 298 | 3 193 687 |
| Interest expenses for lease liabilities | 87 546 | - |
| **TOTAL:** | **12 621 246** | **8 526 565** |

During financial year The Group attracted new funding by issuing Eurobonds. Therefore interest expense has increased significantly.

The Group also continued to attract more funding through peer-to-peer platforms which, consequently increased the interest expenses.

See Note 37 for additional information.

* - Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

** - During 2018 Mogo Finance S.A. bonds were issued at 50 million EUR, followed by a 25 million EUR tap issue on the same facility (Note 37). Original cash flows under 50 million issue were modified upon 25 million EUR tap issue. Modification is not substantial and did not result in derecognition of the original 50 million EUR facility. As a result of the modification, the Group recognized a modification gain in the amount of EUR 1 552 734. Modification gain was a result of a combination of several factors and mainly driven by the relatively high issuance costs incurred during both issues.

**6. Fee and commission income**

| | 2018 | 2017 |
|---|---|---|
| | | (restated)* |
| ***Revenue from contracts with customers recognized point in time:*** | EUR | EUR |
| Income from penalties received | 2 247 968 | 1 658 306 |
| Income from commissions | 527 108 | 314 873 |
| Income from providing registration services | 171 368 | 42 378 |
| **TOTAL:** | **2 946 444** | **2 015 557** |

| ***Revenue from contracts with customers recognized point in time where the Group acted as an agent:*** | 2018<br>EUR | 2017<br>EUR |
|---|---|---|
| Gross income from debt collection activities | 2 644 914 | 1 850 351 |
| Gross expenses from debt collection activities | (2 031 201) | (942 435) |
| **TOTAL:** | **613 713** | **907 916** |
| **Total fees and commissions income:** | **3 560 157** | **2 923 473** |

* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

### 7. Impairment expense

| | | 2018 | 2017 |
|---|---|---|---|
| | | EUR | EUR |
| Change in impairment (Notes 23 and 24) | | 17 379 020 | 6 873 717 |
| Written off debts | | 218 466 | 17 774 |
| | **TOTAL:** | **17 597 486** | **6 891 491** |

The increase in impairment expenses was primarily driven by the growth in the loan portfolio and an increase in the non-performing loans ratio mainly from subsidiaries which were established in recent years.

### 8. Net gain/(loss) from de-recognition of financial assets measured at amortized cost

| | | 2018 | 2017 |
|---|---|---|---|
| ***Financial lease*** | | EUR | EUR |
| Net (gain)/loss arising from cession of receivables to non related parties | | 552 159 | 239 638 |
| ***Loans and advances to customers*** | | | |
| Net (gain)/loss arising from cession of receivables to non related parties | | 119 174 | - |
| | **TOTAL:** | **671 333** | **239 638** |

During 2017 and 2018 the Group performed cessions of finance lease receivables to non related parties.

In 2018 the Group started to perform also cessions for loans and advances to customers receivables to non related parties.

When financial lease receivables or loans and advances to customers portfolio is sold in cession the Group reverses the respective part of impairment allowance of the ceded assets (Note 23 and 24).

The Group then separately recognizes net losses arising from derecognition of the ceded portfolio, which is reduced by the respective cession income.

### 9. Expenses related to peer-to-peer platform services

| | | 2018 | 2017 (restated)* |
|---|---|---|---|
| | | EUR | EUR |
| Service fee for using P2P platform | | 740 555 | 869 315 |
| | **TOTAL:** | **740 555** | **869 315** |

* Information regarding the reclassifications made in the financial statements is disclosed in Note 2.

### 10. Revenue from leases

| | | 2018 | 2017 |
|---|---|---|---|
| | | EUR | EUR |
| Profit earned from selling inventories through finance lease | | 109 819 | - |
| Revenue from operating lease | | 42 754 | - |
| | **TOTAL:** | **152 573** | **-** |

### 11. Revenue from car sales

| | | 2018 | 2017 |
|---|---|---|---|
| ***Revenue from contracts with customers recognized point in time:*** | | EUR | EUR |
| Income from sale of vehicles | | 4 027 128 | - |
| | **TOTAL:** | **4 027 128** | **-** |

| | | 2018 | 2017 |
|---|---|---|---|
| ***Expenses from contracts with customers recognized point in time:*** | | EUR | EUR |
| Expenses from sale of vehicles | | (3 923 474) | - |
| | **TOTAL:** | **(3 923 474)** | **-** |
| ***Total Net revenue from contracts with customers recognized point in time*** | | **103 654** | **-** |

In 2018 the Group rapidly expanded its economic activities in business of retail of motor vehicles. This resulted in significant increase in income from this revenue source.

**12. Selling expense**

| | 2018 EUR | 2017 EUR |
|---|---|---|
| Online marketing expenses | 781 799 | 435 945 |
| TV advertising | 654 613 | 444 659 |
| Radio advertising | 161 498 | 114 031 |
| Other marketing expenses | 425 830 | 282 933 |
| *Total marketing expenses* | *2 023 740* | *1 277 568* |
| Other selling expenses | 320 214 | 158 438 |
| **TOTAL:** | **2 343 954** | **1 436 006** |

Marketing expenses have increased due to Group's strategy to enter new geographical markets, which require considerable marketing expenses to promote the products of The Group.

**13. Administrative expense**

| | 2018 EUR | 2017 EUR |
|---|---|---|
| Employees' salaries | 10 262 273 | 5 027 064 |
| Amortization and depreciation | 1 844 282 | 590 804 |
| Professional services | 1 473 274 | 690 454 |
| Office and branches' maintenance expenses | 882 554 | 1 094 191 |
| IT services | 601 384 | 325 536 |
| Credit database expenses | 481 467 | 370 383 |
| Employee recruitment expenses | 357 097 | 68 450 |
| Communication expenses | 277 299 | 134 145 |
| Real estate tax | 260 825 | 170 255 |
| Car registration expenses | 228 118 | 52 294 |
| Business trip expenses | 204 112 | 71 024 |
| Donations | 182 000 | 160 392 |
| Bank commissions | 174 287 | 164 705 |
| Low value equipment expenses | 95 504 | 37 647 |
| Other personnel expenses | 86 930 | 41 784 |
| Transportation expenses | 56 832 | 76 941 |
| Insurance expenses | 11 780 | 25 300 |
| Other administration expenses | 406 418 | 177 503 |
| **TOTAL:** | **17 886 436** | **9 278 872** |

Audit fees for Group's entities' 2018 financial statements audit amounts to 431 650 EUR, the Parent Company - 162 150 EUR (2017: EUR 189 500; the Parent Company – 29 000 EUR).

During reporting year the Group expanded its operations in new geographical markets and also restructured the management team by increasing the amount of employees on management level. This resulted in increased expenses for salaries.

Amortization and depreciation expenses have considerably increased due to early adoption of IFRS16 as this line in 2018 also includes depreciation of right-of-use assets (Note 22).

Increase in all other administrative expenses has incurred due to the Group's business expansion to new geographical markets.

***Key management personnel compensation***

| **Members of the Board** | 2018 EUR | 2017 EUR |
|---|---|---|
| Remuneration* | 474 634 | 194 253 |
| Social security contribution expenses | 114 340 | 45 627 |
| **TOTAL:** | **588 974** | **239 880** |

* - Including vacation accruals.

There are no outstanding balances as of 31 December 2018 with members of the Group's Management Board members (none at 31 December 2017). There are no emoluments granted to the members of the Board and commitments in respect of retirement pensions for former members of the Board.

**14. Other operating income**

| | | 2018<br>EUR | 2017<br>EUR |
|---|---|---|---|
| Income from management services | | 361 544 | - |
| Income from refunded nature resource tax* | | 186 250 | - |
| Other operating income | | 234 748 | 193 164 |
| | **TOTAL:** | **782 542** | **193 164** |

* - The Group acquires vehicles in Netherlands and exports them to other countries. When the Group exports the vehicles out of territory of Netherlands it has the right to apply for a refund of environment tax.

| ***Revenue from contracts with customers recognized point in time where the Group acted as an agent ***** | | 2018<br>EUR | 2017<br>EUR |
|---|---|---|---|
| Gross revenue from agency services | | 131 627 | - |
| Gross expenses from agency services | | (131 627) | |
| | **TOTAL:** | **-** | **-** |

** - Revenue associated with these transactions is presented as revenue in net amount in these consolidated financial statements.

**15. Other operating expense**

| | | 2018<br>EUR | 2017<br>EUR |
|---|---|---|---|
| Provision expenses for possible VAT liabilities (Note 36) | | 517 023 | 161 211 |
| Non-deductible VAT from management services | | 258 362 | - |
| Provision expenses for possible corporate income tax liabilities (Note 36) | | - | - |
| Provision expenses for possible withholding tax liabilities (Note 36) | | 123 906 | 172 084 |
| Other operating expenses | | 256 704 | 260 011 |
| | **TOTAL:** | **1 155 995** | **593 306** |

**16. Net foreign exchange result**

| | | 2018<br>EUR | 2017<br>EUR |
|---|---|---|---|
| Currency exchange gain | | (70 317) | (27 391) |
| Currency exchange loss | | 336 894 | 905 889 |
| | **TOTAL:** | **266 577** | **878 498** |

**17. Corporate income tax**

| | | 2018<br>EUR | 2017<br>EUR |
|---|---|---|---|
| Current corporate income tax charge for the reporting year | | 1 425 063 | 1 105 465 |
| Adjustments in respect of current income tax of previous year | | - | (149 429) |
| Deferred corporate income tax due to changes in temporary differences | | (374 849) | (52 653) |
| Reversal of deferred tax | | - | 67 031 |
| | **Corporate income tax charged to the income statement:** | **1 050 214** | **970 414** |

Unrecognized deferred tax liability for undistributed dividends as described in Note 3 comprises 1 682 386 EUR.

| | | 31.12.2018.<br>EUR | 31.12.2017.<br>EUR |
|---|---|---|---|
| Corporate income tax liabilities | | 601 986 | 696 200 |
| | **TOTAL:** | **601 986** | **696 200** |

### 18. Deferred corporate income tax

| Deferred corporate income tax: | Balance sheet | | Income statement | |
|---|---|---|---|---|
| | 31.12.2018. | 31.12.2017. | 2018 | 2017 |
| **Deferred corporate income tax liability** | EUR | EUR | EUR | EUR |
| Accelerated depreciation for tax purposes | (638) | (611) | (27) | 22 907 |
| Other | (3 018) | 147 093 | (150 111) | 142 080 |
| **Gross deferred tax liability** | **(3 656)** | **146 482** | **(150 138)** | **164 987** |
| | | | | |
| **Deferred corporate income tax asset** | | | | |
| Tax loss carried forward | (487 235) | (164 064) | (323 171) | (30 799) |
| Unused vacation accruals | (17 386) | (14 475) | (2 911) | (7 937) |
| Impairment | (77 213) | (205 297) | 128 084 | (203 628) |
| Currency fluctuation effect | - | - | 5 202 | 2 488 |
| Other | (12 872) | 19 043 | (31 915) | 22 236 |
| **Gross deferred tax asset** | **(594 706)** | **(364 793)** | **(224 711)** | **(217 640)** |
| **Net deferred tax liability/ (asset)** | **(598 362)** | **(218 311)** | **(374 849)** | **(52 653)** |
| Reversal of deferred tax**: | | | | |
| In the statement of comprehensive income | - | - | - | 67 031 |
| Net deferred corporate income tax assets | (598 362) | (218 311) | | |
| Net deferred corporate income tax expense/ (benefit) | | | (374 849) | 14 378 |

** In 2017, deferred tax assets have been reversed in the statement of comprehensive income, pursuant to amendments made to the tax legislation of the Republic of Latvia, which entered into force on 1 January 2018.

Net deferred tax asset  is recognized as the Group's management believes that the above liabilities will be offset against the respective tax assets during the next years when the deferred tax liabilities realize. The Group believes that tax asset arising from tax losses will be utilized in nearest few years with future profits as well as asset arising due to temporary impairment cost recognition when low performing portfolio will be sold to third parties.

Deferred tax assets have not been recognized in respect to tax losses arisen in Poland as they may not be used to offset taxable profits. Poland subsidiary has been loss-making and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Deferred tax asset not recognized due to above reason in amount of 450 016 EUR.

There were no income tax consequences attached to the payment of dividends by the Group to its shareholders in 2017. The income tax consequence attached to the payment of dividends in 2018 amounts to EUR 1 682 386 EUR.

Tax losses for which no deferred tax assets are recognized by the Group carried forward may be utilized as follows:

| | Tax loss | Expiry term |
|---|---|---|
| | EUR | |
| Tax loss for 2016 | 610 020 | 2021-2022 |
| Tax loss for 2017 | 1 297 493 | 2022-2023 |
| Tax loss for 2018 | 460 995 | 2023-2024 |
| **TOTAL:** | **2 368 508** | |

| Actual corporate income tax charge for the reporting year, if compared with theoretical calculations: | 2018 | 2017 |
|---|---|---|
| | EUR | EUR |
| Profit before tax | **5 692 960** | **9 961 634** |
| Tax at the applicable tax rate* | **1 480 739** | **2 697 610** |
| Income tax effect from profit taxable with 0% rate | (2 351 518) | (1 584 037) |
| Adjustments in respect of current income tax of previous year | - | (149 429) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 1 817 710 | (144 338) |
| Non-temporary differences: | | |
| Business not related expenses (donations, penalties and similar expenses) | 67 797 | 52 182 |
| Other | 35 486 | 31 395 |
| **Actual corporate income tax for the reporting year:** | **1 050 214** | **903 383** |
| | | |
| Reversal of deferred tax | - | **67 031** |
| **Corporate income tax charged to the statement of comprehensive income:** | **1 050 214** | **970 414** |
| | | |
| Effective income tax rate | 18.45% | 9.07% |

* - Tax rate for the Parent company for year 2018 - 26,01% (2017 - 27,08%).

## 19. Business combinations and acquisition of non-controlling interest

***Acquisition of Mogo UCO (Armenia)***

On 1 September 2018, the Group acquired 100% of the shares of Mogo UCO, a non-listed company based in Armenia and specialising in financial services, in exchange for the cash consideration. The Group acquired Mogo UCO because it enlarges the range of geographies in its core business of providing financing services.

The Group measures the interests in the acquiree at fair value. Business combination accounting is incomplete and the below amounts are provisional.

| **Assets** | **Fair value recognized on acquisition** |
|---|---|
| Intangible assets | 8 085 |
| Property, plant and equipment | 86 289 |
| Leasehold improvements | 1 485 |
| Advance payments for assets | 128 |
| Finance lease receivables - long term | 2 527 883 |
| Finance lease receivables - short term | 4 985 486 |
| Non-current assets held for sale | 28 942 |
| Prepaid expense | 6 551 |
| Other receivables | 9 132 |
| Cash and cash equivalents | 72 487 |
| **Total assets** | **7 726 468** |
| | |
| **Liabilities** | |
| Borrowings - long term | 6 677 174 |
| Borrowings - short term | 61 389 |
| Trade payables | 113 769 |
| Corporate income tax payable | 15 014 |
| Accrued liabilities | 41 650 |
| **Total liabilities** | **6 908 996** |
| | |
| Total identifiable net assets at fair value | **817 472** |
| Purchase consideration transferred | **999 500** |
| Goodwill arising on acquisition | **182 028** |

The goodwill of EUR 182 028 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized.

Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38.

**19. Business combinations and acquisition of non-controlling interest (continued)**

The fair value of the finance lease receivables amounts to EUR 7.5 million. The gross amount of finance lease receivables is EUR 7.5 million and it is expected that the full contractual amounts can be collected.

The liabilities mainly comprises from long term borrowings from bank.

From the date of acquisition, Mogo UCO contributed EUR 1 449 483 of interest income and EUR 223 895 to net profit of the Group.

If the combination had taken place at the beginning of the year, revenue would have been EUR 1 821 842 higher and net profit for the Group would have been EUR 141 649 higher.

| | 2018 |
|---|---|
| ***Analysis of cash flows on acquisition:*** | EUR |
| Purchase consideration | (999 500) |
| Net cash acquired with the subsidiary | 72 487 |
| **Net cash flow on acquisition** | (927 013) |

***Acquisition of Longo Belgium BVBA (Belgium)***

On 14 November 2018, the Group acquired 100% of the shares of Longo Belgium BVBA, a non-listed company based in Belgium and was performing limited activities at that time, in exchange for the cash consideration. The Group acquired Longo Belgium because it enlarges the range of geographies in its activities of used car acquisition.

The Group measures the interests in the acquiree at fair value. Business combination accounting is incomplete and the below amounts are provisional.

| **Assets** | **Fair value recognized on acquisition** |
|---|---|
| Other receivables | 486 |
| Cash and cash equivalents | 29 353 |
| **Total assets** | **29 839** |
| **Liabilities** | |
| **Total liabilities** | **-** |
| Total identifiable net assets at fair value | **29 839** |
| Purchase consideration transferred | **29 520** |
| Goodwill arising on acquisition | **(319)** |

From the date of acquisition, Longo Belgium BVBA has not contributed any income and generated EUR 4 238 net loss for the Group.

If the combination had taken place at the beginning of the year, there would be no income and net loss for the Group would have been EUR 4 786.

| | 2018 |
|---|---|
| ***Analysis of cash flows on acquisition:*** | EUR |
| Purchase consideration | (29 520) |
| Net cash acquired with the subsidiary | 29 353 |
| **Net cash flow on acquisition** | (167) |

In February 2019 the Group completed the acquisition process of entity registered in Macedonia. The Group has not completed assessment of the fair value of subsidiaries financial assets therefore it is not presenting assessment information in these consolidated financial statements.
Additional information presented in Note 21.

## 20. Intangible assets

| | Goodwill | Internally generated intangible asets | Other intangible assets | TOTAL |
|---|---|---|---|---|
| Cost | 1 476 745 | 1 460 610 | 214 510 | **3 151 865** |
| Accumulated amortization | - | (411 204) | (175 807) | **(587 011)** |
| **As at 1 January 2017** | **1 476 745** | **1 049 406** | **38 703** | **2 564 854** |
| **2017** | | | | |
| Additions | - | 453 719 | 52 417 | **506 136** |
| Disposals (cost) | - | - | (127 211) | **(127 211)** |
| Exchange difference, net | - | (1 696) | (1 272) | **(2 968)** |
| Amortization charge | - | (316 034) | (29 369) | **(345 403)** |
| Disposals (amortization) | - | - | 126 240 | **126 240** |
| Exchange difference, net | - | 918 | 396 | **1 314** |
| Cost | 1 476 745 | 1 912 633 | 138 444 | **3 527 822** |
| Accumulated amortization | - | (726 320) | (78 540) | **(804 860)** |
| **As at 31 December 2017** | **1 476 745** | **1 186 313** | **59 904** | **2 722 962** |
| **2018** | | | | |
| Additions | - | 1 132 458 | 133 297 | **1 265 755** |
| Acquisition of a subsidiary | 182 028 | - | 9 256 | **191 284** |
| Disposals (cost) | - | (75 541) | (93 518) | **(169 059)** |
| Exchange difference, net | - | 528 | 93 | **621** |
| Amortization charge | - | (397 998) | (38 925) | **(436 923)** |
| Acquisition of a subsidiary | - | - | (1 429) | **(1 429)** |
| Disposals (amortization) | - | 69 375 | 7 250 | **76 625** |
| Exchange difference, net | - | (42) | 34 | **(8)** |
| Cost | 1 658 773 | 2 970 078 | 187 572 | **4 816 423** |
| Accumulated amortization | - | (1 054 985) | (111 610) | **(1 166 595)** |
| **As at 31 December 2018** | **1 658 773** | **1 915 093** | **75 962** | **3 649 828** |

Split of goodwill per cash generating unit:

| **Name** | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| AS mogo (Latvia) | 298 738 | 298 738 |
| UAB mogo (Lithuania) | 646 063 | 646 063 |
| Mogo UCO (Armenia) | 182 028 | - |
| OU mogo (Estonia) | 451 894 | 451 894 |
| Mogo LLC (Georgia) | 80 050 | 80 050 |
| | **1 658 773** | **1 476 745** |

Each cash generating unit represents a subsidiary of the Group.

***Goodwill impairment test***

As at 31 December 2018, goodwill was tested for impairment.

The goodwill impairment test was performed for each cash generating unit separately.

The recoverable amounts for each unit was calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. No impairment losses were recognized because the recoverable amounts of these units including the goodwill allocated were determined to be higher than their carrying amounts. The calculations of value-in-use were based on free cash flow to equity approach to each unit respectively, discounted by estimated cost of equity. The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates. Projected operating cash-flow figures were based on detailed financial models.

2018 actual figures were used as a starting point in these models, and took into account management's expectations of the future performance of each unit.

Four years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined to be 1%. The rate was estimated by management based on historical trends observed in existing markets, and expected Group and industry developments.

Discount rates reflect the current market assessment of the risk specific to each unit.

Discount rates are: Lithuania and Latvia 14%, Estonia - 12%, Georgia - 16%, Armenia - 23%.

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of this analysis indicate that for all units, the recoverable amount would not be below the carrying amount including goodwill (i.e. goodwill would not become impaired), if terminal growth rates decreased by 0.5% and discount rates increased by 10%.

* Other intangible assets mainly consist of Group's developed ERP systems. Carrying amount of ERP systems at reporting year end was EUR 1 872 470. Expected amortization period is 7 years with year 2025 end date.

Amortization costs are included in Note - "Administrative expense".

**21. Property, plant and equipment and Right-of-use assets**

| | Right-of-use premises | Right-of-use motor vehicles | Total Right-of-use assets | Rental fleet | Other property, plant and equipment | TOTAL |
|---|---|---|---|---|---|---|
| Cost | - | - | - | - | 983 383 | **983 383** |
| Accumulated depreciation | - | - | - | - | (495 764) | **(495 764)** |
| **As at 1 January 2017** | **-** | **-** | **-** | **-** | **487 619** | **487 619** |
| **2017** | | | | | | |
| Additions | - | - | - | - | 216 530 | **216 530** |
| Disposals (cost) | - | - | - | - | (44 112) | **(44 112)** |
| Exchange difference, net | - | - | - | - | (27 843) | **(27 843)** |
| Depreciation charge | - | - | - | - | (239 918) | **(239 918)** |
| Disposals (depreciation) | - | - | - | - | 19 888 | **19 888** |
| Exchange difference, net | - | - | - | - | 17 517 | **17 517** |
| Cost | - | - | - | - | 1 127 958 | **1 127 958** |
| Accumulated depreciation | - | - | - | - | (698 277) | **(698 277)** |
| **As at 31 December 2017** | **-** | **-** | **-** | **-** | **429 681** | **429 681** |
| Change in reporting standards (Note 2) | 610 241 | 87 356 | 697 597 | - | - | **697 597** |
| **As at 1 January 2018** | **610 241** | **87 356** | **697 597** | **-** | **429 681** | **1 127 278** |
| **2018** | | | | | | |
| Additions | 3 306 854 | 117 962 | 3 424 816 | 1 437 196 | 1 452 547 | **6 314 559** |
| Acquisition of a subsidiary | - | - | - | - | 100 748 | **100 748** |
| Disposals (cost) | (9 193) | (6 000) | (15 193) | - | (348 674) | **(363 867)** |
| Exchange difference, net | (4 606) | 341 | (4 265) | - | 3 998 | **(267)** |
| Depreciation charge | (999 789) | (44 708) | (1 044 497) | (6 771) | (356 091) | **(1 407 359)** |
| Acquisition of a subsidiary | - | - | - | - | (15 648) | **(15 648)** |
| Disposals (depreciation) | 9 193 | 6 000 | 15 193 | 65 | 202 384 | **217 642** |
| Exchange difference, net | 3 068 | (127) | 2 941 | - | (1 249) | **1 692** |
| Cost | 3 293 055 | 112 303 | 3 405 358 | 1 437 196 | 2 336 577 | **7 179 131** |
| Accumulated depreciation | (987 528) | (38 835) | (1 026 363) | (6 706) | (868 881) | **(1 901 950)** |
| **As at 31 December 2018** | **2 305 527** | **73 468** | **2 378 995** | **1 430 490** | **1 467 696** | **5 277 181** |

**22. Right-of-use assets and lease liabilities**

The Group early adopted IFRS 16 with an initial application date of 1 January 2018 and the Group applied the modified retrospective transition method as disclosed in Note 2.

Right-of-use assets and lease liabilities are shown as follows in the statement of financial position and statement of comprehensive income:

| **ASSETS** | | 31.12.2018.<br>**EUR** | 01.01.2018.<br>**EUR** |
|---|---|---|---|
| **Non-current assets** | | | |
| Right-of-use assets - premises | | 2 305 527 | 610 241 |
| Right-of-use assets - motor vehicles | | 73 468 | 87 356 |
| | **TOTAL:** | **2 378 995** | **697 597** |
| **EQUITY AND LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | | 1 322 950 | 259 369 |
| **Current liabilities** | | | |
| Lease liabilities | | 1 121 482 | 438 228 |
| | **TOTAL:** | **2 444 432** | **697 597** |

The amount of right-of-use assets have considerably increased in 2018 due to the Group's further expansion in new countries as well as development of car sale business in existing countries as well as opening of new branches.

**22. Right-of-use assets and lease liabilities (continued)**

| **Leases in the statement of comprehensive income** | **2018 EUR** |
|---|---|
| *Administrative expense* | |
| Expense relating to leases of low-value assets and short-term leases | (282 983) |
| Depreciation of Right-of-use assets | (1 044 497) |
| | |
| *Net finance costs* | |
| Interest expense on lease liabilities | (87 546) |
| **Total cash outflow from leases** | **(1 415 026)** |

In 2018 the Group incurred expenses for lease agreements which did not qualify for recognition of Right-of-use assets in total amount of EUR 161 778.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to EUR nil for the year ended December 31, 2018. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

**23. Finance Lease Receivables**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | TOTAL | TOTAL |
| ***Finance lease receivables*** | EUR | EUR | EUR | EUR | EUR |
| Not past due | 101 328 027 | 4 848 483 | 679 579 | 106 856 089 | 77 112 723 |
| Days past due up to 35 days | 19 583 840 | 6 607 388 | 42 321 | 26 233 549 | 19 164 789 |
| Days past due up to 60 days | - | 1 723 740 | 1 738 858 | 3 462 598 | 2 533 539 |
| Days past due over 60 days | - | - | 22 036 385 | 22 036 385 | 8 050 192 |
| **TOTAL, GROSS:** | **120 911 867** | **13 179 611** | **24 497 143** | **158 588 621** | **106 861 243** |

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance lease receivables are, as follows:

| | Minimum lease payments | | Minimum lease payments | |
|---|---|---|---|---|
| | EUR | % | EUR | % |
| ***Finance lease receivables*** | 31.12.2018. | 31.12.2018. | 01.01.2018. | 01.01.2018. |
| Stage 1 | 120 911 867 | 76% | 88 242 285 | 83% |
| Stage 2 | 13 179 611 | 8% | 9 597 647 | 9% |
| Stage 3 | 24 497 143 | 15% | 9 021 311 | 8% |
| **TOTAL, GROSS:** | **158 588 621** | **100%** | **106 861 243** | **100%** |

| | Minimum lease payments | Change during the period | | Minimum lease payments |
|---|---|---|---|---|
| | EUR | EUR | % | EUR |
| ***Finance lease receivables*** | 31.12.2018. | | | 01.01.2018. |
| Stage 1 | 120 911 867 | 32 669 582 | 37% | 88 242 285 |
| Stage 2 | 13 179 611 | 3 581 964 | 37% | 9 597 647 |
| Stage 3 | 24 497 143 | 15 475 832 | 172% | 9 021 311 |
| **TOTAL, GROSS:** | **158 588 621** | **51 727 378** | **48%** | **106 861 243** |

| | Impairment allowance | | Impairment allowance | |
|---|---|---|---|---|
| | EUR | % | EUR | % |
| ***Impairment allowance on finance lease receivables*** | 31.12.2018. | 31.12.2018. | 01.01.2018. | 01.01.2018. |
| Stage 1 | 3 868 218 | 19% | 2 275 155 | 25% |
| Stage 2 | 1 216 457 | 6% | 753 304 | 8% |
| Stage 3 | 15 375 254 | 75% | 6 065 071 | 67% |
| **TOTAL, ALLOWANCE:** | **20 459 929** | **100%** | **9 093 530** | **100%** |

**23. Finance Lease Receivables (continued)**

| | Impairment allowance | Change during the period | | Impairment allowance |
|---|---|---|---|---|
| | EUR | EUR | % | EUR |
| ***Impairment allowance on finance lease receivables*** | 31.12.2018. | | | 01.01.2018. |
| Stage 1 | 3 868 218 | 1 593 063 | 70% | 2 275 155 |
| Stage 2 | 1 216 457 | 463 153 | 61% | 753 304 |
| Stage 3 | 15 375 254 | 9 310 183 | 154% | 6 065 071 |
| **TOTAL, ALLOWANCE:** | **20 459 929** | **11 366 399** | **125%** | **9 093 530** |

| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| ***Finance lease receivables*** | 31.12.2018. | 31.12.2018. | 31.12.2017. | 31.12.2017. |
| Up to one year | 111 839 117 | 53 549 798 | 64 582 138 | 31 420 239 |
| Years 2 through 5 combined | 180 677 095 | 83 844 400 | 127 454 389 | 68 528 311 |
| More than 5 years | 11 943 824 | 8 820 478 | 7 665 652 | 5 720 627 |
| **TOTAL, GROSS:** | **304 460 036** | **146 214 676** | **199 702 179** | **105 669 177** |

| | 31.12.2018. | 31.12.2017. |
|---|---|---|
| ***Unearned finance income*** | EUR | EUR |
| Up to one year | 58 289 319 | 33 161 899 |
| Years 2 through 5 combined | 96 832 695 | 58 926 078 |
| More than 5 years | 3 123 346 | 1 945 025 |
| **TOTAL, GROSS:** | **158 245 360** | **94 033 002** |

| | **Non-Current** | **Current** | **Non-Current** | **Current** |
|---|---|---|---|---|
| | 31.12.2018. | 31.12.2018. | 31.12.2017. | 31.12.2017. |
| ***Finance lease receivables, net*** | EUR | EUR | EUR | EUR |
| Finance lease receivables | 95 313 913 | 58 124 440 | 71 373 214 | 32 098 040 |
| Accrued interest and handling fee | - | 5 150 268 | - | 3 389 989 |
| Fees paid and received upon lease disbursement | (2 201 339) | (1 342 424) | (1 293 240) | (581 598) |
| Impairment allowance* | (4 906 910) | (15 553 019) | (6 256 751) | (2 813 792) |
| | **88 205 664** | **46 379 265** | **63 823 223** | **32 092 639** |

* - With introduction of IFRS 9 and new ECL calculation approach the Group has revised the methodology of calculating the non-current portion of the impairment allowance. This has lead to changes in proportions of current to non-current amounts accordingly.

*Transactions with peer-to-peer platforms*

From year 2016 Group started placing lease agreement receivables on peer-to-peer lending platform. Agreements were offered with buy back guarantee, which means that all risks of such agreements remain with the Group and in case of client default the Group has the liability to repay the whole remaining principal and accrued interest to P2P investor. By using the same platform Group also offered loans without buy back guarantee, which means that all risks related to client default were transferred to P2P investor. Portions of agreements purchased by investors therefore are considered as financial assets eligible for derecognition from Group statement of financial position.

Total gross portfolio and associated liabilities for the portfolio derecognized from Group financial assets were:

| | 31.12.2018. | 31.12.2017. |
|---|---|---|
| ***Non-current*** | EUR | EUR |
| Finance lease receivable | 180 458 | 788 165 |
| Associated liabilities | (180 458) | (788 165) |
| **NET POSITION:** | **-** | **-** |
| ***Current*** | EUR | EUR |
| Finance lease receivable | 119 798 | 391 890 |
| Associated liabilities | (119 798) | (391 890) |
| **NET POSITION:** | **-** | **-** |
| Total gross portfolio derecognized from Group's financial assets | 300 256 | 1 180 055 |
| Total associated liabilities | (300 256) | (1 180 055) |
| **TOTAL NET POSITION:** | **-** | **-** |

As at end of reporting year 0.2% of all gross portfolio was purchased by P2P investors without buyback guarantee (1.1% in 2017).
See more information in Note 2b.

Information about liabilities for attracted funding through P2P platform where derecognition of portfolio was not applicable are disclosed in Note 37.

## 24. Loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | TOTAL | TOTAL |
| ***Loans and advances to customers*** | EUR | EUR | EUR | EUR | EUR |
| Not past due | 4 769 447 | 27 654 | - | 4 797 101 | 1 164 432 |
| Days past due up to 30 days | 575 728 | 19 689 | - | 595 417 | 127 381 |
| Days past due up to 60 days | - | 125 293 | - | 125 293 | 21 391 |
| Days past due over 60 days | - | 27 290 | 50 287 | 77 577 | 2 477 |
| **TOTAL, GROSS:** | **5 345 175** | **199 926** | **50 287** | **5 595 387** | **1 315 681** |

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers are, as follows:

| | EUR | % | EUR | % |
|---|---|---|---|---|
| ***Loans and advances to customers*** | 31.12.2018. | 31.12.2018. | 31.12.2017. | 31.12.2017. |
| Stage 1 | 5 345 175 | 96% | 1 290 608 | 98% |
| Stage 2 | 199 926 | 4% | 22 596 | 2% |
| Stage 3 | 50 287 | 1% | 2 477 | 0% |
| **TOTAL, GROSS:** | **5 595 387** | **100%** | **1 315 681** | **100%** |

| | | Change during the period | | |
|---|---|---|---|---|
| | EUR | EUR | % | EUR |
| ***Loans and advances to customers*** | 31.12.2018. | | | 31.12.2017. |
| Stage 1 | 5 345 175 | 4 054 567 | 314% | 1 290 608 |
| Stage 2 | 199 926 | 177 330 | 785% | 22 596 |
| Stage 3 | 50 287 | 47 810 | 1930% | 2 477 |
| **TOTAL, GROSS:** | **5 595 387** | **4 279 706** | **325%** | **1 315 681** |

| | EUR | % | EUR | % |
|---|---|---|---|---|
| ***Impairment allowance on loans and advances to customers*** | 31.12.2018. | 31.12.2018. | 31.12.2017. | 31.12.2017. |
| Stage 1 | 201 989 | 70% | 74 116 | 90% |
| Stage 2 | 49 676 | 17% | 7 290 | 9% |
| Stage 3 | 34 996 | 12% | 1 362 | 2% |
| **TOTAL, ALLOWANCE:** | **286 661** | **100%** | **82 768** | **100%** |

| | | Change during the period | | |
|---|---|---|---|---|
| | EUR | EUR | % | EUR |
| ***Impairment allowance on loans and advances to customers*** | 31.12.2018. | | | 31.12.2017. |
| Stage 1 | 201 989 | 127 873 | 173% | 74 116 |
| Stage 2 | 49 676 | 42 386 | 581% | 7 290 |
| Stage 3 | 34 996 | 33 634 | 2469% | 1 362 |
| **TOTAL, ALLOWANCE:** | **286 661** | **203 893** | **246%** | **82 768** |

| | **Non-Current** | **Current** | **Non-Current** | **Current** |
|---|---|---|---|---|
| | 31.12.2018. | 31.12.2018. | 31.12.2017. | 31.12.2017. |
| ***Loans and advances to customers, net*** | EUR | EUR | EUR | EUR |
| Loans and advances to customers | 2 354 695 | 3 077 776 | 742 400 | 533 436 |
| Accrued interest | - | 162 916 | - | 39 845 |
| Fees paid and received upon loan disbursement | (13 978) | (18 268) | (10 887) | (7 824) |
| Impairment allowance | (156 788) | (129 873) | (32 763) | (23 542) |
| | **2 183 929** | **3 092 551** | **698 750** | **541 915** |

**25. Loans to related parties**

| ***Non current*** *Loans to related parties* | *Interest rate per annum (%)* | *Maturity* | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|---|---|
| Loans to related parties | 10,5-12,5% | April-September 2023 | 5 257 221 | 596 250 |
| | **TOTAL:** | | **5 257 221** | **596 250** |

During 2018 the Group further increased the loan to SIA DCE Invest to a total amount of 2 543 544 EUR. Maturity date of this loan is 27.04.2023 with an interest rate of 10.5%. The Group issued an additional loan to SIA DCE Invest on 8 June 2019 for an amount of 1 425 000 EUR with a maturity date 27.04.2023 and interest rate of 12.5%.
On 2 January 2018 the Group issued a loan to AS Novo Holdings in amount of 304 597 EUR, maturity date 27.04.2023 and interest rate of 10.5%.
On 6 April 2018 the Group issued a loan to Mogo SH.P.K. in amount of 30 000 EUR, maturity date 15.03.2023 and interest rate of 12%.
On 31 July 2018 the Group issued a loan to Mogo DOOEL Skopje in amount of 710 000 EUR, maturity date 19.07.2023 and interest rate of 12.5%.
On 28 September 2018 the Group issued a loan to Mogo D.o.o. Sarajevo in amount of 244 000 EUR, maturity date 03.09.2023 and interest rate of 12%.

| ***Current*** *Loans to related parties* | | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|---|
| Loans to related parties* | | - | 15 500 |
| Accrued interest | | 133 485 | 13 047 |
| | **TOTAL:** | **133 485** | **28 547** |

* - The Group received full repayment of issued loan prematurely.

An analysis of Loans to related parties staging and the corresponding ECL allowances at the year end are as follows:

| **31.12.2018.** | Stage 1 | Stage 2 | Stage 3 | **Total** |
|---|---|---|---|---|
| Loans to related parties | 5 257 221 | - | - | 5 257 221 |
| Accrued interest | 133 485 | | | 133 485 |
| **Total** | **5 390 706** | **-** | **-** | **5 390 706** |
| Total ECL calculated | **-** | **-** | **-** | **-** |

| **31.12.2017.** | Stage 1 | Stage 2 | Stage 3 | **Total** |
|---|---|---|---|---|
| Loans to related parties | 611 750 | - | - | 611 750 |
| Accrued interest | 13 047 | | | 13 047 |
| **Total** | **624 797** | **-** | **-** | **624 797** |
| Total ECL calculated | **-** | **-** | **-** | **-** |

ECL was assessed for these receivables and concluded insignificant therefore it is not recognized.

## 26. Other non-current financial assets

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Purchase price paid for acquisition of shares in acquired companies | 983 479 | - |
| **TOTAL:** | **983 479** | **-** |

During reporting year the Group has signed several share acquisition agreements in companies registered in Macedonia and Bosnia and Hercegovina. As at reporting date of these consolidated financial statements, the Group had paid purchase price of these entities while formal process of registering change of shareholders were not yet finished. The Group is still in the extensive process of obtaining an approval from local regulator in Bosnia and Hercegovina. Control over the entity is still not obtained.

At the moment of signing these consolidated financial statements, process of registering change of shareholders of company based in Macedonia was already completed on 1st March. More information presented in Note 49.

| Purchase price paid for acquisition of shares in acquired companies: | 31.12.2018. |
|---|---|
| Company in Macedonia | 220 000 |
| Company in Bosnia and Hercegovina | 763 479 |
| **TOTAL:** | **983 479** |

***Impairment test of other non-current financial assets***

As at 31 December 2018, other non-current financial assets were tested for impairment.

The goodwill impairment test was performed for each cash generating unit separately.

The recoverable amounts for each unit was calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing activities of the units. No impairment losses were recognized because the recoverable amounts of these units were determined to be higher than their carrying amounts. The calculations of value-in-use were based on free cash flow to equity approach to each unit respectively, discounted by estimated cost of equity. The value-in-use calculations are most sensitive to projected operating cash-flow, terminal growth rates used to extrapolate cash flows beyond the budget period, and discount rates. Projected operating cash-flow figures were based on detailed financial models.

2018 actual figures were used as a starting point in these models, and took into account management's expectations of the future performance of each unit.

Four years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity was determined to be 1%. The rate was estimated by management based on historical trends observed in existing markets, and expected Group and industry developments.

Discount rates reflect the current market assessment of the risk specific to each unit.

Discount rates are: Macedonia 22%, Bosnia ad Hercegovina - 29%.

Sensitivity analysis was performed to assess changes to key assumptions that could influence whether the carrying value of the units exceeded their recoverable amounts. The results of this analysis indicate that for all units, the recoverable amount would not be below the carrying amount, if terminal growth rates decreased by 0.5% and discount rates increased by 10%.

## 27. Finished goods and goods for resale

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Acquired vehicles for purpose of selling them to customers | 1 696 167 | 843 487 |
| **TOTAL:** | **1 696 167** | **843 487** |

During the financial year of 2018, the Group actively started to build the stock of vehicles for the sole purpose of selling them in local market, therefore amount of stock balance has significantly increased compared to previous year.

This non-financial asset is not impaired as of 31.12.2018. (31.12.2017.: 0 EUR).

## 28. Other loans and receivables

| | *Interest rate per annum (%)* | *Maturity* | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|---|---|
| Deposit in bank in Armenia | 10.15% | November 2019 | 4 515 488 | - |
| Loans to non-related parties | 24% | November 2019 | 150 000 | - |
| Accrued interest | | | 1 000 | - |
| | | **TOTAL:** | **4 666 488** | **-** |

An analysis of Loans to non-related parties staging and the corresponding ECL allowances at the year end are as follows:

| **31.12.2018.** | Stage 1 | Stage 2 | Stage 3 | **Total** |
|---|---|---|---|---|
| Deposit in bank in Armenia | 4 515 488 | - | - | 4 515 488 |
| Loans to non-related parties | 150 000 | | | 150 000 |
| Accrued interest | 1 000 | | | 1 000 |
| **Total** | **4 666 488** | **-** | **-** | **4 666 488** |
| Total ECL calculated | **-** | **-** | **-** | **-** |

ECL was assessed for these receivables and concluded insignificant therefore it is not recognized (31.12.2017.: EUR 0)

**29. Prepaid expense**

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Prepaid Mintos service fee | 234 416 | 377 464 |
| Advances paid for services | 178 809 | 122 949 |
| Other prepaid expenses | 419 346 | 180 357 |
| **TOTAL:** | **832 571** | **680 770** |

**30. Trade receivables**

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Receivables for provided management services | 581 848 | - |
| Receivables for ceased financial assets | 173 474 | - |
| Receivables for sold motor vehicles | 49 605 | - |
| **TOTAL:** | **804 927** | **-** |

An analysis of trade receivables staging and the corresponding ECL allowances at the year end are as follows:

| **31.12.2018.** | Current | 21-90 DPD | >90 DPD | **Total** |
|---|---|---|---|---|
| Receivables for provided management services | 581 848 | | | 581 848 |
| Receivables for ceased financial assets | 173 474 | | | 173 474 |
| Receivables for sold motor vehicles | 49 605 | | | 49 605 |
| **Total** | **804 927** | **-** | **-** | **804 927** |
| Total ECL calculated | **-** | **-** | **-** | **-** |

No ECLs are recognized for these receivables (31.12.2017.: EUR 0)

The Group does not have contract assets and contract liabilities at 31.12.2018 (EUR 0 at 31.12.2017).

**31. Other receivables**

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| *Arising from contracts with customers* | | |
| Receivables for commissions | - | 206 473 |
| | | |
| *Other receivables* | | |
| Overpaid VAT from subsidiary in Latvia | 482 287 | 399 510 |
| Impairment allowance for overpaid VAT | (482 287) | (399 510) |
| Net overpaid VAT* | - | - |
| | | |
| Overpaid VAT in other subsidiaries | 358 402 | 63 950 |
| Receivable for attracted funding through P2P platform (Note 37). | 262 256 | 1 558 306 |
| Advances to employees | 146 133 | - |
| Receivables for refundable nature resource tax | 104 829 | - |
| Security deposit for office lease (more information in Note 22). | 96 601 | - |
| Receivables for payments received from customers through online payment systems | 46 623 | - |
| Other debtors | 329 146 | 470 646 |
| **TOTAL:** | **1 343 990** | **2 299 375** |

All receivables are expected to be paid within the following year, except VAT overpayment where uncertainty of date of settlement is unclear due to ongoing litigation process in Latvia.
This resulted in full settlement of payable VAT and recognition of VAT overpayment. Considering the uncertainty disclosed in Note 36, the Group has decided to recognize the impairment provision in full amount for VAT receivable in the statement of financial position and additional provisions in amount of VAT payable settled by VAT return adjustment and related penalties (see Note 36).

### 32. Cash and cash equivalents

| | 31.12.2018. | 31.12.2017. |
|---|---|---|
| Cash at bank | 6 400 304 | 5 172 538 |
| Cash on hand* | 122 534 | 61 526 |
| **TOTAL:** | **6 522 838** | **5 234 064** |

The Group provides the possibility to its customers to pay their monthly receivables in cash, therefore it holds cash on hand at period end.

An analysis of cash and cash equivalent staging and the corresponding ECL allowances at the year end are as follows:

| **31.12.2018.** | Stage 1 | Stage 2 | Stage 3 | **Total** |
|---|---|---|---|---|
| Cash at bank | 6 400 304 | - | - | 6 400 304 |
| Cash on hand | 122 534 | - | - | 122 534 |
| **Total** | **6 522 838** | **-** | **-** | **6 522 838** |
| Total ECL calculated | **-** | **-** | **-** | **-** |

The Group has not created an ECL allowances for cash and cash equivalents on the basis that placements with banks are of short term nature and the lifetime of these assets under IFRS 9 is so short that the low probability of default would result in immaterial ECL amounts (2017: EUR 0).

### 33. Assets held for sale

| ***Other non-current assets held for sale*** | 31.12.2018.<br>EUR | 31.12.2017.<br>EUR |
|---|---|---|
| Repossessed collateral | 2 633 743 | 2 166 022 |
| | **2 633 743** | **2 166 022** |

| *Changes in other assets held for sale* | 31.12.2017. | Net changes during the year | 31.12.2018. |
|---|---|---|---|
| Repossessed collateral | 2 166 022 | 467 721 | 2 633 743 |
| **TOTAL:** | **2 166 022** | **467 721** | **2 633 743** |

Repossessed collaterals are vehicles taken over by the Group in case of default by the Group's clients on the related lease agreements. After the default of the client, the Group has the right to repossess the vehicle and sell it to third party. The Group does not have the right to repossess, sell or pledge the vehicle in the absence of default by Group's clients. The Group usually sells the repossessed vehicles within 90 days after repossession.

### 34. Share capital and share premium

***a) Share capital***

The subscribed share capital of the Group amounts to EUR 31 036 and is divided into 3 103 600 shares fully paid up.
The movements on the Share capital caption during the year are as follows:

| | **Share capital EUR** | **Number of class A Shares** | **Number of class B Shares** | **Total number of Shares** |
|---|---|---|---|---|
| **Opening balance as at 1 January 2017** | **31 036** | **3 103 600** | **-** | **3 103 600** |
| Subscriptions | - | - | - | - |
| Redemptions | - | - | - | - |
| **Closing balance as at 31 December 2017** | **31 036** | **3 103 600** | **-** | **3 103 600** |
| | | | | |
| **Opening balance as at 1 January 2018** | **31 036** | **3 103 600** | **-** | **3 103 600** |
| Subscriptions | - | - | - | - |
| Redemptions | - | - | - | - |
| **Closing balance as at 31 December 2018** | **31 036** | **3 103 600** | **-** | **3 103 600** |

***b) Share premium***

The movements on the Share premium caption during the year are as follows:

| | **Share premium EUR** | **Similar premiums EUR** |
|---|---|---|
| **Opening balance as at 1 January 2017** | **9 968 964** | **-** |
| Movements for the year | (9 968 964) | - |
| **Closing balance as at 31 December 2017** | **-** | **-** |
| | | |
| **Opening balance as at 1 January 2018** | **-** | **-** |
| Movements for the year | - | - |
| **Closing balance as at 31 December 2018** | **-** | **-** |

During the Extraordinary General Meetings held on 10.01.2017. and 12.10.2017, it was decided that share premium will be paid out. Share premium was fully repaid during year 2017.

### 35. Distributions made and proposed

| | 2018 EUR | 2017 EUR |
|---|---|---|
| Cash dividends on ordinary shares declared and paid | 68 200 | 40 762 |
| Proposed, but not paid dividends on ordinary shares | 21 800 | - |
| **Total proposed dividends:** | **90 000** | **40 762** |

### 36. Provisions

| ***Non-current*** | 31.12.2018. | 31.12.2017. |
|---|---|---|
| Provision for taxes and duties in Latvia* | 279 138 | 199 279 |
| Provision for WHT liabilities in Lithuania** | - | 238 805 |
| Provision for VAT liabilities in Romania*** | 362 451 | 69 185 |
| Provision for CIT liabilities in Lithuania**** | 280 000 | - |
| Provision for VAT liabilities in Latvia | 169 890 | 157 890 |
| **TOTAL:** | **1 091 479** | **665 159** |

| ***Current*** | 31.12.2018. | 31.12.2017. |
|---|---|---|
| Provision for WHT liabilities in Lithuania** | 362 711 | - |
| **TOTAL:** | **362 711** | **-** |

* Provision for taxes and duties in Latvia are calculated based on rates applied by tax body of Republic of Latvia and discounted with rate of 1.15% for estimated litigation process period of 5 years.
Change in provision for VAT liabilities is recognized proportionally in those expense accounts, where the related VAT input is claimed
(see also Note 2 b).
** Provisions for withholding tax in Lithuania recognized due to uncertainty related to withholding tax application to interest payments for funding attracted through peer-to-peer platforms. The Group recognizes provision while it is also in process of obtaining a confirmation from local tax authorities that respective tax regulation is not applicable for such transactions and in case of positive response provisions would be reversed.
*** Provisions for VAT liabilities in Romania are recognized due uncertainty related to VAT application to services provided by the Group. The Group recognizes provision while it is also in process of obtaining a confirmation from local tax authorities that respective tax regulation is not applicable for such transactions and in case of positive response provisions would be reversed.
**** Provisions for CIT in Lithuania is recognized due to uncertainty related to application of CIT for an intra-group agreement concluded.

In 2018 the Group increased the provisions for transactions mentioned above taking place in the current year.
Change in provisions for possible VAT liabilities and WHT liabilities is recognized in Other operating expense (Note 15).
See Notes 15, 31 and for more information.

| *Changes in provisions* | 01.01.2018. | Increase in provisions | Unwinding of discount | 31.12.2018. |
|---|---|---|---|---|
| Provision for possible taxes and duties in Latvia | 199 279 | 54 310 | 25 549 | 279 138 |
| Provision for possible WHT liabilities in Lithuania | 238 805 | (238 805) | - | - |
| Provision for possible VAT liabilities in Romania | 69 185 | 293 266 | - | 362 451 |
| Provision for CIT liabilities in Lithuania | - | 280 000 | - | 280 000 |
| Provision for possible VAT liabilities in Latvia | 157 890 | (8 242) | 20 242 | 169 890 |
| | **665 159** | **380 529** | **45 791** | **1 091 479** |

### 37. Borrowings

| ***Non-current*** | Interest rate per | | EUR | EUR |
|---|---|---|---|---|
| *Subordinated loans* | *annum (%)* | *Maturity* | 31.12.2018. | 31.12.2017. |
| Loan from related parties (Note 43) | 10% | 10.07.2022 | 2 500 000 | - |
| | | **TOTAL:** | **2 500 000** | **-** |

Subordinated loans comprise a loan received by the Parent company from its shareholders. The subordinated loan was acquired as one of the conditions to obtain financing from Eurobonds described further below. The loans are denominated in EUR with an interest rate of 10% and maturing on July 2022.

| | | | | |
|---|---|---|---|---|
| *Loans from related parties* | | | | |
| Loan from related parties (Note 43) | 10% | May 2023 | - | 5 803 640 |
| | | **TOTAL:** | **-** | **5 803 640** |
| *Bonds* | | | | |
| Mogo Finance S.A. bonds nominal value[1] | 9.5% | July 2022 | 68 034 250 | - |
| Mogo AS 20m bonds nominal value[2] | 10% | 31.03.2021 | 9 616 218 | 20 000 000 |
| Mogo AS 10m bonds nominal value[3] | 10% | 31.03.2021 | 2 588 782 | 6 900 000 |
| Bond additional interest accrual | 10% | 31.03.2021 | 182 493 | 124 270 |
| Bonds acquisition costs | | | (2 765 347) | (460 967) |
| | | **TOTAL:** | **77 656 396** | **26 563 303** |
| *Other borrowings* | | | | |
| Long term loan from banks[4] | 7.8%-12% | Nov 2020 - March 2021 | 8 224 781 | - |
| Lease liabilities for rent of premises[5] | 2%-12% | up to 10 years | 1 288 265 | - |
| Lease liabilities for rent of vehicles[5] | 2%-12% | up to 3 years | 34 685 | - |
| Financing received from P2P investors[6] | 8% - 14% | 29.12.2024. | 33 486 997 | 39 015 649 |
| Loan acquisition costs | | | (585 138) | (591 207) |
| | | **TOTAL:** | **42 449 590** | **38 424 442** |
| | | **TOTAL NON CURRENT BORROWINGS:** | **122 605 986** | **70 791 385** |

***Current***

| *Other borrowings* | *Interest rate per annum (%)* | *Maturity* | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|---|---|
| Financing received from P2P investors[6] | 8% - 14% | 29.12.2024. | 15 442 105 | 13 023 906 |
| Mogo AS 20m bonds nominal value[2] | 10% | 31.03.2021 | 8 863 782 | - |
| Mogo AS 10m bonds nominal value[3] | 10% | 31.03.2021 | 2 386 218 | - |
| Accrued interest for bonds | | | 3 186 292 | - |
| Lease liabilities for rent of premises[5] | 2%-12% | up to 10 years | 1 081 209 | - |
| Accrued interest for financing received from P2P investors | | | 274 961 | 330 159 |
| Lease liabilities for rent of vehicles[5] | 2%-12% | up to 3 years | 40 273 | - |
| Long term loan from non-related parties[7] | 12,5% | 30.04.2018 | - | 12 000 000 |
| Accrued interest for loans from non related parties | | | 58 708 | 493 298 |
| Accrued interest for loan from bank | | | 70 901 | - |
| Bonds acquisition costs | | | (1 106 139) | - |
| | | **TOTAL:** | **30 298 310** | **25 847 363** |

**37. Borrowings (continued)**

*Mogo Finance S.A. bonds*

1) On 11 July 2018, Mogo Finance successfully issued a 4-year corporate bond (XS1831877755), listed on the Open Market of the Frankfurt Stock Exchange for EUR 50 million at par with an annual interest rate of 9.5%, followed on 16 November 2018 by a EUR 25 million tap at par. After the tap issue, the total amount outstanding of Mogo Finance's 9.50% corporate bonds 2018/2022 (XS1831877755) amounts to EUR 75 million. On 30 November 2018, the corporate bond 2018/2022 (XS1831877755) was uplisted to the regulated market (General Standard) of the Frankfurt Stock Exchange. The bond will mature in July 2022. See Note 44 for further information about pledges and other additional information.

*Mogo AS bonds*

2) On 17 March 2014 subsidiary in Latvia - Mogo AS registered with the Latvian Central Depository a bond facility through which it can raise up to EUR 20 million. As at balance sheet date part of the liabilities is disclosed in current liabilities.
Company has raised a total of EUR 20 000 000 as at 31 December 2018 (17 690 000 EUR at 31 December 2017).
This bond issue is unsecured. The notes are issued at par, have a maturity of seven years and carry a fixed coupon of 10% per annum, paid monthly in arrears. The note type on 11 November 2014 was changed to "publicly issued notes" and were listed on the regulated market of NASDAQ OMX Baltic.

3) On 1 December 2017 subsidiary in Latvia registered with the Latvian Central Depository a bond facility through which it raised EUR 10 million. This bond issue is unsecured. The notes are issued at par, have a maturity of three years four months and carry a fixed coupon of 10% per annum, paid monthly in arrears. Bonds are listed on the regulated market of NASDAQ OMX Baltic and are "private issued notes".

In accordance with the initial terms repayment of both bond facilities issued in Latvia starts from 30.06.2019. Accordingly, those liabilities are split between current and non-current as at 31 December 2018. As disclosed in Note 49, subsequent to the reporting period the initial repayment terms were amended.

*Other borrowings*

4) Loans from banks comprise loans received by Mogo Armenia from a local bank. The loans are denominated in local currency, thus fully eliminating forex risk for the Group, with an interest rate of 12.0% and maturing on November 2020. Loans received by Mogo Georgia in the amount of EUR 1 million with an interest rate of 7.8% are maturing on March 2021. See Note 44 for further information about pledges and other additional information.

5) Group has entered into several lease agreements for office premises and branches as well as several vehicle rent agreements. Group has elected to early adapt IFRS16 accounting requirements starting from 2018, therefore it has recognized respective lease liabilities (Note 22).

6) Attracted funding from P2P platform non-current/ current split is aligned with the related non-current/ current split of the lease or loan agreement which is assigned to investors through the P2P platform. Funds are transferred to Group's bank accounts once per week.

Total receivables for attracted funding not yet received from P2P platform as at statement of financial position dates were:

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Receivable from attracted funding through P2P platform (Note 31) | 262 256 | 1 558 306 |
| **TOTAL:** | **262 256** | **1 558 306** |

See additional information in Note 23.

Total accrued expenses for services for attracted funding through P2P platform as at statement of financial position dates were:

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Accrued for expenses from attracted funding through peer-to-peer platform (Note 41) | 24 761 | 149 147 |
| **TOTAL:** | **24 761** | **149 147** |

See Note 44 for further information about pledges and other additional information.

7) The Parent Company concluded a Mezzanine Facility Agreement with Bonriki Holdings Limited as at May 5, 2015 for a maximum amount EUR 23 300 000, which was amended and restated as at May 23, 2016 and maximum amount amended to EUR 12 000 000. On June 10, 2015 the Parent Company concluded an ownership pledge agreement to secure all claims of Bonriki Holdings Limited on the Group. The shares of Mogo OU, Mogo AS, Mogo LT UAB and Mogo LLC are completely pledged in favour of Bonriki Holdings Limited, a company registered in Cyprus. Further restrictions also require approval of Bonriki Holdings Limited on key operating decisions, such as restrict dividends and other capital distributions and loans being paid to other entities within the group or to other parties.
The Group had not fully satisfied the requirements of covenants for liabilities for long term loan from non-related party in 2017. Therefore Group had reclassified the loan to current borrowings. Management of the Group had agreed with the creditor, that it would not enforce any penalty against the Group. The Group paid the liability in full in 2018.

The Group has satisfied all other covenants.

**37. Borrowings (continued)**

***Changes in liabilities***

| *Subordinated loans* | 01.01.2018. | From obtaining control over subsidiary | Cash flows | Foreign exchange effect | Other | 31.12.2018. |
|---|---|---|---|---|---|---|
| Loan from related parties | - | - | 2 500 000 | - | - | 2 500 000 |
| **TOTAL SUBORDINATED BORROWINGS PRINCIPAL:** | **-** | **-** | **2 500 000** | **-** | **-** | **2 500 000** |
| *Other borrowings* | | | | | | |
| Bonds nominal value | 26 900 000 | - | 67 490 000 | - | (2 900 750) | 91 489 250 |
| Financing received from P2P investors | 52 039 555 | - | (2 914 689) | (195 764) | - | 48 929 102 |
| Loan from bank | - | 6 908 997 | 1 315 784 | - | - | 8 224 781 |
| Lease liabilities | 697 597 | - | (1 799 964) | (6 967) | 3 553 766 | 2 444 432 |
| Long term loan from non-related parties | 12 000 000 | - | (12 000 000) | - | - | - |
| Loan from related parties (Note 43) | 5 803 640 | - | (5 777 434) | (26 206) | - | - |
| **TOTAL OTHER BORROWINGS PRINCIPAL:** | **97 440 792** | **6 908 997** | **46 313 697** | **(228 937)** | **653 016** | **151 087 565** |
| **TOTAL BORROWINGS PRINCIPAL:** | **97 440 792** | **6 908 997** | **48 813 697** | **(228 937)** | **653 016** | **153 587 565** |
| Acquisition costs of borrowings | **(1 052 174)** | **-** | **(5 409 661)** | **643** | **2 004 568** | **(4 456 624)** |
| Accrued interest | **947 727** | **-** | **(12 365 407)** | **(1 328)** | **15 192 363** | **3 773 355** |
| **TOTAL BORROWINGS:** | **97 336 345** | **6 908 997** | **31 038 629** | **(229 622)** | **17 849 947** | **152 904 296** |

| | 01.01.2017. | Cash flows | Foreign exchange effect | Other | 31.12.2017. |
|---|---|---|---|---|---|
| Financing received from P2P investors | 11 324 698 | 40 696 771 | 18 085 | - | 52 039 554 |
| Bonds nominal value | 16 435 000 | 10 465 000 | - | - | 26 900 000 |
| Long term loan from non-related parties | 12 000 000 | - | - | - | 12 000 000 |
| Loan from related parties (Note 43) | 17 344 108 | (11 540 569) | 102 | - | 5 803 641 |
| Bonds available for sale | (2 310 000) | 2 310 000 | - | - | - |
| Loan from bank | 700 000 | (700 000) | - | - | - |
| **TOTAL BORROWINGS PRINCIPAL:** | **55 493 806** | **41 231 202** | **18 187** | **-** | **96 743 195** |
| Acquisition costs of borrowings | **(588 319)** | **(422 859)** | **-** | **(40 997)** | **(1 052 175)** |
| Accrued interest | **394 727** | **(7 815 520)** | **182** | **8 368 339** | **947 728** |
| **TOTAL BORROWINGS:** | **55 300 214** | **32 992 823** | **18 369** | **8 327 342** | **96 638 748** |

**38. Prepayments and other payments received from customers**

| | 31.12.2018.<br>EUR | 31.12.2017.<br>EUR |
|---|---|---|
| Unrecognized payments received* | 45 724 | - |
| Advances received from current customers | - | 797 956 |
| Advances for sold cars | 9 418 | - |
| Payments received from ceased receivables | 1 241 | 2 399 |
| Overpayments from historical customers | 53 375 | 38 260 |
| **TOTAL:** | **109 758** | **838 615** |

* - Unrecognized payments are payments received from former clients after contractual terms are ended and payments received which cannot be identified and allocated to a respective finance lease or loan and advance to customer balance at 31 December 2018.

**39. Taxes payable**

| | 31.12.2018.<br>EUR | 31.12.2017.<br>EUR |
|---|---|---|
| Social security contributions | 268 699 | 144 484 |
| Personal income tax | 98 584 | 37 235 |
| Property tax | 87 513 | 32 954 |
| Value added tax | 117 391 | - |
| Other taxes | 77 619 | 3 270 |
| **TOTAL:** | **649 806** | **217 943** |

**40. Other liabilities**

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Deferred income for recharged property tax to customers* | 103 410 | - |
| Liabilities against employees for salaries | 98 784 | 63 166 |
| Unpaid dividends | 21 800 | - |
| Other liabilities | - | 12 956 |
| **TOTAL:** | **223 994** | **76 122** |

* - The subsidiary of the Group in Georgia incurs annual property tax payments for the vehicles it finances to customers. The subsidiary charges its clients for these expenses in advance for the next 12 months. Income from this activity is deferred and recognized proportionally in profit or loss statement throughout the next 12 months. Income from this revenue stream is included in Note 14.

**41. Accrued liabilities**

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| Accruals for bonuses | 295 331 | 298 064 |
| Accrued unused vacation | 595 490 | 244 804 |
| Accrued expenses from attracted funding through peer-to-peer platform (Note 37) | 24 761 | 149 147 |
| Other accrued liabilities for received services | 857 719 | 274 451 |
| **TOTAL:** | **1 773 301** | **966 466** |

The amount of accrued liabilities has increased compared to previous reporting period due to the Group's further expansion of business in new countries.

**42. Other non-current financial liabilities**

On 1 October 2017, the Group acquired an additional 2% interest in the shares of Mogo OU (Estonia), increasing its ownership interest to 100%. As part of the purchase agreement with the previous non-controlling interest holder of Mogo OU (Estonia), a contingent consideration has been agreed. There will be additional cash payments to the previous non-controlling interest holder of:

1) 2% of the net profit earned by Mogo OU for the years 2018 through 2019;
2) 1% of the net profit earned by Mogo OU for the year 2020.

As at the additional interest acquisition date, the fair value of the contingent consideration was estimated to be 185 777 EUR based on the expected probable outcome. During 2018 the Group settled part of the liabilities. Value of remaining amount was reassessed and concluded that no additional income or expenses need to be recognized.

The significant unobservable inputs used in the fair value measurement of the contingent consideration are disclosed in Note 3.

The contingent consideration liability is due for yearly measurement and payment to the former non-controlling interest holder after issuance of the respective year's annual report. Contingent consideration liability is recognized as follows:

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| ***Non-current*** | | |
| Non-current contingent consideration liability | 74 418 | 127 300 |
| ***Current*** | | |
| Current contingent consideration liability | 52 600 | 58 477 |
| **TOTAL OTHER FINANCIAL LIABILITIES:** | **127 018** | **185 777** |

Sensitivity analysis

An analysis of sensitivity of the Group's possible liabilities for purchase of shares in subsidiary based on positions existing as at 31 December 2018 using a simplified scenario of a 10% change in estimated future profits would result in change of liabilities for 13 016 EUR.

*Changes in liabilities*

| | 01.01.2018. | Cash flows | Reassessment | Other | 31.12.2018. |
|---|---|---|---|---|---|
| Non-current contingent consideration liability | 127 300 | | - | (52 882) | 74 418 |
| Current contingent consideration liability | 58 477 | (58 759) | - | 52 882 | 52 600 |
| **TOTAL BORROWINGS PRINCIPAL:** | **185 777** | **(58 759)** | **-** | **-** | **127 018** |

### 43. Related party disclosures

All shareholders and entities controlled or jointly controlled by these persons or close family members of these persons are deemed as related parties of the Group. All shareholders have equal rights in making decisions proportional to their share value.

As at 31 December 2018 and 31 December 2017 none of the ultimate beneficial owners individually controls the Group.

Receivables and payables incurred are not secured with any kind of pledge.

More detailed information about transactions with related parties is provided in Notes 34 and 37.

Other related parties are entities which are under control or joint control of the shareholders of the Group, but not part of the Group.

The information related to remuneration of the Group`s Management Board and council members is provided in Note 13.

The income and expense items with related parties for 2018 were as follows:

| Related party | Shareholder controlled companies EUR | Other related parties EUR |
|---|---|---|
| Interest income | - | 274 965 |
| Interest expenses | (345 761) | - |

The income and expense items with related parties for 2017 were as follows:

| Related party | Shareholder controlled companies EUR | Other related parties EUR |
|---|---|---|
| Interest income | - | 39 241 |
| Interest expenses | (1 360 834) | - |

The receivables and liabilities with related parties as at 31.12.2018. and 31.12.2017. were as follows:

| | 31.12.2018. EUR | 31.12.2017. EUR |
|---|---|---|
| **Amounts owed by related parties** | | |
| Receivables from minority shareholders of the Group* | 42 367 | 110 567 |
| Loans to related parties** | 5 390 706 | 624 797 |
| Trade receivables*** | 804 927 | - |
| **Amounts owed to related parties** | | |
| Subordinated loans from shareholders of the Parent Company | 2 500 000 | - |
| Non-subordinated loans from shareholders of the Parent Company | - | 3 916 563 |
| Unpaid dividends | 21 800 | - |
| Accrued interest | 52 083 | 98 014 |

* During financial year ended 2016 Group sold 2% of its shares in subsidiaries in Estonia, Latvia, Lithuania and Georgia for nominal value. Payments for these transactions are agreed to be made during 5 years after sale date.

** All loans to related parties have 10.5% to 12.5% interest rate and maturity of March to September of 2023.

*** Other short term receivables from related parties contain receivables for provided management services.

| ***Movement in amounts owed by related parties*** | **Amounts owed by related parties** |
|---|---|
| Amounts owed by related parties as of 01 January 2017 | 159 087 |
| Receivables acquired in period | (48 520) |
| Amounts owed by related parties as of 31 December 2017 | 110 567 |
| Amounts owed by related parties as of 01 January 2018 | 110 567 |
| Receivables acquired in period | 513 648 |
| Amounts owed by related parties as of 31 December 2018 | 624 215 |

| ***Movement in amounts owed to related parties*** | **Amounts owed to related parties** |
|---|---|
| Amounts owed to related parties as of 01 January 2017 | 17 344 108 |
| Loans received in period | 1 800 000 |
| Loans repaid/settled in period | (15 227 545) |
| Interest calculated in period | 1 360 834 |
| Interest repaid in period | (1 262 820) |
| Decision to repay Share premium made | 9 968 964 |
| Share premium repaid | (9 968 964) |
| Dividends calculated for minority shareholders | 40 762 |
| Dividends paid to minority shareholders | (40 762) |
| Amounts owed to related parties as of 31 December 2017 | 4 014 577 |
| Amounts owed to related parties as of 01 January 2018 | 4 014 577 |
| Loans received in period | 7 500 000 |
| Loans repaid/settled in period | (8 916 564) |
| Interest calculated in period | 345 761 |
| Interest repaid in period | (391 691) |
| Dividends calculated for minority shareholders | 90 000 |
| Dividends paid to minority shareholders | (68 200) |
| Amounts owed to related parties as of 31 December 2018 | 2 573 883 |

## 44. Commitments and contingencies

***Externally imposed regulatory capital requirements***

The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy (see Note 45).

The Group is subject to externally imposed capital requirements in several countries. Main requirements are listed below:

*Albania*

Acquired license on performing financing activities require:
1) To maintain amount of equity at all times not lower that 815 000 EUR. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.
2) To ensure the Spot Position in foreign currency. At end of each trimester the Group should meet a threshold for net open position in each currency of 30%.

*Armenia*

Acquired license on performing financing activities require:
1) To maintain minimum amount of statutory capital of 150mln AMD;
2) To maintain minimum amount of total capital of 150mln AMD;
3) To maintain minimum ratio of amounts of total capital and risk-weighted assets at 10%.
Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

*Bulgaria*

Acquired license on performing financing activities require to maintain amount of equity at all times not lower that 1 000 000 BGN. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

*Romania*

Acquired license on performing financing activities require to ensure the level of equity which is not less than company's finance receivables portfolio divided 15 times. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

***Cooperation agreement with P2P platforms***

Cooperation agreements with P2P platforms require to maintain positive amount of equity at all times in Estonia, Georgia, Lithuania, Moldova, Poland, Romania and Bulgaria. Management of the Group monitors and increases the share capital if needed to satisfy this requirement.

The Group is subject to additional financial covenants relating to its attracted funding through P2P platform. Group is regularly monitoring respective indicators and ensures that covenants are satisfied. The Group is in compliance with these covenants at 31 December 2018 and 31 December 2017.

***Mogo Finance S.A. bonds***

There are restrictions in the prospectus for bonds issued in Frankfurt Stock exchange (ISIN (XS1831877755)). Financial covenants are following:
1) Interest coverage ratio (EBITDA) is at least 1.25 x at any time
2) Capitalization ratio is at least:
   a. 8% until 31.12.2018
   b. 10% until 31.12.2019
   c. 15% until 31.12.2020 and until full repayment of the Bonds
There are other limitations regarding additional and permitted debt, restricted and permitted payments, permitted loans and securities.

***Mogo AS bonds***

There are restrictions in prospectus for bonds issued in Nasdaq Baltic (ISIN: LV0000801363 and LV0000880029):
1) to maintain positive amount of equity at all times;
2) to maintain Net Debt/Equity (total liabilities minus cash against equity) indicator at certain level.

During the reporting period the Group complied with all externally imposed capital requirements to which it was subjected to.

***Commitments for received services***

In 2017 the Group signed a service agreement with tax advisory company. Agreement conditions assume partial remuneration for these services based on success fee principle. Estimated maximal amount payable for these services is assumed 70 000 EUR.

***Other possible contingent liabilities***

1) Starting from 9 July 2018 Mogo Finance S.A. and its subsidiaries entered into several pledge agreements with Greenmarck Restructuring Solutions GmbH, establishing pledge over shares of the subsidiaries, pledge over present and future loan receivables of the subsidiaries, pledge over trademarks of the subsidiaries, general business pledge over the subsidiaries, pledge over primary bank accounts if feasible, in order to secure Mogo Finance S.A. obligations towards bondholders deriving from Mogo Finance S.A. bonds. Subsequently additional pledgors were added who became material (subsidiaries with net portfolio of more than EUR 7 500 000) according to terms and conditions of the bonds.

2) On November 13, 2018 the Group as Issuer and its subsidiaries as Guarantors signed a guarantee agreement dated 9 July 2018 as amended and restated on 13 November 2018 according to which the guarantors unconditionally and irrevocably guaranteed by way of an independent payment obligation to each holder of the Mogo Finance S.A. bonds the due and punctual payment of principal of, and interest on, and any other amounts payable under the Mogo Finance S.A. bonds prospectus.

**44. Commitments and contingencies (continued)**

3) On 5 May 2015 Bonriki Holdings Limited entered into a mezzanine facility agreement with the Group, amended on 23 May 2016. In accordance with the Bonriki mezzanine facility agreement a facility in amount of EUR 12,000,000 was made available to the Group. The Bonriki mezzanine facility agreement provided for an interest rate of 12.5% and maturity date 31 August 2018. In addition, Bonriki was granted a warrant over the shares of the Group whereby Bonriki may acquire 2.5% shares of the Group by 21 June 2021. The amended and restated warrant agreement signed on 23 May 2016 stipulates that the warrant holder has the right to exercise warrant within three year period after full repayment of the Mezzanine loan and other accrued amounts. As the full repayment of Mezzanine loan and other accrued amounts was made on 13 July 2018, the warrant's exercise period ends on 13 July 2021. Upon the exercise of the warrant the warrant holder may also elect to have the warrant redeemed at fair market value of the shares of Group. According to the shareholders agreement signed by Bonriki as a Warrant holder, shareholders and Mogo Finance S.A., the warrant holder does have the option to sell to the shareholders or the Mogo Finance S.A. (selected at the entire discretion of the warrant holder) shares owned by the warrant holder, this option can only be exercised only within one year after the full repayment of the loan and other amounts accrued (i.e. 13 July 2019).

4) The Group has signed Covenant Agreements with P2P platform companies AS Mintos Marketplace and Mintos OU according to which in order to secure P2P platform's claims towards the subsidiaries if certain subsidiaries cooperating with P2P platform fail to perform their obligations. The claims are limited by amounts borrowed by each subsidiary.

5) On 29 September 2017 the subsidiary in Armenia - Mogo UCO LLC entered into a pledge agreement over deposit and right of claim with Ardshinbank CJSC, establishing a pledge over the funds in the bank accounts of Mogo UCO LLC in favour of Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 29 September 2017.

6) On 2 November 2017 the subsidiary in Armenia Mogo UCO LLC entered into a pledge agreement over deposit and right of claim with Ardshinbank CJSC, establishing a pledge over the funds in the bank accounts of Mogo UCO LLC in favour of Ardshinbank CJSC, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 2 November 2017.

7) On 27 November 2018 the subsidiary in Armenia Mogo UCO LLC entered into an agreement on pledge of right of claim and funds with Ardshinbank CJSC, pledging Mogo UCO LLC right of claim and funds, in order to secure Mogo UCO LLC obligations towards Ardshinbank CJSC deriving from credit contract dated 27 November 2017.

8) On 26 February 2018 the subsidiary in Latvia mogo AS entered into a surety agreement with Ardshinbank CJSC and Mogo LLC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018, with a maximum liability not exceeding the principal amount EUR 1 000 000.

9) On 26 February 2018 the subsidiary in Georgia - Mogo LLC entered into an account pledge agreement with Ardshinbank CJSC, in order to secure Mogo LLC obligations towards Ardshinbank CJSC deriving from the loan agreement concluded between Ardshinbank CJSC and Mogo LLC on 26 February 2018.

10) According to the non-binding opinion of the Bank of Lithuania, released in third quarter of 2018 regarding the interest charged on a commission fee, the subsidiary in Lithuania - mogo LT UAB at the respective clients` request should compensate interest charged on its commission fee. Since in accordance with the recommendations of the Bank of Lithuania mogo LT UAB has made the necessary amendments and is not adding commission fee to the loan amount starting from the end of 2017, and has not received any requests by affected consumers. However, for the purpose of transparency, the grand total material adverse effect could be up to EUR 479 414.

11) On 11 December 2018 the subsidiary in Latvia - mogo AS issued a payment guarantee No.2018.12.05 for the benefit of third party with a maximum liability not exceeding EUR 200 000, where the liability of mogo AS is limited to the performance of other subsidiary's HUB1 AS obligations from the secured agreement with this party.

12) On 12 December 2018 mogo AS issued guarantee letters for the benefit of a third party to secure other subsidiaries HUB 4 AS and Longo Group AS obligations from the secured office space lease agreements concluded on 12 December 2018. According to the guarantee letters mogo AS undertook to fulfil HUB 4 AS and Longo Group AS obligations towards the third party if they are overdue on liabilities under the agreements terms. The guarantees expire if the lease agreements are amended, renewed without prior written approval by mogo AS and is effective for the entire duration of the respective lease agreements.

**45. Financial risk management**

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

***Operational risks***

The Group takes on exposure to certain operational risks, which result from general and specific market and industry requirements.

*Compliance risk*

Compliance risk refers to the risk of losses or business process disruption resulting from inadequate or failed internal processes systems, that have resulted in a breach of applicable law or other regulation currently in place.

**45. Financial risk management (continued)**

***Operational risks (continued)***

*Regulatory risks*

Group's operations are subject to regulation by a variety of consumer protection, financial services and other state authorities in various jurisdictions, including, but not limited to, laws and regulations relating to consumer loans and consumer rights protection, debt collection and personal data processing . Formal licences issued by respective regulators are required in all countries where the Group operates in, except for Lithuania, Georgia, Belarus, Moldova, Uzbekistan, Kazakhstan and Poland. The Group closely monitors all the changes in regulatory framework for each of the countries it operates in. The Group employs both in-house as well as outsourced legal specialists to assist in addressing any current or future regulatory developments that might have an impact on Group's business activities.

See further information on regulatory matters in Note 44.

*Anti-money laundering and Know Your Customer laws compliance risk*

The Group is subject to anti-money laundering laws and related compliance obligations in most of the jurisdictions in which it does business. The Group has put in place local anti-money laundering policies in those jurisdictions where it is required under local law to do so and in certain other jurisdictions. As a financial institution, the Group is required to comply with anti-money laundering regulations that are generally less restrictive than those that apply to banks.

As a result, the Group often relies on anti-money laundering and know your customer checks performed by our customers' banks when such customers open new bank accounts, however Group has implemented further internal policies to minimise these risks. Group has put in place internal control framework to identify and report all suspicious transactions with a combination of IT based solutions and human involvement. Internal policies of the Group typically include customers' background check against sanctioned lists and other public sources as required by each local law.

*Privacy, data protection compliance risk*

The Group's business is subject to a variety of laws and regulations internationally that involve user privacy, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. The Group has put in place an internal control framework consisting from a combination of IT based solutions and business procedures that are designed to capture any potential non-compliance matter before it has occurred and to ensure compliance with these requirements.

***Market risks***

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

***Financial risks***

The main financial risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk, and credit risk.

*Foreign currency risk*

The Group accepts the currency risk by issuing loans in local currencies and funding local operations mostly with EUR. Further currency risk is managed transaction wise by avoiding unnecessary conversions back and forth to settle payments and invoices in EUR. Also Group is constantly looking for ways to fund local country operations with local currency funds.

The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The most significant foreign currency exposure comes from Armenia, Georgia and Poland, where Group has evaluated potential hedging options, but due to the costs associated with it, has decided not to pursue hedging strategy for now and assume potential short to mid-term currency fluctuations with retaining potential upside from strengthening in those currencies.

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2018:

| Currency | Assets in EUR | Equity and liabilities in EUR | Net assets exposed to currency risk in EUR |
|---|---|---|---|
| AMD (Armenia) | 15 757 006 | - 2 624 225 | 13 132 781 |
| GEL (Georgia) | 21 799 970 | - 10 633 365 | 11 166 605 |
| PLN (Poland) | 5 824 778 | 4 195 143 | 10 019 922 |
| MDL (Moldova) | 6 485 325 | - 948 144 | 5 537 181 |
| RON (Romania) | 8 858 767 | - 6 297 212 | 2 561 554 |
| BYR (Belarus) | 2 264 436 | 75 564 | 2 340 000 |
| ALL (Albania) | 1 159 063 | - 487 141 | 671 922 |
| UAH (Ukraine) | 190 533 | 77 267 | 267 800 |
| UZS (Uzbekistan) | 76 592 | 74 457 | 151 049 |
| KZT (Kazakhstan) | 110 293 | 34 207 | 144 500 |
| | 62 526 763 | - 16 533 449 | 45 993 314 |

Assets and liabilities exposed to foreign currencies fluctuation risk as at: 31 December 2017:

| Currency | Assets in EUR | Equity and liabilities in EUR | Net assets exposed to currency risk in EUR |
|---|---|---|---|
| GEL (Georgia) | 12 557 941 | - 2 968 700 | 9 589 241 |
| PLN (Poland) | 560 991 | 319 009 | 880 000 |
| RON (Romania) | 111 519 | - 111 519 | - |
| | 13 230 451 | - 2 761 210 | 10 469 241 |

**45. Financial risk management (continued)**

An analysis of sensitivity of the Group's net assets to changes in foreign currency exchange rates based on positions existing as at 31 December 2018 and 31 December 2017 and a simplified scenario of a +/- 5% change in respective currency to EUR exchange rates is as follows:

| Foreign currency rate risk exposure | 31.12.2018. | 31.12.2017. |
|---|---|---|
| AMD currency | +/- 656 639 | - |
| GEL currency | +/- 558 330 | +/- 582 412 |
| PLN currency | +/- 500 996 | +/- 302 020 |
| MDL currency | +/- 276 859 | +/- 87 704 |
| RON currency | +/- 128 078 | +/- 30 447 |
| BYR currency | +/- 117 000 | - |
| ALL currency | +/- 33 596 | +/- 9 222 |
| UAH currency | +/- 13 390 | - |
| UZS currency | +/- 7 552 | - |
| KZT currency | +/- 7 225 | - |
| **TOTAL:** | **+/- 2 299 666** | **+/- 1 011 805** |

An analysis of sensitivity of the Group's net profit to changes in foreign currency exchange rates based on positions existing as at 31 December 2018 and 31 December 2017 and a simplified scenario of a +/- 5% change in respective currency to EUR exchange rates is as follows:

| Foreign currency rate risk exposure | 31.12.2018. | 31.12.2017. |
|---|---|---|
| RON currency | +/- 55 069 | +/- 34 664 |
| PLN currency | +/- 141 174 | +/- 52 946 |
| GEL currency | (123 738) | +/- 145 416 |
| ALL currency | +/- 31 903 | +/- 3 345 |
| BYR currency | +/- 21 079 | +/- 147 |
| UAH currency | +/- 12 898 | - |
| AMD currency | +/- 7 249 | - |
| MDL currency | +/- 3 748 | +/- 6 606 |
| KZT currency | +/- 5 088 | - |
| UZS currency | +/- 4 083 | - |
| **TOTAL:** | **+/- 158 553** | **+/- 243 125** |

The Group is not exposed to currency risk in Bulgaria since it's currency rate is fixed by national bank of Bulgaria.

*Interest rate risk*

The Group is not exposed to interest rate risk because all of its liabilities are interest bearing borrowings with a fixed interest rate.

Financial risks

*Capital risk management*

The Group considers both equity capital as well as borrowings a part of overall capital risk management strategy.
The Group manages its capital to ensure that it will be able to continue as going concern. In order to maintain or adjust the capital structure, the Group may attract new credit facilities or increase its share capital. The Group fulfils externally imposed equity capital requirements as stated in Note 44.

The Group monitors equity capital on the basis of the capitalization ratio as defined in Eurobond prospectus. This ratio is calculated as Net worth (the sum of paid in capital, retained earnings, reserves and shareholder loan) divided by Net Loan portfolio.
In order to maintain or adjust the overall capital structure, the Group may issue new bonds, borrow in P2P platform or sell assets to reduce debt.
The management of the borrowings is driven by monitoring and complying the lender imposed covenants as well as planning the further borrowing needs to ensure business development of the Group.

**45. Financial risk management (continued)**

*Liquidity risk*

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with related parties and by issuing bonds.

The table below presents the cash flows payable by the Group and to the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow. Cash flow payable for borrowings includes estimated interest payments assuming principal is paid in full at maturity date.

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| | **Carrying value** | **On demand** | **Up to 1 year** | **1-5 years** | **More than 5 years** | **Total** |
| **As at 31.12.2018.** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| **Assets** | | | | | | |
| Cash in bank | 6 522 838 | 6 522 838 | - | - | - | **6 522 838** |
| Loans and advances to customers | 5 276 480 | - | 5 137 408 | 3 672 699 | - | **8 810 107** |
| Loans to related parties | 5 390 706 | - | - | 7 932 426 | - | **7 932 426** |
| Other loans and receivables | 4 666 488 | - | 5 243 036 | - | - | **5 243 036** |
| Other short term receivables from related parties | 42 367 | - | 42 367 | - | - | **42 367** |
| Finance lease receivables | 134 584 930 | - | 100 340 100 | 166 732 528 | 21 009 688 | **288 082 316** |
| **Total undiscounted financial assets** | 156 483 809 | 6 522 838 | 110 762 911 | 178 337 653 | 21 009 688 | **316 633 090** |
| **Liabilities** | | | | | | |
| Borrowings | (155 404 296) | - | (13 855 200) | (174 293 523) | (3 609 409) | **(191 758 132)** |
| Other current liabilities | (4 678 231) | - | (4 758 228) | - | - | **(4 758 228)** |
| **Total undiscounted financial liabilities** | (160 082 527) | - | (18 613 428) | (174 293 523) | (3 609 409) | **(196 516 360)** |
| **Net undiscounted financial assets / (liabilities)** | (3 598 718) | 6 522 838 | 92 149 483 | 4 044 130 | 17 400 279 | **120 116 730** |

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| | **Carrying value** | **On demand** | **Up to 1 year** | **1-5 years** | **More than 5 years** | **Total** |
| **As at 31.12.2017.** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| **Assets** | | | | | | |
| Cash in bank | 1 524 700 | 1 524 700 | - | - | - | **1 524 700** |
| Loans and advances to customers | 1 143 223 | - | 1 138 370 | 1 136 736 | - | **2 275 106** |
| Other loans and receivables | 735 364 | - | 202 070 | 250 425 | 617 119 | **1 069 614** |
| Finance lease receivables | 87 904 801 | 451 148 | 58 716 220 | 115 827 586 | 7 595 987 | **182 590 941** |
| **Total undiscounted financial assets** | 91 308 088 | 1 975 848 | 60 056 660 | 117 214 747 | 8 213 106 | **187 460 361** |
| **Liabilities** | | | | | | |
| Borrowings | (83 961 852) | | (30 160 952) | (76 419 178) | (1 980 835) | **(108 560 965)** |
| Other current liabilities | (4 698 090) | | (4 913 418) | (718 388) | (416 723) | **(6 048 529)** |
| **Total undiscounted financial liabilities** | (88 659 942) | - | (35 074 370) | (77 137 566) | (2 397 558) | **(114 609 494)** |
| **Net undiscounted financial assets / (liabilities)** | 2 648 146 | 1 975 848 | 24 982 290 | 40 077 181 | 5 815 548 | **72 850 867** |

*Credit risk*

The Group is exposed to credit risk through its finance lease receivables, as well as cash and cash equivalents.
The key areas of credit risk policy cover lease granting process (including solvency check of the lease), monitoring methods, as well as decision making principles.

The Group operates by applying a clear set of finance lease granting criteria. This criteria includes assessing the credit history of customer, means of lease repayment and understanding the lease object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each and every customer.

When the lease agreement has been signed, the Group monitors the lease object and customer's solvency. The Group has developed lease monitoring process so that it helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized, and, where appropriate, provisions are being made.

The Group does not have a significant credit risk exposure to any single counterparty, but has risk to group of counterparties having similar characteristics.

## 45. Financial risk management (continued)

*Excessive risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group is maintaining a diversified portfolio. It's main product is subprime lease, however it is offering also near prime lease, as well as instalment loan and long-term rent products.

| The concentration risk on Groups financial assets is the following: | 31.12.2018. | 31.12.2017. |
|---|---|---|
| Latvia | 36 110 611 | 31 552 722 |
| Lithuania | 24 213 348 | 19 273 789 |
| Estonia | 19 682 315 | 16 718 198 |
| Georgia | 18 125 301 | 15 467 903 |
| Armenia | 10 383 486 | - |
| Bulgaria | 9 061 004 | 2 588 317 |
| Romania | 8 294 062 | 3 426 375 |
| Moldova | 6 002 368 | 1 505 131 |
| Poland | 5 058 931 | 6 332 879 |
| Belarus | 2 022 494 | - |
| Albania | 845 682 | 11 950 |
| Ukraine | 64 698 | - |
| Uzbekistan | 11 436 | - |
| **TOTAL:** | **139 875 738** | **96 877 264** |

## 46. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Instruments within Level 1 include highly liquid assets and standard derivative financial instruments traded on the stock exchange.

Fair value for such financial instruments as Financial assets at fair value through profit and loss is mainly determined based on publicly available quoted prices (bid price, obtainable from Bloomberg system).

Instruments within Level 2 include assets, for which no active market exists, such as over the counter derivative financial instruments that are traded outside the stock exchange, bonds, as well as balances on demand with the Bank of Latvia, balances due from banks and other financial liabilities. Bonds fair value is observable in NASDAQ OMX Baltic public information. Fair value of bank loans is based on effective interest rate which represents current market rate to similar companies. The management recognizes that cash and cash equivalents' fair value is the same as their carrying value therefore the risk of fair value change is insignificant.

**46. Fair value of financial assets and liabilities (continued)**

Instruments within Level 3 include available for sale financial assets, loans and receivables.

Fair value of finance lease and loan receivables is equal to the carrying value, which is present value of minimum lease and loan payments discounted using effective agreement interest rate and adjusted for impairment allowance.

Fair value of current and non-current borrowings is based on cash flows discounted using effective agreement interest rate which represents current market rate. Group's management believes that interest rates applicable to loan portfolio and borrowings are in line with current market interest rates for companies similar to Mogo Finance S.A.

The management recognizes that if a fair value of such assets/liabilities would be assessed as an amount at which an asset could be exchanged or liability settled on an arm's length basis with knowledgeable third parties, the fair values obtained of the respective assets and liabilities would not be materially different.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value:

| | Carrying value | Fair value | Carrying value | Fair value |
|---|---|---|---|---|
| | 31.12.2018. | 31.12.2018. | 31.12.2017. | 31.12.2017. |
| **Assets for which fair value is disclosed** | **EUR** | **EUR** | **EUR** | **EUR** |
| Loans to related parties | 5 390 706 | 5 390 706 | 624 797 | 624 797 |
| Other loans and receivables | 4 666 488 | 4 666 488 | - | - |
| Trade receivables | 804 927 | 804 927 | - | - |
| Other short term receivables from related parties | 42 367 | 42 367 | 110 567 | 110 567 |
| Other receivables | 1 343 990 | 1 343 990 | 2 299 375 | 2 299 375 |
| Cash and cash equivalents | 6 522 838 | 6 522 838 | 5 234 064 | 5 234 064 |
| **Total assets for which fair value is disclosed** | **18 771 316** | **18 771 316** | **8 268 803** | **8 268 803** |
| **Liabilities for which fair value is disclosed** | | | | |
| *Borrowings* | | | | |
| Loan from related parties | 2 500 000 | 2 500 000 | 5 803 640 | 5 803 640 |
| Mogo Finance S.A. bonds | 67 675 386 | 69 516 300 | - | - |
| Mogo AS bonds | 23 311 163 | 23 455 000 | 26 563 303 | 27 024 270 |
| Lease liabilities for right-of-use assets | 2 444 432 | 2 444 432 | - | - |
| Other borrowings | 7 769 252 | 7 769 252 | 11 902 091 | 11 902 091 |
| Trade payables | 1 168 462 | 1 168 462 | 688 508 | 688 508 |
| Other liabilities | 223 994 | 223 994 | 76 122 | 76 122 |
| **Total liabilities for which fair value is disclosed** | **105 092 689** | **107 077 440** | **45 033 664** | **45 494 631** |
| **Liabilities measured at fair value** | | | | |
| Other financial liabilities | 127 018 | 127 018 | 185 777 | 185 777 |
| **Total liabilities measured at fair value and liabilities for which fair value is disclosed** | **105 219 707** | **107 204 458** | **45 219 441** | **45 680 408** |

The table below specified analysis by fair value levels as at 31 December 2018 (based on their carrying amounts):

| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|
| | 31.12.2018. | 31.12.2018. | 31.12.2018. | 31.12.2017. | 31.12.2017. | 31.12.2017. |
| **Assets for which fair value is disclosed** | EUR | EUR | EUR | EUR | EUR | EUR |
| Loans to related parties | - | - | 5 390 706 | - | - | 624 797 |
| Other loans and receivables | - | - | 4 666 488 | - | - | - |
| Trade receivables | - | - | 804 927 | - | - | - |
| Other short term receivables from related parties | - | - | 42 367 | - | - | 110 567 |
| Other receivables | - | - | 1 343 990 | - | - | 2 299 375 |
| Cash and cash equivalents | - | - | 6 522 838 | - | - | 5 234 064 |
| **Total assets for which fair value is disclosed** | **-** | **-** | **18 771 316** | **-** | **-** | **8 268 803** |
| **Liabilities for which fair value is disclosed** | | | | | | |
| *Borrowings* | | | | | | |
| Loan from related parties | - | - | 2 500 000 | - | - | 5 803 640 |
| Mogo Finance S.A. bonds | - | 67 675 386 | - | - | - | - |
| Mogo AS bonds | - | - | 23 311 163 | - | - | 26 563 303 |
| Lease liabilities for right-of-use assets | - | - | 2 444 432 | - | - | - |
| Other borrowings | - | - | 7 769 252 | - | - | 11 902 091 |
| Trade payables | - | - | 1 168 462 | - | - | 688 508 |
| Other liabilities | - | - | 223 994 | - | - | 76 122 |
| **Total liabilities for which fair value is disclosed** | **-** | **67 675 386** | **37 417 303** | **-** | **-** | **45 033 664** |
| **Liabilities measured at fair value** | | | | | | |
| Other financial liabilities | - | - | 127 018 | - | - | 185 777 |
| **Total liabilities measured at fair value and liabilities for which fair value is disclosed** | **-** | **67 675 386** | **37 544 321** | **-** | **-** | **45 219 441** |

Bonds issued by the Mogo Finance S.A. have been classified as Level 2 fair value measurement given that there are observable market quotations in markets. The market for Mogo AS bonds is not assessed as an active market thus classified as Level 3. Fair value of the bonds has been determined based on observable quotes.

**47. Share-based payments**

***General Employee Share Option Plan***

The Group may grant share options of Subsidiaries to its employees. Share options are generally awarded on the first day of employment. The share options vest within four years time with front loaded vesting of 25% of the granted shares after one year of employment.

***Senior Executive Share Option Plan***

The Group, at its discretion, may grant share options of the Parent Company or a subsidiary to its senior executives. Vesting of the share options is dependent on the profitability of the Group or the respective subsidiary. Employees must remain in service for a period of one year from the date of grant.

***Fair value of the respective share options***

The fair value of share options granted is estimated at the date of grant. Group's management has assessed that the fair value of the respective share options, due to reasons described in Note 3 is not material. Accordingly, no expense and liability arising from these equity-settled share-based payment transactions is recognized.

The exercise price of the share options under typical circumstances is equal to the nominal price of the underlying shares. The contractual maximum term of the share options till 2025 for Senior Executive Plan, till 2023 for General Employee Share Option Plan and there are cash settlement alternatives. Given absence of an ongoing sale of subsidiaries or Mogo Finanace S.A. or any listing process initiated, then cash settlement is considered not to be probable. The Group does not have a past practice of cash settlement for these awards.

The following table illustrates the number and weighted average exercise prices of Senior Executive Plan share options:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | Number | Weighted average exercise price, EUR | Number | Weighted average exercise price, EUR |
| **Outstanding at 1 January** | **5** | **0.49** | **3** | **0.01** |
| Granted during the year | - | - | 2 | 5.82 |
| Terminated during the year | (2) | 0.01 | - | - |
| **Outstanding at 31 December** | **3** | **1.25** | **5** | **0.49** |
| Exercisable at the end of the period | 3 | 0.01 | 3 | 0.01 |

Two new participants were joined to this share option plan in previous reporting period.

Two participants of this program exited the share option plan in reporting period due to leaving the Group. The Group have no obligations against them regarding this share option plan.
There have been no forfeited, exercised or expired share options during the year.

The range of exercise prices for options outstanding at the end of the year, depending on the country, ranges from 0.01 EUR to 20 EUR (2017: 0.01 EUR to 20 EUR). The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 6 years (2017: 7 years).

The following table illustrates the number and weighted average exercise prices of General Employee share option plan:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | Number | Weighted average exercise price, EUR | Number | Weighted average exercise price, EUR |
| **Outstanding at 1 January** | **-** | **-** | **-** | **-** |
| Granted during the year | 47 | 0.1 | - | - |
| Terminated during the year | - | - | - | - |
| **Outstanding at 31 December** | **47** | **0.1** | **-** | **-** |
| Exercisable at the end of the period | - | - | - | - |

The Group launched this share option plan in 2018. 47 employees were added to this plan during the year. None of the employees have been granted any shares by end of reporting year.

There have been no forfeited, exercised or expired share options during the year.

The exercise price for options outstanding at the end of the year was 0.1 EUR (2017: 0 EUR). The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 4 years (2017: 5).

The main purpose of both share option plans is to attract and retain highly experienced employees for extensive period of time and build strong management team.

**48. Segment information**

For management purposes, the Group is organized into business units based on its geographical locations and on internal management structure, which is the basis for reporting system. These financial statements provide information, including comparative information of previous period, on the following five operating segments:

- HUB 1. This is the major segment of the Group representing entities performing financing activities in Baltic countries, Georgia and Armenia.
- HUB 2. This is the major segment of the Group representing entities performing financing activities in Bulgaria and Albania.
- HUB 3. This is the major segment of the Group representing entities performing financing activities in Romania, Moldova, Ukraine and Belarus.

- Entities performing sales of motor vehicles. This is the major segment of the Group representing entities performing sales activities of motor vehicles in Baltics, Armenia and Georgia.
- Other segments. This segment comprises Group's business lines with aggregate unconsolidated revenue below 10% of the total unconsolidated revenue of all operating segments.
- Other. The Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments hence these are presented in "Other".

Management monitors mainly the following indicators of operating segments for the purpose of making decisions about resource allocation and performance assessment: net revenue, profit before tax, gross portfolio and impairment. Other segment is not monitored on segment level but on comprising subsidiaries level.

In 2018 Parent Company's debt instruments in the form of bonds (Note 37) became traded in a public market, accordingly the Group applies IFRS 8 in 2018 financial statements. HUB structure described above was also introduced in 2018. From 2018 management evaluates the performance of the Group on a HUB level instead of individual subsidiary level. Segment information for prior year that is reported as comparative information for the initial year of application is presented in such a manner to conform to the requirements of this IFRS and both years are comparable.

The Group`s Chief operating decision maker is Group`s CEO.
Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2017 or 2018.

Segment information below shows main income and expense items of comprehensive income statement. Other smaller income and expense items are summarized and shown under 'Other income/(expense)' column.

Segment information for the period ended on 31 December 2018 is presented below:

| Operating segment | Interest income | Interest expenses | Impairment expense | Other operating income/ (expense) | Corporate income tax | Segment profit/(loss) for the period | Total assets | Total liabilities |
|---|---|---|---|---|---|---|---|---|
| HUB 1 | 44 881 793 | (12 917 411) | (13 249 617) | (5 108 140) | (1 308 649) | 12 297 976 | 141 737 029 | 109 718 154 |
| HUB 2 | 2 623 787 | (877 396) | (1 309 267) | (2 386 081) | 183 111 | (1 765 846) | 12 886 893 | 11 518 520 |
| HUB 3 | 6 925 931 | (2 527 982) | (3 878 428) | (5 136 248) | 78 291 | (4 538 436) | 24 823 718 | 25 459 925 |
| Entities performing sales of motor vehicles | 439 | (135 081) | (9 153) | (820 211) | 5 839 | (958 167) | 7 040 185 | 7 734 203 |
| Other segments | 250 | (30 939) | - | (99 598) | (5 596) | (135 883) | 2 476 397 | 2 107 795 |
| *Total segments* | 54 432 200 | (16 488 809) | (18 446 465) | (13 550 278) | (1 047 004) | 4 899 644 | 188 964 222 | 156 538 597 |
| Other | 335 495 | (4 011 214) | - | 8 149 277 | (3 210) | 4 470 348 | 56 962 528 | 75 550 271 |
| Adjustments and eliminations | (390 079) | 7 878 777 | 177 643 | (12 393 590) | - | (4 727 246) | (71 622 693) | (73 076 057) |
| Consolidated | 54 377 616 | (12 621 246) | (18 268 822) | (17 794 591) | (1 050 214) | 4 642 746 | 174 304 057 | 159 012 811 |

**48. Segment information (continued)**

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

| ***Revenue*** | | 2018<br>EUR |
|---|---|---|
| External customers (interest income and other income) | | 41 648 531 |
| Inter-segment (interest income and other income) | | 12 783 669 |
| | **TOTAL:** | **54 432 200** |

| *Reconciliation of profit* | 31.12.2018.<br>EUR |
|---|---|
| Segment profit | 4 899 644 |
| *Profit from other* | *4 470 348* |
| *Elimination of inter-segment revenue* | *(12 783 666)* |
| Elimination of intragroup interest income | (7 795 234) |
| Elimination of intragroup income from dividends | (4 413 500) |
| Elimination of intragroup other income/(expenses) | (184 853) |
| Elimination of intragroup income from dealership commissions | (390 079) |
| *Elimination of inter-segment expenses* | *8 056 420* |
| Elimination of intragroup interest expenses | 7 878 777 |
| Elimination of impairment expenses | 177 643 |
| Consolidated profit for the period | 4 642 746 |

| *Reconciliation of assets* | |
|---|---|
| Segment operating assets | 188 964 222 |
| Loans to subsidiaries | 48 316 950 |
| Loans to non related parties | 4 375 563 |
| Other short term receivables | 4 270 015 |
| Elimination of intragroup loans | (69 570 480) |
| Elimination of other intragroup receivables | (2 052 213) |
| Total assets | 174 304 057 |

| *Reconciliation of liabilities* | |
|---|---|
| Segment operating liabilities | 156 538 597 |
| Borrowings | 74 854 780 |
| Other liabilities | 695 491 |
| Elimination of intragroup borrowings | (69 570 480) |
| Elimination of other intragroup accounts payable | (3 505 577) |
| Total liabilities | 159 012 811 |

Segment information for the period ended on 31 December 2017 is presented below:

| | Interest income | Interest expenses | Impairment expense | Other operating expense | Corporate income tax | Segment profit for the period | Total assets | Total liabilities |
|---|---|---|---|---|---|---|---|---|
| HUB 1 | 33 000 796 | (8 024 614) | (5 935 956) | (5 884 837) | (1 164 133) | 11 991 256 | 115 222 025 | 89 729 120 |
| HUB 2 | 301 428 | (92 083) | (195 243) | (566 819) | 59 036 | (493 681) | 3 284 601 | 2 396 735 |
| HUB 3 | 1 846 590 | (911 215) | (1 033 482) | (1 805 569) | 16 405 | (1 887 271) | 13 561 546 | 14 890 315 |
| Other segments | - | - | - | - | - | - | 3 000 | - |
| *Total segments* | 35 148 814 | (9 027 912) | (7 164 681) | (8 257 225) | (1 088 692) | 9 610 304 | 132 071 172 | 107 016 171 |
| Other | - | (3 350 837) | - | 4 744 356 | (2 965) | 1 390 554 | 23 164 635 | 36 919 983 |
| Adjustments and eliminations | - | 2 982 752 | - | (5 437 672) | 149 432 | (2 305 488) | (42 749 244) | (42 962 616) |
| Consolidated | 35 148 814 | (9 395 997) | (7 164 681) | (8 950 541) | (942 225) | 8 695 370 | 112 486 563 | 100 973 538 |

**48. Segment information (continued)**

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

| *Revenue* | | 2017<br>EUR |
|---|---|---|
| External customers (interest income and other income) | | 21 453 917 |
| Inter-segment (interest income and other income) | | 5 437 672 |
| | **TOTAL:** | **26 891 589** |

| *Reconciliation of profit* | 31.12.2017.<br>EUR |
|---|---|
| Segment profit | 9 610 304 |
| | |
| *Profit from other* | *1 390 554* |
| | |
| *Elimination of inter-segment revenue* | *(5 437 672)* |
| Elimination of intragroup income from dividends | (1 997 455) |
| Elimination of intragroup interest income | (3 440 217) |
| | |
| *Elimination of inter-segment expenses* | *3 132 184* |
| Elimination of intragroup interest expenses | 2 982 752 |
| Elimination of intragroup other income/(expenses) | 149 432 |
| Consolidated profit for the period | 8 695 370 |

| *Reconciliation of assets* | |
|---|---|
| Segment operating assets | 132 071 172 |
| Loans to subsidiaries | 19 552 236 |
| Loans to non related parties | 596 250 |
| Other short term receivables | 3 016 149 |
| Elimination of intragroup loans | (42 749 244) |
| Total assets | 112 486 563 |

| *Reconciliation of liabilities* | |
|---|---|
| Segment operating liabilities | 107 016 171 |
| Borrowings | 36 646 623 |
| Other liabilities | 273 360 |
| Elimination of intragroup borrowings | (42 749 244) |
| Elimination of other intragroup accounts payable | (213 372) |
| Total liabilities | 100 973 538 |

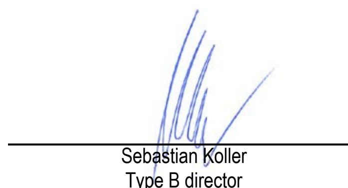
**49. Events after balance sheet date**

Since the last day of the reporting year several significant events took place:
1) By 30 April 2019, the Group attracted funding by selling Mogo Finance S.A. Bonds in amount of EUR 3 065 000 and Mogo AS bonds in amount of EUR 3 415 000.
2) The Group attracted additional funding through P2P platform in amount of EUR 12 660 000 by 30 April 2019.
3) The Group has completed the acquisition process of subsidiary in Macedonia. The acquisition process was completed on February 18, 2019.
4) The Parent Company has issued additional loans to related parties - Mogo entities in Balkans - that are in the process to be incorporated within Mogo Group in amount of EUR 2 868 000.
5) The subsidiary in Latvia has exercised a voting process for rescheduling payment schedule for both bonds issued in Latvia. New repayment schedule is in force starting March 29, 2019 and requires a one time payment at the end of maturity on 31.03.2021.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or Notes thereto.

Signed on behalf of the Group on 21 May 2019 by:

Māris Kreics
Type A director



Sebastian Koller
Type B director

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# Independent auditor's report

To the Shareholders of
Mogo Finance S.A.
8-10, Avenue de la Gare
L-1610 Luxembourg

## Report on the audit of the consolidated annual report

### Opinion

We have audited the accompanying consolidated annual report of Mogo Finance S.A. ("the Group"), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated annual report gives a true and fair view of the financial position of Mogo Finance S.A., as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF").
Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "réviseur d'entreprises agréé" *for the audit of the consolidated annual report*" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated annual report in Luxembourg, and we have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual report of the current period. These matters were addressed in the context of our audit of the consolidated annual report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*1. Impairment allowance for finance lease receivables, loans and advances to customers*

*Risk Identified*

As disclosed in the Group's accounting policies outlined in Note 23 as well in Note 24 of the consolidated annual report, the carrying amount of finance lease receivables as at 31 December 2018 amounts to EUR 134,584,930 and the carrying amount of loans and advances to customers at this date amounts to EUR 5,276,480.

Finance lease receivables and loans and advances to customers together correspond to 80% of the Group's assets.

Effective 1 January 2018, the Group adopted IFRS 9 "Financial Instruments" and the requirements of the IFRS 9 have been applied using modified retrospective approach without restating the comparatives. The additional impairment recognized as a result of IFRS 9 adoption in the opening balance of retained earnings of the Group on 1 January 2018 amounts to EUR 49,450 (Note 2 c).

Under IFRS 9, the Group has introduced the expected credit loss model. The Group's impairment allowance policy is presented in the accounting policies section in Note 2 sub-section *Impairment of finance lease receivables and loans and advances to customers (according to IFRS 9)* to the consolidated annual report. Critical accounting estimates and judgments are set out in Note 3 sub-section *Impairment of financial assets (Policy applicable as from 1 January 2018)* to the consolidated financial statements.

Given the complexity and judgements related particularly to the calculation of expected credit losses, the impairment allowance for finance lease receivables, loans and advances to customers is a key audit matter for the 31 December 2018 audit.

*Our answer*

Our audit procedures included, amongst others:

- We have obtained an understanding of the Group's implementation process for determining the impact of adoption of IFRS 9, including understanding of the changes to the Group's accounting processes. Additionally, we obtained an understanding of the credit risk modelling methodologies.
- We analyzed the accounting policies and framework methodology developed by the Group in order to evaluate its compliance with the requirements of the new standard.
- We also assessed the methodology developed by the management to calculate loss allowance under IFRS 9, concentrating on such aspects as factors for determining a 'significant increase in credit risk' and allocating the finance lease receivables and loans and advances to customers to stages, estimation of key impairment allowance calculation input parameters and forward-looking information.
- We checked the mathematical accuracy of the impairment allowance calculations.
- On a sample basis, we tested key controls over impairment allowance calculation process. We further performed additional procedures that involved assessment of the accuracy and completeness of the data used in the models.
- On sample basis we tested the data flow in the models, as well as evaluated the integrity of the data used during the process and consistency between the sources/ systems.
- We also assessed the adequacy of the related disclosures contained in Notes 23 and Note 24, as well as the sufficiency of information regarding the significant judgements applied by the management in Note 3 of the consolidated annual report.

*2. Interest income recognition*

*Risk Identified*

As disclosed in the Group's accounting policies outlined in Note 2 as well in Note 4 of the consolidated annual report, interest income from financial instruments measured at amortized cost is recognized at the effective interest rate ("EIR"). During the financial year in the consolidated statement of comprehensive income he Group recognized interest income from financial lease receivables and loans and advances to customers amounting to EUR 52,801,619 and EUR 1,501,335, respectively.

The calculation of the EIR includes commissions paid or received between the Group and its customers, which are an integral part of the EIR. Correct interest income recognition is highly dependent on appropriate design of the interest income recognition process as well as controls over the process, especially operational effectiveness of IT related controls.

Accounting for all EIR components is inherently more complex in the finance services sector when compared to some other industries due to the large number of customers, various contractual terms with customers, modification of those terms, as well as the amount of commissions included in the EIR calculation. Group's accounting policy in relation to agreement modifications is disclosed in Note 2 sub-section *Derecognition of financial assets and finance lease receivables* of the consolidated annual report.

Therefore, interest income recognition is considered to be relatively complex and requires, amongst other things, continual operating effectiveness of controls over the related processes.

Due to the above circumstances, the interest income recognition is a key audit matter for the 31 December 2018 audit.

*Our answer*

Our audit procedures included, amongst others:

- We assessed whether the Group's accounting policies in relation to the interest income recognition are in compliance with IFRS and reviewed Group's calculation of the effective interest rate.
- We gained understanding of the finance lease receivables and loans and advances to customers' issuance, accounting and income recognition process and tested key controls.
- We tested IT general controls for the systems supporting these processes.
- We tested a sample of agreements related to the issued finance lease receivables and loans and advances to customers. For the selected sample of agreements, we recalculated accrued interest income, commissions forming part of the EIR and principal outstanding at the financial year end by comparing the amounts recognized by the Group with the respective agreement terms, agreement modifications and other supporting data.
- We also assessed the adequacy of the related disclosures contained in Note 2 and Note 4 of the consolidated annual report.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the accompanying corporate governance statement therein but does not include the consolidated annual report and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated annual report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and of those charged with governance for the consolidated annual report**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated annual report in accordance with IFRSs as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated annual report that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual report, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated annual report**

The objectives of our audit are to obtain reasonable assurance about whether the consolidated annual report as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual report.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated annual report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual report, including the disclosures, and whether the consolidated annual report represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated annual report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated annual report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**Report on other legal and regulatory requirements**

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 25 January 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

The consolidated management report is consistent with the consolidated annual report and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance statement, included in the management report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated annual report and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

**Other matter**

The corporate governance statement includes the information required by article 68ter paragraph (1) points a), b), c), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

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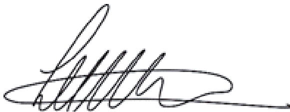
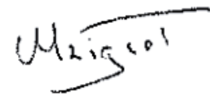
Société anonyme
Cabinet de révision agréé





Olivier Lemaire

Gabriel De Maigret

Luxembourg, 21 May 2019