

MOGO FINANCE REPORTS UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

Increase in profitability with continued strong performance

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Group loans issued increased by 17.0% equaling EUR 37.8 million (3M 2018: EUR 32.2 million), of which EUR 24.3 million in mature markets (3M 2018: EUR 24.1 million)
- Consolidated number of active customers up significantly by approx. 30.8% to over 85,000 (31 December 2018: approx. 65,000)
- To further strengthen the grip on cost of risk, several initiatives were launched, namely GPS project and security officer functions rolled out both as a Group and country priorities
- Near-prime car loan product has been successfully tested in Latvia and will be implemented in other mature and mid-tier markets where it has the biggest potential to succeed

FINANCIAL HIGHLIGHTS AND PROGRESS

- Interest and similar income up significantly by 34.7% to EUR 16.7 million (3M 2018: EUR 12.4 million)
- Rapid growth in net interest income of 37.5% to EUR 12.1 million (3M 2018: EUR 8.8 million)
- Quarterly increase in EBITDA by 43.2% to EUR 6.3 million (3M 2018: EUR 4.4 million)
- Net profit for the period adjusted for FX effects improved notably by 57.1% to EUR 1.1 million (3M 2018: EUR 0.7 million)

Modestas Sudnius, CEO of Mogo Finance, commented:

“First three months of 2019 have shown steady growth in loan issuances and significant increase in core financial indicators. Increased profitability is a result of continued Mogo Group’s development and investments initiated in the previous reporting periods. Together with solid capitalization ratio and healthy financing structure, Mogo Group has strong grounds for further financial performance improvement in the mid and long term.

Effective, market-leading processes have always been a backbone of Mogo Group’s operations and recent developments in process optimizations will allow us to strengthen our core competences even more. This together with our established regional teams will ensure sustainable growth in mature countries and will help to boost the operational excellence and quality portfolio growth in both start-up and mid-tier countries while better controlling the cost of risk.”

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CONFERENCE CALL:

A conference call in English with the Group's management team to discuss these results is scheduled for 17 May 2019, at 15:00 CEST.

Please register [here](http://emea.directeventreg.com/registration/4397238): <http://emea.directeventreg.com/registration/4397238>

ABOUT MOGO FINANCE:

Mogo Finance is one of the largest and fastest growing secured used car financing companies in Europe. Recognizing the niche in used car financing underserved by traditional lenders, Mogo Finance has expanded its operations to 15 countries issuing over EUR 358 million up to date and running a net loan portfolio over EUR 140 million. Mogo offers secured loans up to EUR 15,000 with maximum tenor of 84 months making used car financing process convenient, both for its customers and partners. Wide geographical presence makes Mogo unique over its rivals and diversifies revenue streams.

Mogo Finance operates through its own branch network, more than 1,500 partner locations and strong online presence. Physical footprint makes Mogo Finance top of mind brand in used car financing. Established in 2012, headquartered in Riga, Latvia Mogo Finance operates in: Latvia, Estonia, Lithuania, Georgia, Poland, Romania, Bulgaria, Moldova, Albania, Belarus, Armenia, Ukraine, Uzbekistan, Kazakhstan and North Macedonia.

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FINANCIAL REVIEW

Income Statement

The table below sets out the condensed consolidated statement of profit and loss for the three months ended 31 March 2019 and 31 March 2018.

(in EUR million)	3M 2018	3M 2019	% change
Interest and similar income	12.4	16.7	34.7
Interest expense and similar expenses	(3.6)	(4.6)	27.8
Net interest income	8.8	12.1	37.5
Impairment expense	(4.6)	(4.4)	(4.3)
Other operating expense	(3.1)	(6.3)	103.2
Profit before tax	1.1	1.4	27.3
Corporate income tax	0.1	(0.1)	(200.0)
Net profit for the period	1.2	1.3	8.3

Interest and similar income

(in EUR million or %)	3M 2018	3M 2019	% change
Interest and similar income	12.4	16.7	34.7
Interest and similar income (mature countries)	10.9	13.6	24.8
Average net portfolio	118.3	143.8	21.6
Average income yield on net portfolio	41.9	46.5	4.5 pp.

*Mature countries: Latvia, Lithuania, Estonia, Georgia, Armenia

Interest and similar income for the period was EUR 16.7 million, a 34.7% increase compared to EUR 12.4 million for the three months ended 31 March 2018 reflecting the growth in the average net loan portfolio by 21.6% from EUR 118.3 million to EUR 143.8 million and an increase in income yield from 41.9% to 46.5%.

Interest expense and similar expense

Interest expense for the period was EUR 4.6 million, an increase by 27.8% compared to EUR 3.6 million for the three months ended 31 March 2018. This increase was mainly due to the increase in total borrowings to EUR 169.0 million (3M 2018: EUR 108.7 million).

Impairment expense

Net impairment losses on loans and receivables for the period remained stable at EUR 4.4 million (3M 2018: 4.6 million). The NPL ratio (Gross NPL / Total gross portfolio) was stable at 17% (35+DPD, Days past due) of the gross portfolio (3M 2018: 16%) with a provision coverage ratio of 82% (3M 2018: 84%).

Operating expense

The table below sets out a breakdown of the Group's total operating expenses.

(in EUR million)	3M 2018	3M 2019	% change
Employees' salaries	1.7	3.8	123.5
Marketing expenses	0.5	0.7	40.0
Office and branch maintenance expenses	0.4	0.5	25.0
Professional services	0.2	0.5	150.0
Amortization and depreciation	0.2	0.5	150.0
Currency exchange loss/(gain)	(0.5)	(0.2)	(60.0)
Other operating expenses	0.6	0.5	(16.7)
Total operating expense	3.1	6.3	103.2

Total operating expenses reported for the period were EUR 6.3 million, a 103.2% increase compared to EUR 3.1 million reported for the three months ended 31 March 2018.

Employees' salaries comprised 60.3% of total operating expenses compared to 54.8% reported for the three months ended 31 March 2018, driven by expansion activities as well as HUB expense.

Marketing efficiency remains high with effective cost per loan issued being EUR 17. For the first three months of 2019 and 2018, marketing expense accounted for 11.1% and 16.13% of total operating expense, respectively.

Profit before tax

The consolidated profit before tax for the period was EUR 1.4 million, compared to EUR 1.1 million for the three months ended 31 March 2018.

Corporate income tax

The following table sets out a breakdown of the Group's corporate income tax.

(in EUR million)	3M 2018	3M 2019	% change
Corporate income tax	0.2	0.2	0.0
Deferred tax	(0.3)	(0.1)	(66.7)
Total corporate income tax	(0.1)	0.1	(200.0)

Profit for the period

For the reasons stated above, the Group's profit for the period was EUR 1.3 million, compared to EUR 1.2 million for the three months ended 31 March 2018. Increase in FX adjusted profit by EUR 0.4 million to EUR 1.1 million (3M 2018: EUR 0.7 million).

Non-IFRS figures – EBITDA

(in EUR million)	3M 2018	3M 2019	% change
Profit for the period	1.2	1.3	8.3
Interest expense	3.6	4.6	27.8
Net currency exchange loss	(0.5)	(0.2)	(60.0)
Depreciation and amortization	0.2	0.5	150.0
EBITDA reported	4.4	6.3	43.2

Balance sheet

The table below sets out the Group's condensed consolidated statement of its financial position.

Assets (in EUR million)	31 Dec. 2018	31 Mar. 2019
Intangible assets	3.7	4.5
Tangible assets	4.6	10.4
Finance lease receivables	135.0	140.1
Loans and advances to customers	5.3	7.1
Deferred tax asset	0.6	0.7
Inventories	3.1	3.1
Non-current assets held for sale	1.3	1.8
Other receivables	14.3	15.4
Cash and cash equivalents	11.1	9.4
Total assets	179.0	192.5
Equity and liabilities (in EUR million)	31 Dec. 2018	31 Mar. 2019
Share capital and reserves	0.1	0.1
Foreign currency translation reserve	(0.5)	(0.4)
Retained earnings	13.5	14.7
Non-controlling interests	0.5	0.5
Subordinated debt	2.5	2.5
Total equity	16.1	17.4
Borrowings	155.7	169.0
Other liabilities	7.2	6.1
Total liabilities	162.9	175.1
Total equity and liabilities	179.0	192.5

Assets

The Group had total assets of EUR 192.5 million as of 31 March 2019 a 7.5% increase compared to EUR 179.0 million as of 31 December 2018. The increase in assets reflects mainly the net loan portfolio growth.

Tangible assets

Tangible assets increased by EUR 5.8 million to EUR 10.4 million as of 31 March 2019 compared to EUR 4.6 million as of 31 December 2018. The increase in tangible assets was mainly due to long-term used car rent product in Latvia (EUR 5.0 million) and implementation of IFRS 16 (Leases) and CAPEX (EUR 0.8 million combined).

Loan portfolio

As of 31 March 2019, the Group's net loan portfolio equaled EUR 147.2 million, compared to EUR 140.3 million as of 31 December 2018, representing an increase of EUR 6.9 million, or 4.0%.

(in EUR million)

(in EUR million)				
Net portfolio				
	31 Dec. 2018	Total share (in %)	31 Mar. 2019	Total share (in %)
Mature countries*	109.2	77.8	107.7	73.2
Mid-tier countries**	28.1	20.0	32.2	21.9
Start-up countries***	3.0	2.2	7.3	5.0
Total net portfolio	140.3	100.0	147.2	100.0

* Mature countries are Latvia, Lithuania, Estonia as well as Georgia and Armenia

** Mid-tier countries are Bulgaria, Romania, Poland and Moldova

*** Start-up countries are Albania, Belarus, Ukraine, Kazakhstan and Uzbekistan

The loan portfolio of mid-tier and startup countries was EUR 32.2 and 7.3 million respectively, an increase by EUR 4.1 million and EUR 4.3 million, compared to 31 December 2018.

The following table sets out the classification of the Group's net loan portfolio in terms of overdue buckets as well as the total impairment coverage ratio.

(in EUR million)

Net portfolio				
	31 Dec. 2018	Total share (in %)	31 Mar. 2019	Total share (in %)
Current	106.8	76.2	111.0	75.4
1-10 days overdue	11.5	8.2	12.3	8.4
11-30 days overdue	12.5	8.9	12.5	8.5
31-34 days overdue	0.9	0.6	1.5	1.0
35+ days overdue (NPL)	8.6	6.1	9.9	6.7
Total net portfolio	140.3	100.0	147.2	100.0
NPL ratio*	16%		17%	
Impairment coverage ratio**	84%		82%	

* Gross NPL (35+ days overdue) / Total gross portfolio

** Total impairment / Gross NPL (35+ days overdue)

The NPLs in the net loan portfolio have been stable at around EUR 9 million or 16-17% from the total gross loan portfolio. This is in line with the profit maximization strategy of the Group for mature countries with improved scorecards as well as start-up and mid-tier countries that are in the process of further improving the scoring models.

Equity

Total equity amounted to EUR 17.4 million, an increase of EUR 1.3 million, or 8.1% compared to 31 December 2018, due to profits generated by the Group for the period.

The capitalization ratio as of 31 March 2019 was 11.8% (31 December 2018: 11.5%), providing good headroom for Eurobond covenants.

Liabilities

The Group had total liabilities of EUR 175.1 million as of 31 March 2019, compared to EUR 162.9 million as of 31 December 2018, representing an increase of EUR 12.2 million or 7.5%, primarily driven by the increase in loans and borrowings.

Loans and borrowings

The following table sets out loans and borrowings by type.

(in EUR million)	31 Dec. 2018	31 Mar. 2019
Liabilities for the rights to use assets	0.7	2.5
Loans from banks	8.3	10.0
Latvian Bonds	23.5	26.4
Eurobonds (incl. accrued interest)	78.6	76.8
Bonds acquisition costs and accrued interest	(4.0)	(3.7)
Financing received from P2P investors	48.6	57.1
Total loans and borrowings	155.7	169.0

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. Loan received by Mogo Georgia in the amount of EUR 1 million with an interest rate of 7.8% are maturing on March 2021.

On 17 March 2014, the Latvian entity (AS "mogo") registered with the Latvian Central Depository a bond facility through which it could raise up to EUR 20 million. This bond issue is unsecured. The notes issued at par, carry a fixed coupon of 10.0% per annum, paid monthly in arrears, and are maturing on March 2022. On 11 November 2014, the note type was changed to "publicly issued notes" and the notes were listed on the regulated market of NASDAQ OMX Baltic.

On 1 December 2017, the Latvian entity (AS "mogo") registered with the Latvian Central Depository a bond facility through which it could raise up to EUR 10 million. This bond issue is unsecured. The notes issued at par, carry a fixed coupon of 10.0% per annum, paid monthly in arrears, and are maturing on March 2021. The Bonds are listed on First North of NASDAQ OMX Baltic and are "privately issued notes".

As result of the voting procedure initiated on 6 March 2019, the noteholders have accepted the amendments to the Notes Prospectus (ISIN: LV0000801363) and Terms of the Notes Issue (ISIN: LV0000880029). According to the amendments, the principal amount of the notes shall be fully repaid in one instalment on 31 March 2021, replacing quarterly instalments of the principal amount of the notes. The approved amendments are effective from 29 March 2019.

On 11 July 2018, Mogo Finance successfully issued a 4-year corporate bond (XS1831877755), listed on the Open Market of the Frankfurt Stock Exchange, oversubscribed 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.

Off-balance sheet arrangements

The Group does not have significant off-balance sheet arrangements.

Condensed consolidated statement of cash flow

(in EUR million)	3M 2018	3M 2019
Cash flows to/from operating activities		
Profit before tax	1.1	1.4
Adjustments for:		
Amortization and depreciation	0.2	0.5
Interest expense	3.6	4.6
Interest income	-	(0.1)
Impairment expense	3.6	4.4
(Gain)/Loss from fluctuations of currency exchange rates	0.3	0.2
Operating profit before working capital changes	8.8	11.0
Increase in inventories	(0.1)	-
Increase/(Decrease) in payables	(1.2)	(1.6)
Operating cash flow before movements in portfolio	7.5	9.4
Increase in receivables and operational assets	(17.7)	(15.0)
Cash generated to/from operating activities	(10.2)	(5.6)
Corporate income tax paid	(0.2)	(0.3)
Net cash flows to/from operating activities	(10.4)	(5.9)
Cash flows to/from investing activities		
Purchase of property, plant and equipment and intangible assets	(0.4)	(3.3)
Loan repayments received	-	1.2
Loans issued	(0.5)	(2.5)
Interest received	-	0.1
Net cash flows to/from investing activities	(0.9)	(4.5)
Cash flows to/from financing activities		
Change in borrowings from Mintos P2P platform	8.6	8.3
Change in other borrowings	3.8	6.2
Payments for borrowings acquisition costs	-	(0.1)
Interest paid	(3.9)	(5.7)
Net cash flows to/from financing activities	8.5	8.7
Change in cash	(2.8)	(1.7)
Cash at the beginning of the year	5.2	11.1
Cash at the end of the period	2.4	9.4

The Group's operating cash flow before movements in the portfolio was EUR 9.4 million compared to EUR 7.5 million in the same period last year. Net cash flows generated by operating activities during the period were EUR (5.9) million compared to EUR (10.4) million in the same period last year. The Group's net cash flows from financing activities of EUR 8.7 million increased by EUR 0.2 million compared to EUR 8.5 million during the same period of the previous year.

Eurobond covenant ratios

Capitalization	31 Dec. 2018	31 Mar. 2019	Change (in % p.)
Equity/Net finance loans and advances to customers	11.5%	11.8%	0.3 pp.

Profitability	31 Dec. 2018	31 Mar. 2019*	Change (in %)
Interest coverage ratio (ICR)	1.3	1.3	-

(in EUR million)

	Mintos loans			Net portfolio			
	31 Dec. 2018	31 Mar. 2019	Change (in %)	31 Dec. 2018	Total share (in %)	31 Mar. 2019	Total share (in %)
Armenia	0	0	0	10.5	7.5	13.2	9.0
Bulgaria**	4.8	5.8	20.8	9.0	6.5	10.1	6.9
Estonia*	9.4	10.2	8.5	18.8	13.5	18.6	12.6
Georgia*	4.7	9.0	91.5	18.5	13.3	17.5	11.9
Latvia*	13.5	15.0	11.1	36.6	26.3	33.0	22.4
Lithuania*	9.7	10.4	7.2	24.8	17.1	25.4	17.3
Moldova**	1.6	1.7	6.3	6.1	4.4	8.3	5.6
Poland**	1.7	1.6	-5.9	4.7	3.4	4.2	2.9
Romania**	3.2	3.4	6.3	8.3	6.0	9.6	6.5
Start-up countries***	0.0	0.0	0.0	3.0	2	7.3	4.9
Total	48.6	57.1	145.8	140.3	100.0	147.2	100.0

* Mature countries are Latvia, Lithuania, Estonia as well as Georgia and Armenia

** Mid-tier countries are Bulgaria, Romania, Poland and Moldova

*** Start-up countries are Albania, Belarus, Ukraine, Kazakhstan, Macedonia and Uzbekistan

RECENT DEVELOPMENTS

Acquisitions and disposals

On 18 February 2019, the Group acquired Mogo DOOEL Skopje (Mogo Macedonia), an operational entity established in Macedonia, initially outside of the Group.

Regulatory Changes

There are no regulatory changes taken place since 31 March 2019.

LATVIAN OPERATIONS ONLY - INTERIM CONDENSED FINANCIAL INFORMATION AS "MOGO" (SINGLE ENTITY)

Statement of Profit or Loss and Other Comprehensive Income

(in EUR million)	3M 2018	3M 2019
Interest and similar income	3.9	4.4
Interest expense and similar expenses	(1.4)	(0.8)
Net interest income	2.5	3.6
Impairment expense	(0.9)	(0.2)
Loss arising from cession of financial lease receivables	(0.2)	(0.7)
Selling expense	(0.2)	(0.1)
Administrative expense	(1.4)	(1.2)
Other operating income	-	0.1
Other interest income and similar income	0.7	-
Profit before tax	0.5	1.5
Corporate income tax	-	0
Deferred corporate income tax	-	-
Total comprehensive profit for the period	0.5	1.5

Statement of Financial Position – Assets

(in EUR million)	31 Dec. 2018	31 Mar. 2019
NON-CURRENT ASSETS		
Tangible assets		
Property, plant and equipment	1.7	6.9
Total tangible assets	1.7	6.9
Non-current financial assets		
Finance lease receivables	23.3	24.3
Loans and advances to customers	1.3	1.2
Loans to related companies	11.0	14.2
Total non-current financial assets	35.6	39.7
TOTAL NON-CURRENT ASSETS	37.3	46.6
CURRENT ASSETS		
Inventories		
Finished goods and goods for resale	-	0.5
Total Inventories	-	0.5
Receivables		
Finance lease receivables	10.7	6.4
Loans and advances to customers	1.4	1.0
Receivables from related companies	2.8	0.4
Non-current assets held for sale	0.1	0.1
Other receivables	0.5	0.8
Prepaid expense	0.1	0.3
Total receivables	15.6	9.0
Cash and cash equivalents	0.8	0.2
TOTAL CURRENT ASSETS	16.4	9.7
TOTAL ASSETS	53.7	56.3

Statement of Financial Position – Equity and Liabilities

(in EUR million)	31 Dec. 2018	31 Mar. 2019
EQUITY		
Share capital	5.0	5.0
Retained Earnings:		
brought forward	0.1	3.1
for the period	3.0	1.5
TOTAL EQUITY	8.1	9.6
LIABILITIES		
Non-current liabilities		
Borrowings	38.8	39.3
Total non-current liabilities	38.8	39.3
Current liabilities		
Borrowings	4.6	6.2
Prepayments received from customers	0.4	-
Trade payables	0.1	0.3
Payables to related companies	0.6	0.2
Accrued liabilities	0.6	0.2
Other provisions	0.5	0.5
Total current liabilities	6.8	7.4
TOTAL LIABILITIES	45.6	46.7
TOTAL EQUITY AND LIABILITIES	53.7	56.3

IMPORTANT INFORMATION

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