

*This document is an English translation of the original Latvian text.*

*The Issuer has signed the Prospectus in Latvian and any translations of the Prospectus in another language are unofficial and performed solely for the convenience of investors. In case of dispute settlement, the interpretation of Prospectus norms in Latvian has priority over translations in other languages.*



AS “mogo”  
NOTE PROSPECTUS

Financial instruments:	Notes
ISIN:	LV0000801363
Number of financial instruments:	20,000
Nominal value:	EUR 1000.00
Total nominal value:	EUR 20,000,000.00
Coupon rate:	10%
Frequency of coupon payments:	Once a month
Date of coupon payment:	On the last date of the month
Repayment of principal amount:	Once a quarter starting from 30 June 2019, EUR 125.00 from every Note
Maturity date:	31 March 2021

Organiser of issue:

**Baltikums Bank**

13 October 2014

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## 1. Terms and Abbreviations

Bank or Organiser of Issue	: Baltikums Bank, AS (legal address — Smilšu iela 6, Riga, LV-1050, Latvia)
Business Day	: A day which is not a holiday or festive day of the Republic of Latvia and on which LCD and TARGET2 systems are open for carrying out transactions
Terms of Issue	: A document, pursuant to which the issue of Notes is carried out (ISIN LV0000801363)
Issuer	: AS “mogo” (legal address — Riga, Matrožu iela 15A, LV-1048, Latvia)
EUR	: Euro (single currency of the European Economic and Monetary Union Member States)
FCMC	: Financial and Capital Market Commission
Custodian	: A credit institution or an association of investment brokers, which has received a FCMC licence or is entitled to carry out transactions and store securities in accordance with the regulatory enactments of its country of registration
Coupon	: Interest payment for Notes
LCD	: AS “Latvijas Centrālais depozitārijs” (Latvian Central Depository) (legal address: Vaļņu iela 1, Riga, LV-1050, Latvia)
RoL	: Republic of Latvia
Insolvency Case	: Circumstances referred to in Section 6.2 “Insolvency case” of the Prospectus
Nominal Value	: Nominal value of one Note
NR	: AS “NASDAQ Riga” (legal address: Vaļņu iela 1, Riga, LV-1050, Latvia)
Regulatory Enactments or Legislation	: Regulatory enactments applied in the Republic of Latvia, including NR and LCD regulations
Note	: A debt security issued by the Issuer in accordance with the Terms of Issue
Noteholder	: A person who owns one or several Notes
Potential Investor	: A person who considers the possibility of purchasing one or several Notes
Prospectus	: This document, on the basis of which Notes are included in the regulated market
Related Persons	: Persons referred to in Section 6.4 “Restrictions” of the Prospectus

## 2. Responsible Persons

Hereby we, Members of the Board of AS "mogo" Jēkabs Endziņš (personal identification number 070688-10619) and Mārcis Grīnis (personal identification number 081084-12004), certify that, by paying sufficient attention to this purpose, the information included in the Prospectus is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

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Jēkabs Endziņš

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Mārcis Grīnis

### 3. Summary

<b>Part A. Introduction and Warnings</b>		
<b>Element and Request for the Provision of Information</b>		<b>Information</b>
A.1	Warning to investors	<ul style="list-style-type: none"> <li>This summary should be read as introduction to the Prospectus;</li> <li>Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the Potential Investor;</li> <li>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff Potential Investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, key information in order to aid Potential Investors when considering whether to invest in such securities.</li> </ul>
<b>Part B. Issuer and any Guarantor</b>		
B.1	Legal name and commercial name of the Issuer	Akciju sabiedrība “mogo”
B.2	The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation	<p>Country of location: Republic of Latvia.            Legal form: joint-stock company, legal status — legal person.            Date and place of registration: in the Commercial Register of the Republic of Latvia on 3 May 2012            Registration number: 50103541751            Legal address: Matrožu iela 15A, Rīga, LV-1048, Latvia.            The company’s country of foundation is the Republic of Latvia.            The main regulatory enactments which regulate Issuer’s activities:</p> <ul style="list-style-type: none"> <li>The Commercial Law of the Republic of Latvia;</li> <li>Cabinet Regulation No. 245 of 29 March 2011, “Regulations Regarding the Procedures by Which a Special Permit (Licence) for the Provision of Consumer Credit Services Shall Be Issued, Re-Registered, Suspended and Cancelled and the State Fee for the Issue and Re-Registration of a Special Permit (Licence) Shall Be Paid, as well as the Requirements for a Capital Company for the Receipt of a Special Permit (Licence)”;</li> <li>Cabinet Regulation No. 1219 of 28 December 2010, “Regulations On Consumer Credit” (these Regulations determine the requirements in relation to the content of consumer credit service advertisements, the procedures by which information shall be provided prior to entering into a consumer credit agreement, and the content of information, the requirements to be set out for the credit agreement and the information to be contained therein, the methodology for the calculation of the annual percentage rate of charge, the procedures for informing consumers during the duration of the credit agreement, the procedures for early repayment of credit and fair reduction of the total costs of the credit, the requirements applicable to individual types of credit agreements and the obligations of credit intermediaries, as well as the legal framework for consumer credit for pledging movable property);</li> <li>Cabinet Regulation No. 1037 of 21 December 2004, “Regulations regarding Distance Contracts for the Provision of Financial Services” (these Regulations determine the information to be included in a distance contract for the provision of financial services, separate requirements regarding fulfilment of the contract, as well as the procedures and time period in which the right of withdrawal provided in Section 12 of the Consumer Rights Protection Law shall be exercised);</li> <li>Personal Data Protection Law (the purpose of this Law is to protect the fundamental human rights and freedoms of natural persons, in particular</li> </ul>

		<p>the inviolability of private life, with respect to the processing of data regarding natural persons);</p> <ul style="list-style-type: none"> <li>• Consumer Rights Protection Law (the purpose of this Law is to ensure that consumers are able to exercise and protect their lawful rights when entering into contracts with manufacturers, traders or service providers);</li> <li>• Unfair Commercial Practice Prohibition Law (the purpose of this Law is to ensure the protection of the rights and economic interests of the consumers by prohibiting the performers of commercial practices from utilising unfair business-to-consumer commercial practices);</li> <li>• Law On Extrajudicial Recovery of Debt (the purpose of this Law is to regulate the rights and duties of a creditor and a provider of debt recovery services in the field of debt recovery).</li> </ul>															
B.3	A description of, and key factors relating to, the nature of the Issuer’s current operations and its principal activities	The main area of Issuer’s activity is the leaseback of vehicles or crediting against the vehicle already owned by the client and financial leasing of vehicles.															
B.4a	A description of the most significant recent trends affecting the Issuer and the industries in which it operates	At the moment of signing the Prospectus, the Issuer has no information at its disposal regarding any recent tendencies that have negatively affected the Issuer or the activity of the crediting industry.															
B.4b	A description of any known trends affecting the Issuer and the industries in which it operates	At the moment of signing the Prospectus, the Issuer has no information at its disposal regarding any identified tendencies that have negatively affected the Issuer or the activity of the crediting industry.															
B.5	A description of the group and the Issuer’s position within the group	The Issuer is not a participant of a concern/group.															
B.6	Main shareholders of the Issuer	<p>The only shareholder of the Issuer is a company registered in Luxembourg “Mogo Finance S.A.” (registration No. B 174.457, legal address: 2-4 rue Eugene Ruppert, LV-2453, Luxembourg) which owns 100% shares of the company.</p> <p>The true beneficiaries of the Issuer are two financial investors, citizens of the Republic of Latvia, each of which owns 30.33% of capital shares of “Mogo Finance S.A.”. The remaining 39.34% of capital shares of “Mogo Finance S.A.” belong to seven private individuals, citizens of Latvia, of whom the largest shareholder owns 10.11%, while the smallest — 0.5%.</p> <p>As of 30 September 2014, the share capital of the Issuer was increased up to EUR 5,000,000 without changing the structure of shareholders.</p> <p>Structure of Issuer’s shareholders:</p> <table border="1"> <thead> <tr> <th>Name, surname/Name</th> <th>Number of shares</th> <th>% of the total number</th> </tr> </thead> <tbody> <tr> <td colspan="3">As at 30 June 2014:</td> </tr> <tr> <td>“Mogo Finance S.A.”</td> <td>300,000</td> <td>100.00%</td> </tr> <tr> <td colspan="3">As at 30 September 2014, after increasing the share capital:</td> </tr> <tr> <td>“Mogo Finance S.A.”</td> <td>5,000,000</td> <td>100.00%</td> </tr> </tbody> </table>	Name, surname/Name	Number of shares	% of the total number	As at 30 June 2014:			“Mogo Finance S.A.”	300,000	100.00%	As at 30 September 2014, after increasing the share capital:			“Mogo Finance S.A.”	5,000,000	100.00%
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		At the moment of signing the Prospectus, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer’s control.																																																																																																				
B.7	Selected historical key financial information	<p>Issuer’s balance sheets for 2012, 2013, and six months of 2014.</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>30.06.2014, EUR</th> <th>31.12.2013, EUR</th> <th>31.12.2012, EUR</th> </tr> </thead> <tbody> <tr> <td>Long-term investments</td> <td>12,051,263</td> <td>5,051,938</td> <td>1,212,405</td> </tr> <tr> <td>Current assets</td> <td>5,055,062</td> <td>2,692,473</td> <td>628,070</td> </tr> <tr> <td><b>TOTAL ASSETS</b></td> <td><b>17,106,325</b></td> <td><b>7,744,411</b></td> <td><b>1,840,475</b></td> </tr> <tr> <td>Equity</td> <td>128,124</td> <td>(48,480)</td> <td>240,928</td> </tr> <tr> <td>Long-term creditors</td> <td>15,979,000</td> <td>5,657,390</td> <td>1,217,941</td> </tr> <tr> <td>Short-term creditors</td> <td>999,201</td> <td>2,135,501</td> <td>381,606</td> </tr> <tr> <td><b>TOTAL LIABILITIES</b></td> <td><b>17,106,325</b></td> <td><b>7,744,411</b></td> <td><b>1,840,475</b></td> </tr> </tbody> </table> <p>The profit and loss statement of the Issuer for 2012 (1<sup>st</sup> financial year, period from 3 May to 31 December), 2013, and six months of 2014.</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>01.01.2014 – 30.06.2014, EUR</th> <th>2013, EUR</th> <th>03.05.2012 – 31.12.2012, EUR</th> </tr> </thead> <tbody> <tr> <td>Interest and similar income</td> <td>2,202,633</td> <td>2,369,884</td> <td>140,230</td> </tr> <tr> <td>Interest expense</td> <td>(574,808)</td> <td>(739,063)</td> <td>(29,423)</td> </tr> <tr> <td>Impairment</td> <td>(169,290)</td> <td>(167,290)</td> <td>(50,417)</td> </tr> <tr> <td>Cost of goods sold</td> <td>-</td> <td>(5265)</td> <td>-</td> </tr> <tr> <td>Selling expense</td> <td>(385,886)</td> <td>(702,978)</td> <td>(129,027)</td> </tr> <tr> <td>Administrative expense</td> <td>(772,756)</td> <td>(976,345)</td> <td>(132,654)</td> </tr> <tr> <td>Other operating income</td> <td>56,420</td> <td>82,161</td> <td>2706</td> </tr> <tr> <td>Other operating expense</td> <td>(76,457)</td> <td>(89,987)</td> <td>(3712)</td> </tr> <tr> <td>Other interest receivable and similar income</td> <td>5375</td> <td>15,946</td> <td>871</td> </tr> <tr> <td>Interest payable and similar expense</td> <td>(19)</td> <td>(26,263)</td> <td>(15,814)</td> </tr> <tr> <td><b>Profit/(loss) before Income Tax</b></td> <td><b>285,212</b></td> <td><b>(239,200)</b></td> <td><b>(217,240)</b></td> </tr> <tr> <td>Corporate income tax</td> <td>(126,351)</td> <td>(44,153)</td> <td>-</td> </tr> <tr> <td>Deferred income tax</td> <td>17,743</td> <td>(6,055)</td> <td>31,306</td> </tr> <tr> <td><b>Profit/(loss) for the period</b></td> <td><b>176,604</b></td> <td><b>(289,408)</b></td> <td><b>(185,934)</b></td> </tr> <tr> <td>Other comprehensive income</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Total comprehensive profit/(loss) for the period</b></td> <td><b>176,604</b></td> <td><b>(289,408)</b></td> <td><b>(185,934)</b></td> </tr> </tbody> </table> <p>Issuer’s balance sheet and profit and loss statement have been taken from the audited financial statement for 2012, 2013, and condensed interim financial statement for six months of 2014.</p> <p>As of the publication of the last audited financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.</p>	Indicator	30.06.2014, EUR	31.12.2013, EUR	31.12.2012, EUR	Long-term investments	12,051,263	5,051,938	1,212,405	Current assets	5,055,062	2,692,473	628,070	<b>TOTAL ASSETS</b>	<b>17,106,325</b>	<b>7,744,411</b>	<b>1,840,475</b>	Equity	128,124	(48,480)	240,928	Long-term creditors	15,979,000	5,657,390	1,217,941	Short-term creditors	999,201	2,135,501	381,606	<b>TOTAL LIABILITIES</b>	<b>17,106,325</b>	<b>7,744,411</b>	<b>1,840,475</b>	Indicator	01.01.2014 – 30.06.2014, EUR	2013, EUR	03.05.2012 – 31.12.2012, EUR	Interest and similar income	2,202,633	2,369,884	140,230	Interest expense	(574,808)	(739,063)	(29,423)	Impairment	(169,290)	(167,290)	(50,417)	Cost of goods sold	-	(5265)	-	Selling expense	(385,886)	(702,978)	(129,027)	Administrative expense	(772,756)	(976,345)	(132,654)	Other operating income	56,420	82,161	2706	Other operating expense	(76,457)	(89,987)	(3712)	Other interest receivable and similar income	5375	15,946	871	Interest payable and similar expense	(19)	(26,263)	(15,814)	<b>Profit/(loss) before Income Tax</b>	<b>285,212</b>	<b>(239,200)</b>	<b>(217,240)</b>	Corporate income tax	(126,351)	(44,153)	-	Deferred income tax	17,743	(6,055)	31,306	<b>Profit/(loss) for the period</b>	<b>176,604</b>	<b>(289,408)</b>	<b>(185,934)</b>	Other comprehensive income	-	-	-	<b>Total comprehensive profit/(loss) for the period</b>	<b>176,604</b>	<b>(289,408)</b>	<b>(185,934)</b>
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B.9	Profit forecast or evaluation	The profit/loss forecast has not been carried out.																																																																																																				
B.10	Objections in the financial information of the audit report	The reports on the audit of the financial statement for 2013 and condensed interim financial statement for the six-month period, which ended on 30 June 2014, contained no objections.																																																																																																				
B.11	Issuer’s equity	As at 31 December 2013, the amount of Issuer’s equity was negative and reached EUR (48,480.00). As at 30 June 2014, in accordance with the audited financial data, the amount of Issuer’s equity was positive and reached EUR 128,124 as a result of net profit. As at 30 September 2014, the share capital of the Issuer was increased up to EUR 5,000,000.																																																																																																				
B.12	Forecasts	The forecasts regarding the Issuer contain no crucial negative changes after the																																																																																																				

	regarding the Issuer	publication of the last audited financial statements.
B.13	A description of any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	Recently, no events related to the Issuer, which are crucial for preventing Issuer's insolvency, have been established.
B.14	Issuer's dependency	Not applicable, since the Issuer is not a participant of a concern/group.
B.15	activity description of the Issuer's principal activities	The main area of Issuer's activity is the leaseback of vehicles or crediting against the vehicle already owned by the client and financial leasing of vehicles.
B.16	Control over the Issuer	100.00% of Issuer's shares belong to “Mogo Finance S.A.”
B.17	Credit ratings assigned to the Issuer or its debt securities	No creditworthiness ratings (credit ratings) are currently assigned for the Issuer and Notes to be issued.
B.18 – B.50		Not applicable.
<b>Part C. Securities</b>		
C.1	Type and category of securities, ISIN	Notes are debt securities of the holder with no collateral or alienation restrictions. LCD has registered the issue of Notes and assigned it an international securities identification number (ISIN LV0000801363), as well as carries out the accounting of issued Notes.
C.2	Currency of the issue of securities	EUR
C.3 – C.4		Not applicable.
C.5	Restrictions for free transferability of securities	Notes are dematerialised securities of the holder with no alienation restrictions.
C.6 – C.7		Not applicable.
C.8, C.9	Rights arising from the Notes	<p>Noteholders have the right to receive Coupon and Principal Amount payments pursuant to the procedure provided for in the Prospectus.</p> <p>Coupon (interest) rate is 10% (ten per cent) a year. Interest payments start from 31 March 2014 and are made on the last day of each month. The maturity date of Notes is 31 March 2021, principal amount payments are made once a quarter and on the last day of a quarter, starting from 30 June 2019.</p> <p>If the Issuer takes decision on the early redemption of Notes, the Issuer shall notify Noteholders at least 10 (ten) Business Days prior to the redemption date of Notes, by publishing the relevant information in the NR information system and in the Official Obligatory Information Centralised Storage System (ORICGS).</p> <p>The Issuer can make early redemption, either full or partial, starting from 31 December 2014 on the last day of each month. When repaying the principal amount of Notes, the Issuer has to pay by 1% more for the principal amount of Notes to be repaid. The minimum redemption size of principal amount per Note is EUR 10.00 (ten euros zero cents) with the next step of EUR 10.00 (ten euros zero cents). In cases when the principal amount is repaid in full, the redemption step of EUR 10.00 (ten euros zero cents) shall not be applied. Notes are not secured by pledge and third parties have not guaranteed for Notes and Coupon payments related thereto.</p>



		Within the framework of the issue of Notes it is not provided for, yet at the same time there are no restrictions set for Noteholders’ right to create and/or authorise an organisation/person that represents the legal interests of all Noteholders or part thereof.
C.10	Interest payment of securities based on derived financial instruments	Not applicable.
C.11	Inclusion of Notes in the regulated market	The Issuer plans to include all the issued and placed Notes in “NASDAQ Riga” regulated market, ensuring their public circulation. Settlements of Notes are carried out by LCD.
C.12	Minimum denomination of the issue	The Nominal Value of one Note is EUR 1,000 (one thousand euros). As at the moment of submission of the Prospectus to FCMC, 19,062 (nineteen thousand sixty-two) Notes were issued as at 13 October 2014. The Issuer has the right to issue additional 938 (nine hundred thirty eight) Notes by 31 December 2015.
C.13 – C.22		Not applicable.
<b>Part D. Risks</b>		
D.1, D.2	Key information on the key risks that are specific to the Issuer or its industry	When making an investment in Notes, the Noteholder undertakes certain financial risks. These risks are related to the financial situation of the lessee, as well as the situation of the market of Notes and securities both in Latvia and abroad. The Issuer carries out its activity, taking into account well-considered risk management aimed at restricting the undertaking of risks in all the main areas of activity. The entrepreneurial activity of the Issuer is related to the following risks: legal risk, macroeconomic risk, competition risk, market risk, risk related to human capital, credit risk, and operational risk.
D.3	Key information on the key risks that specific to the securities	When investing funds in Notes, investors undertake the following risks related to debt securities: 1) there may be no possibility of selling Notes in the secondary market; 2) up to the moment of repayment of the issue, the price in the secondary market may be lower than the Nominal Value of Notes; 3) regulatory enactments, which regulate tax rates and tax payment procedure and which may negatively affect the profitability of Notes, may change.
D.4 – D.6		Not applicable.
<b>Part E. Offer</b>		
E.1 – E.2a		Not applicable.
E.2b	Reasons for the offer of securities and use of proceeds	The issue of Notes is carried out so that the Issuer would be able to re-finance the existing loans from investors under more favourable financing conditions, to improve the cash flow and liquidity, as well as to attract additional capital for the financing of company’s loan portfolio and increase the awareness in the regulated capital market and among institutional investors.
E.3	A description of the Terms of Issue	Not applicable.
E.4	A description of any interest that is material to the issue including conflicting interests	The Issuer has no information at its disposal regarding possible conflicts of interests in relation to the issue of Notes.
E.5 – E.6		Not applicable.
E.7	Estimated expenses charged to the investor by the issuer or the offeror	All the expenses related to the acquisition and storage of Notes are borne by an investor in compliance with the price-list of a credit institution or investment service provider, through which the investor purchases and stores Notes. The Issuer is not obliged to compensate for expenses incurred by the investor.  The investor may have additional tax payment obligations related to Notes depending on the investor’s country of residence. The Issuer will deduct taxes from Coupon payments in compliance with the Prospectus.

## 4. Risk Factors

### 4.1. Important note

The risks indicated in this section may reduce Issuer’s ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are not secured by pledge and third parties have not guaranteed for Notes and Coupon payments related thereto. This section may not feature all the potential risks which may affect the Issuer.

### 4.2. Changes to regulatory enactments

The Issuer carries out its activity in Latvia and most of the risks, which affect it, are related to the general economic situation in the country and regulatory enactments adopted by the *Saeima* of the RoL or Cabinet of Ministers of the RoL.

Currently, the activity of the Issuer and other non-bank credit companies in Latvia is regulated by Cabinet Regulation No. 245 of 29 March 2011, “Regulations Regarding the Procedures by Which a Special Permit (Licence) for the Provision of Consumer Credit Services Shall Be Issued, Re-Registered, Suspended and Cancelled and the State Fee for the Issue and Re-Registration of a Special Permit (Licence) Shall Be Paid, as well as the Requirements for a Capital Company for the Receipt of a Special Permit (Licence)” which, among other things, determines the need for a licence, the price of which is EUR 71,140, as well as annual prolongation of licence operation, the price of which is EUR 14,225; by Cabinet Regulation No. 1219 of 28 December 2010, “Regulations On Consumer Credit”; Cabinet Regulation No.1037 of 21 December 2004, “Regulations regarding Distance Contracts for the Provision of Financial Services”; Personal Data Protection Law; Unfair Commercial Practice Prohibition Law; Law On Extrajudicial Recovery of Debt, and Consumer Rights Protection Law.

### 4.3. Macroeconomics

The economic situation in Latvia, where the Issuer carries out its entrepreneurial activity, is assessed as stable, which is supported by both macroeconomic data, such as GDP and employment indicators<sup>1</sup>, and credit ratings assigned by international rating agencies — Moody’s Investors Service<sup>2</sup>, Standard & Poor’s Financial Services<sup>3</sup>, and Fitch Ratings<sup>4</sup> — which have been increased over the recent years.

The stability of Latvia’s economic situation is confirmed by the fact that Standard & Poor’s raised Latvia’s credit rating from “BBB+” to “A-” on

<sup>1</sup> Data of the Bank of Latvia “Main Macroeconomic Indicators”. Available at: <http://www.bank.lv/statistika/datu-telpa/galvenie-raditaji/galvenie-makroekonomiskie-raditaji>

<sup>2</sup> Moody’s Investors Service data. Available at:

<https://www.moody.com/page/search.aspx?cy=global&kw=latvia&searchfrom=GS&spk=qs&tb=1>

<sup>3</sup> Standard & Poor’s data. Available at: [http://www.standardandpoors.com/en\\_US/web/guest/ratings/entity/-/org-details/sectorCode/SOV/entityId/309881](http://www.standardandpoors.com/en_US/web/guest/ratings/entity/-/org-details/sectorCode/SOV/entityId/309881)

<sup>4</sup> Fitch Ratings data. Available at: <https://www.fitchratings.com/gws/en/esp/issr/80442245>

30 May 2014, substantiating it with strong economic growth and stable fiscal performance of the country.<sup>5</sup>

#### 4.4. Competition risk

As at 1 September 2014, there were 56 licensed non-bank credit companies<sup>6</sup> which operated in the territory of Latvia, offering different credit services; 15 of them operated in the financial leasing and leaseback market<sup>7</sup>. Licensed non-bank credit companies also operate in such areas as pawnshops, fast loans, consumer loans, loans against pledge, and loans against immovable property.

Despite that in 2012, 90% of the total amount of issued leases was constituted by traditional bank leasing companies such as SIA “Swedbank Līzings”, SIA “Nordea Finance Latvia”, SIA “SEB līzings”, SIA “UniCredit Leasing”, SIA “DNB līzings”, etc.<sup>8</sup>, these companies usually issue a loan/lease for the amount which on average does not exceed EUR 8,000<sup>9</sup> (the average leasing amount of the Issuer is approximately EUR 2,472 as of its founding) and do not issue leases for vehicles, which are older than 12 years at the end of the leasing period<sup>10</sup> (the average age of a leasing vehicle of the Issuer at the moment of issue is 12-13 years); therefore, it can be stated that the Issuer and bank leasing companies have different target audiences.

If bank leasing companies choose to extend their target audience and issue more risky leases of lower value against older vehicles, the Issuer will have to respectively react to the competition, reducing interest rates for loans or offering clients more favourable conditions. It is possible that a competitor, which will be able to reduce Issuer’s market share by means of an aggressive and extensive marketing campaign and more favourable conditions, as a result of which Issuer’s profitability will decrease, will appear among existing non-bank credit companies which offer vehicle leasing services to a similar target audience. See Section 11.4 “Competition” of the Prospectus for a detailed description of the market competition.

The Issuer’s management has extensive experience in managing entrepreneurial activity, which is useful in adjusting to market changes and managing the company in changing conditions of external environment. See Section 11.15 “Employees and summary of experience of Issuer’s management” of the Prospectus for the experience of Issuer’s management.

#### 4.5. Financial risk

Issuer’s growth and size of loan portfolio significantly depends on the ability to attract capital from different sources of financing. The Issuer significantly depends on the

<sup>5</sup> Standard & Poor’s data. “Latvia Long-term Rating Raised to “A-” on Strong Growth and Fiscal Performance”. Available at:

<http://www.standardandpoors.com/prot/ratings/articles/en/us?articleType=HTML&assetID=1245369119972>

<sup>6</sup> Data of the Consumer Rights Protection Centre. Available at: <http://www.ptac.gov.lv/page/535>

<sup>7</sup> Data of the Consumer Rights Protection Centre. Available at: <http://www.ptac.gov.lv/page/535>

<sup>8</sup> Data of the Consumer Rights Protection Centre. “Issued Amounts and Contracts Entered into in the Sector of Non-bank Financial Services in 2012”, “Summary on the Non-bank Credit Market for 2012”. Available at: <http://www.ptac.gov.lv/page/195>

<sup>9</sup> Data of the Consumer Rights Protection Centre. “Issued Amounts and Contracts Entered into in the Sector of Non-bank Financial Services in 2012”, “Summary on the Non-bank Credit Market for 2012”. Available at: <http://www.ptac.gov.lv/page/195>

<sup>10</sup> Summarised information about leasing conditions of bank leasing companies.

loans issued by Issuer's related parties, the total amount of loans of which reached approximately 90% of the total amount of creditors as at 31 December 2013. In future, the Issuer wants to attract capital from credit institutions, private investors, or financial markets; however, there is a possibility that these sources of financing may not be available in the amount required for the Issuer, or their conditions may be too unfavourable, which may significantly affect Issuer's ability to ensure sufficient financing for the company's growth.

In order to reduce Issuer's dependence on the loans of related parties, the Issuer carried out negotiations on bank financing, as a result of which a short-term credit line of EUR 3,500,000 was received from a commercial bank in Latvia in July 2014. In addition, the Issuer plans to issue notes with a shorter term, which will be offered to institutional investors, as well as considers other financing options. The job duties of the Issuer's Chief Financial Officer include active communication with potential and existing creditors, negotiations on loan conditions, and assessment of alternatives.

The principal amount of Notes will be repaid every quarter from 30 June 2019 to 31 March 2021 by applying the amortisation method once a quarter (principal amount payments are equal in all the quarters). Coupon payments are made once a month, hence the Issuer has the minimum risk of Note re-financing at the end of the term.

Noteholders must take into account that the Issuer has the right to the early redemption of Notes in accordance with Section 5.10 “Early redemption of Notes (*call option*)” of the Prospectus, wherewith Noteholders are subject to early redemption risk which is compensated by the payment of additional 1% of the principal amount to be repaid.

#### 4.6. Dependence on service providers

There is a risk that the access to services the Issuer uses to assess client's solvency (credit record data bases offered by SIA “Lindorff Oy Latvijas filiāle”, SIA “Paus Konsults”, etc.), to assess vehicles, and to determine the conformity of vehicles (Road Traffic Safety Directorate (CSDD) database, announcement platforms), and to provide marketing services (advertisement on Google homepage and in Google partner networks), may be restricted or prohibited, or the costs services may be significantly increased, which may affect Issuer's activity for an indefinite period of time.

#### 4.7. Dependence on managing employees

In future, Issuer's duties will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. There is competition for personnel with the relevant skills and experience in Latvia, and it is comparatively high; however, the Issuer has successful experience in the field of personnel management, offering education, professional growth, and development possibilities, as well as different motivation programmes to the employees.

#### 4.8. Operational risks

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful inner processes, personnel management, systems, or external circumstances. As at 30 June 2014, the number of Issuer's employees reached

59 persons; therefore, thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, constant investments are made within the IT system, which allows the Issuer to reduce operational risks.

#### 4.9. Credit risk of clients

Noteholders must take into account that the main activity of the Issuer is related to the issue of leases and the main asset of the Issuer is its leasing portfolio, as well as vehicles registered as collateral in favour of the Issuer. On average, leases are issued in the amount of 60%–85% of the market value of a vehicle, therefore its sales value may not reach the amount of the issued lease in case potential risks set in. The credit policy of the Issuer is described in more detail in Section 11.13 “ Loan issue policy of the Issuer” of the Prospectus.

To reduce the credit risk of the Issuer’s client, the Issuer regularly makes impairment allowance, the calculation methodology of which is described in Section 11.14 “ Issuer’s ” of the Prospectus.

Issuer’s services are available to shareholders, members of the Council and the Board, as well as employees pursuant to general transaction conditions. Transactions with related persons for 2013 and six months of 2014 may be observed in Table 12 “Transactions with related persons as at 30.06.2014 and 31.12.2013” of the Prospectus.

#### 4.10. Risks related to Notes

##### 4.10.1. Funds recovery risk

Notes are equivalent to other unsecured loans of the Issuer. In case of Issuer’s insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable regulatory enactments. There are no contracts or other transaction documents which would subject the claims of Noteholders to other unsecured obligations of the Issuer. The Issuer is not prohibited from pledging assets in favour of other creditors.

##### 4.10.2. Liquidity risk

Despite that Notes are planned to be included in the NR Baltic Bond List, neither the Issuer, nor any other person guarantees the minimum liquidity of Notes. Noteholders should take into account that there may be difficulties in selling Notes in the secondary market.

##### 4.10.3. Price risk

Notes will be repaid for their Nominal Value, yet the price in the secondary market may change significantly. Neither the Issuer, nor any other person undertakes to maintain a certain price level of Notes.

#### 4.10.4. Tax risk

Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate for the increase in taxes to Noteholders, therefore Noteholders may receive smaller payments related to Notes.

## 5. Information about Financial Instruments

### 5.1. Use of funds

The issue of Notes is carried out so that the Issuer would be able to re-finance existing loans from investors under more favourable financing conditions, improve the cash flow and liquidity, as well as to attract additional capital for the financing of Issuer’s leasing portfolio and increase the awareness in the regulated capital market and among institutional investors.

At the moment of registration of the Issue Prospectus, the Issuer had re-financed loans from related persons in the form of Notes with the total amount of EUR 9,829,951. The division of long-term and short-term loans as at 31 December 2013 and 30 June 2014 is available in Table 16 “Long-term and short-term loans as at 31 December 2013 and 30 June 2014” of the Prospectus.

### 5.2. Basic information

Issuer’s Notes are bearer debt securities of the holder, in which its debt obligations are determined. Any person, whose account of financial instruments has Notes, is entitled to receive Coupons and Nominal Value payment in accordance with Section 5.8 “Payment conditions of Coupon interest” and Section 5.9 “Repayment of Notes” of the Prospectus.

At the moment of submission of the Prospectus to the FCMC, 19,062 (nineteen thousand sixty-two) Notes with the Nominal Value of EUR 1,000.00 (one thousand euros zero cents) and the total amount of EUR 19,062,000.00 (nineteen million sixty-two thousand euros zero cents) were issued as at 13 October 2014. In accordance with the Terms of Issue, the Issuer has the right to issue additional 938 (nine hundred thirty-eight) Notes by 31 December 2015 for the price of 100% of the Nominal Value plus accrued Coupon for the relevant payment day.

ISIN (International Securities Identification Number) of the issue of Notes assigned by LCD is LV0000801363.

### 5.3. Regulatory enactments

The issue of Notes is carried out in accordance with the Commercial Law, Financial Instrument Market Law, NR and LCD regulations, and other applicable regulatory enactments of the RoL.

All the disputes related to Notes will be resolved at courts of the RoL in accordance with regulatory enactments of the RoL. The Issuer has signed the Prospectus in Latvian and any translations of the Prospectus in another language are unofficial and performed solely for the convenience of investors. In case of dispute settlement, the interpretation of Prospectus norms in Latvian has priority over translations in other languages.



#### 5.4. Form and accounting of financial instruments

Notes are holder’s bearer debt securities in dematerialised form. The issue is registered by LCD which carries out the accounting of Notes.

#### 5.5. Currency of the issue of financial instruments

The currency of Notes is euro.

#### 5.6. Collateral for Notes

Notes are unsecured.

Notes are equivalent to other unsecured loans of the Issuer. In case of Issuer’s insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable regulatory enactments. There are no contracts or other transaction documents which would subject the claims of Noteholders to other unsecured obligations of the Issuer.

#### 5.7. Rights and obligations related to financial instruments

Every Noteholder has the right to receive Coupon and Nominal Value payments pursuant to the procedure laid down in Section 5.8 “Payment conditions of Coupon interest” and Section 5.9 “Repayment of Notes” of the Prospectus, as well as to use other rights determined in the Prospectus and legislative acts of the RoL.

#### 5.8. Payment conditions of Coupon interest

The annual rate of Note Coupon is 10% (ten per cent) and it is fixed up to the maturity of Notes. Coupon payments are made once a month on the last day of the month. The first Coupon payment was made on 31 March 2014, the last one will be made on 31 March 2021. The calculation date of the Coupon is the 5<sup>th</sup> (fifth) Business Day prior to the Coupon payment day. The list of Noteholders will be determined by the end of Coupon calculation date.

The Issuer pays the Coupon through the intermediary of LCD and in accordance with applicable LCD regulations which regulate the procedure for paying income from debt securities. LCD regulations applicable on the day of preparation of the Prospectus are LCD regulations No. 8 “On Payment of Dividends, Interest, Principal Amount, and Other Income”.

If the Coupon payment date is a holiday or a festive day, the Issuer will make the relevant Coupon payment on the Business Day preceding the holiday or festive day.

The amount of Coupon payments will be calculated in the following way:

$CPN = F * C / 12$ , where

CPN — the amount of Coupon payment in Euro per Note;



F — Nominal Value of one Note at the beginning of the relevant Coupon calculation period, i.e. the initial Nominal Value is reduced for the payments made during the previous periods in accordance with Section 5.9 “Repayment of Notes” and Section 5.10 “Early redemption of Notes (call option)” of the Prospectus.

C — annual interest rate of the Coupon.

If the Issuer has failed to make Coupon payment in accordance with the deadlines specified in the Prospectus, Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

The authority performing the calculation is not required to calculate the Coupon payment, since the annual rate of the Coupon for the relevant period is fixed in advance.

### 5.9. Repayment of Notes

The Nominal Value of one Note is EUR 1,000.00 (one thousand euros zero cents) and the Issuer will make principal amount payments of EUR 125.00 (one hundred twenty-five euros zero cents) per Note once a quarter — on 31 March, 30 June, 30 September, and 31 December, starting from 30 June 2019. Maturity date of Notes is 31 March 2021.

**Table 1 — Schedule of repayment of Notes**

<b>Date of principal amount payments</b>	<b>Principal amount payment per Note, EUR</b>
30.06.2019	125
30.09.2019	125
31.12.2019	125
31.03.2020	125
30.06.2020	125
30.09.2020	125
31.12.2020	125
31.03.2021	125
<b>Total:</b>	<b>1000</b>

If the Issuer, in accordance with Section 5.10 “Early redemption of Notes (*call option*)” of the Prospectus, uses the right to the early redemption of principal amount of Notes, the payments referred to in Table 1 “Schedule of repayment of Notes” shall be reduced for the early paid Nominal Value, starting from the first quarterly payment, i.e. 30.06.2019. For instance, if the Issuer has repaid EUR 300.00 of the principal amount early, the Issuer will not make quarterly payments on 30.06.2019 and 30.09.2019, but will pay EUR 75.00 on 31.12.2019. Notes are repaid on the day when the Issuer has repaid the principal amount in full, the accrued Coupon, and a penalty, if such has been calculated.

The Issuer will pay the principal amount in accordance with LCD intermediary and applicable LCD regulations. LCD regulations applicable on the day of preparation of

the Prospectus are LCD regulations No. 8 “On Payment of Dividends, Interest, Principal Amount, and Other Income”. The principal amount will be paid on the same Business Day as the Coupon payment for the relevant month.

If the repayment date of Notes is not a Business Day, the Issuer will pay the Nominal Value of Notes on the Business Day preceding the repayment date of the principal amount of Notes.

If the Issuer has failed to make principal amount payment in accordance with the deadlines specified in the Prospectus, Noteholders shall have the right to submit claims regarding the repayment of the principal amount not earlier than after 5 (five) Business Days following the payment day of the principal amount.

#### 5.10. Early redemption of Notes (*call option*)

Regardless of the repayment schedule of the principal amount of Notes determined in Section 5.9 “Repayment of Notes”, the Issuer can carry out early redemption, either full or partial, starting from 31 December 2014 on the last day of each month. When repaying the principal amount of Notes, the Issuer has to pay by 1% more for the principal amount of Notes to be repaid. The minimum redemption size of the principal amount per Note is EUR 10.00 (ten euros zero cents) with the next step of EUR 10.00 (ten euros zero cents). In cases when the principal amount is repaid in full, the redemption step of EUR 10.00 (ten euros zero cents) shall not be applied.

If the Issuer takes decision on the early redemption of Notes, either in full or partially, the Issuer shall notify Noteholders at least within 10 (ten) Business Days prior to the redemption date of Notes, by publishing the relevant information in the NR information system and in the Official Obligatory Information Centralised Storage System (ORICGS).

#### 5.11. Calculation of profitability and accrued interest

Coupon starts to accrue from 14 March 2014. When calculating the accrued Coupon, it is assumed that a year consists of 360 days and a month consists of 30 days (Day Count Convention — “European 30/360”). The accrued Coupon (interest) between the Coupon payment days is calculated according to the following formula:

$AI = F \times C / 360 \times D$ , where

AI — accrued Coupon (interest);

F — Nominal Value of one Note at the beginning of the relevant Coupon calculation period, i.e. the initial Nominal Value is reduced for the payments made during the previous periods in accordance with Section 5.9 “Repayment of Notes” and Section 5.10 “Early redemption of Notes (*call option*)” of the Prospectus.

C — annual interest rate of the Coupon;

D — number of days from the beginning of Coupon accrual period according to the 360 days a year/30 days a month convention.

#### 5.12. Representation of Noteholders

Within the framework of the issue, it is not planned, yet not prohibited to create an organisation of authorised persons which would represent Noteholders. In case of Issuer’s insolvency, every Noteholder has the right to represent its interests at the shareholders meetings, as well as Noteholders will have the same rights to receive their investments as other creditors in the relevant group of claims.

#### 5.13. Issuer’s decisions on the issue of Notes

The shareholders meeting of the Issuer on 5 February 2014 took a decision (No. 0502/2014) to issue debt securities (Notes). Based on this decision, the Board of the Issuer, by the decision of 20 February 2014 (No. 2002/2014), decided to express an offer of Notes and approve the Terms of Issue, and by the decision of 13 October 2014 (No. 1310/2014), it decided to approve the Prospectus and include Notes in the regulated market.

#### 5.14. Restrictions for free transferability of securities

There are no restrictions in relation to the alienation of Notes in the secondary market.

## 6. Special Conditions

### 6.1. Disclosure of information

Up to the maturity of Notes, the Issuer shall publish all the information required by regulatory enactments, including NR regulations. After the inclusion of Notes on the list of stock exchange, the Issuer will publish all the information in the NR information system and Official Obligatory Information Centralised Storage System (ORICGS).

### 6.2. Insolvency case

Each of the following cases is considered to be an Insolvency Case:

- The issuer has violated the conditions of Section 6.4 “Restrictions” of the Prospectus and has failed to eliminate the occurred violation within 30 (thirty) Business Days after the receipt of a written notification from Noteholders which own 10% or more Notes;
- The Issuer has failed to make a Coupon payment in full for more than 20 (twenty) Business Days following the planned payment date;
- The Issuer has failed to make a Nominal Value payment in full for more than 20 (twenty) Business Days following the planned payment date;
- Insolvency proceedings have been initiated against the Issuer;
- The Issuer has submitted an application for liquidation in the relevant state authorities in Latvia.

### 6.3. Contractual penalty

If the Issuer has failed to pay Noteholders the amounts payable thereto in relation to Notes on the relevant payment date, the Issuer shall have to pay a contractual penalty upon the request of any Noteholder to all the Noteholders from the date (without including it), when the deadline has set in, to (including) the actual payment date in the amount of 0.05% (zero point zero five per cent) per day from the relevant outstanding amount.

### 6.4. Restrictions

From the date of issue of Notes to the date of repayment thereof, the Issuer and its subsidiary companies (if any) shall undertake the following:

- To maintain positive amount of equity at all times. In case if the amount of equity is negative, the Issuer and its subsidiary companies (if any) shall undertake to increase the equity capital within 30 (thirty) Business Days after the receipt of a written notification from Noteholders which own 10% or more Notes, in order to eliminate this discrepancy;
- Starting from 31 December 2015, to maintain Net Debt/EBITDA (total liabilities minus cash profit before interest payments, tax payments, depreciation and amortisation calculation) indicators not exceeding 8 to 1;
- Starting from 31 December 2015, to maintain Net Debt/Equity (total liabilities minus cash against equity) indicators not exceeding 10 to 1. In case if Net

Debt/Equity indicator is greater than 10 to 1, the Issuer and its subsidiary companies (if any) shall undertake to increase the equity capital or reduce Net Debt (total liabilities minus cash) within 30 (thirty) Business Days after the receipt of a written notification from Noteholders which own 10% or more Notes, in order to eliminate this discrepancy;

- Not to close transactions with Related Persons, except if transactions are concluded for market prices;
- Not to obtain participation in other companies by investing funds, except if the Issuer or its subsidiary company acquires over 50% participation in this company by making an investment;
- Not to sell, present, change, rent, invest, or otherwise transfer into utilisation the right to use the trademarks of the Issuer and/or its subsidiary companies, except if trademarks are sold, presented, changed, rented, invested, or otherwise transferred into utilisation to the Issuer’s subsidiary company, its managing company, or any companies dependant on the managing company, other enterprises or companies which have directly or indirectly acquired participation in the equity capital of the Issuer or in which the Issuer has acquired direct or indirect participation (if any), including UAB “mogo LT” (registration No. 302943102) and “mogo” OÜ (registration No. 12401448);
- Not to start carrying out a new type of economic activity, as well as to act in any status, either directly or indirectly, or through the intermediary of its related persons, not to carry out activities in the industries which are not related to the current economic activity. When starting to carry out a new type of economic activity, the turnover of a calendar year from such economic activity cannot exceed 25% of the total calendar year turnover of the Issuer or its subsidiary company;
- Not to commence Issuer’s liquidation and not to reduce equity capital;
- Not to encumber assets, except in case of contracts entered into with credit institutions on the allocation of credit funds, as well as in case of issue of secured Notes,

Financial indicators referred to in this section are calculated by using data from the audited annual reports of the Issuer.

For the needs of this section, the term “Related Persons” shall mean any natural or legal person, which is (a) a shareholder or (b) a member of the Board or Council, or (c) an employee, or (d) a spouse of any persons referred to in (a) – (c) in relation to the Issuer.

Any of the restrictions referred to in Section 6.4 “Restrictions” of the Prospectus may be cancelled or amended, if a written consent has been received from Noteholders which own over 50% of Notes. The process of receipt of the consent must be organised in accordance with the conditions of Section 6.6 “n” of the Prospectus.

#### 6.5. Early repayment

The Noteholder can submit a written notification to the Issuer regarding that the immediate repayment deadline has set in for the Notes owned by the relevant Noteholder, at any time after the Insolvency Case has occurred (and as long as the

Insolvency Case exists). The Issuer has to pay the Nominal Value of Notes along with the accrued Coupon within 5 (five) Business Days after the receipt of the notification.

#### 6.6. Procedure for applying for the waiver

The Issuer has the right to ask for the consent (waiver) of Noteholders to amend the conditions included in the Prospectus, or to receive a permit for activities referred to in Section 6.4 “Restrictions” (apply for the waiver).

The amendment of the Prospectus may include the amendment of any conditions, which is not restricted by such characteristics of Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal Value payments, inclusion of Note for trade in other regulated markets, repayment deadline of Notes, and other conditions, unless they contradict regulatory enactments in force in Latvia.

The Issuer can apply for the waiver itself or through the intermediary of an authorised person (“Agent”). To apply for the waiver, the Issuer or Issuer’s Agent shall notify that through NR information system and Official Obligatory Information Centralised Storage System (ORICGS), specifying at least the following information:

- description of the offered changes;
- justification of the description of offered changes;
- date on which the list of Noteholders entitled to give permit (vote) will be fixed;
- period within which the Noteholder can support or reject the offered exemption;
- indications in relation to the support or rejection of the waiver and procedure for filling in the voting questionnaire;
- notification that the Noteholder who is willing to grant the waiver offered by the Issuer has to notify the Issuer and Issuer’s Agent within the period referred to in the application, which is certified by a postal seal or signature on receipt, and if the Noteholder fails to notify the Issuer or Issuer’s Agent of the confirmation to grant the waiver within the period determined in the application, it will be deemed that the Noteholder has not granted its consent to the waiver;
- contact information of the Issuer and/or Issuer’s Agent, which must be used for notifications (phone for inquiries, address for sending filled-in and signed questionnaires, and list of addresses of representations and/or branches of the Issuer and/or Issuer’s Agent, where Noteholders can submit the questionnaire in person);
- other information.

The Issuer requests the list of Noteholders from LCD at the date which is the 5<sup>th</sup> (fifth) Business Day following the publication of a notification in NR information system. The period within which Noteholders must take decision and reply on the support or rejection of the waiver for the Issuer cannot be less than 14 (fourteen) calendar days from the day when the application has been published in NR information system.

Noteholders must submit signed questionnaires with the decision to the Issuer or Issuer’s Agent by the date determined in the application for the waiver. Waiver is

considered to be granted, if Noteholders which own over 50% of remaining Notes (excluding Notes owned by the Issuer) have voted for supporting the waiver. Notes owned by the Issuer cannot be used to participate in supporting the waiver.

The Issuer or Issuer’s Agent must count the votes received and notify Noteholders of the voting results within 1 (one) Business Day following the end of the period for submission of questionnaires, by publishing the relevant notification in NR information system and Official Obligatory Information Centralised Storage System (ORICGS). Amendments approved by Noteholders come into force on the day of publication thereof.

If the approved amendments apply to the characteristics of Notes and/or Coupon calculation method, or Coupon or Nominal Value payment procedure, the Issuer shall inform LCD about the relevant amendments immediately after the entry into force of amendments.

## 7. Inclusion in the Market and Trade Conditions

The regulated market maker is NASDAQ Riga (NR), the legal and actual address of which is Vaļņu iela 1, Riga, LV-1050, Latvia. NR phone +371 67212431, fax +371 67229411, e-mail: [riga@nasdaq.com](mailto:riga@nasdaq.com). Official website for general information — [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).

The Issuer will submit all the documents necessary to include Notes on NR Baltic Bond List after the registration of the Prospectus with the FCMC. The trade of Notes will not be commenced before the day on which NR board will take decision on the commencement of Note quotation in the regulated market.

NR Baltic Bond List will include all the Notes which have been sold within the framework of the initial offer of Notes before the registration of the Prospectus with the FCMC. Other Notes will be included in the regulated market on the same day as the settlements with the relevant Notes.

The Issuer has not entered into any contract on the maintenance of Note liquidity in the secondary market with any person.



## 8. Additional Information

### 8.1. Councillors related to the issue

The Issuer has used the services of Baltikums Bank, AS in the preparation of the Note Prospectus.

### 8.2. Independent verification of information included in the description of securities

The information included in the description of securities has not been verified by auditors.

### 8.3. Statements or reports of persons included in the description of securities

The description of securities includes no statement or report of a person who is considered to be an expert.

### 8.4. Credit ratings

No credit ratings have been assigned to the Issuer.

## 9. Taxes in Latvia

### 9.1. Notification

The general overview included in this section cannot be considered to be a legal or tax consultation. This section contains no exhaustive and full information on all the taxes which apply to the investment in Notes. Tax rates and tax payment conditions may change over time from the issue of Notes up to their repayment. Potential Investors are recommended to consult with their councillors on tax matters in relation to their particular case and RoL or foreign tax regulatory enactments, the subjects of which may be Noteholders.

### 9.2. Definitions of residents and non-residents

For the purposes of tax calculation, a natural person shall be considered to be a RoL resident, if the declared place of residence of this person is the RoL and this person is staying in the RoL for 183 days or more within any 12 month period, which starts or ends in the taxation year, or this person is a citizen of the RoL, who is hired abroad by the RoL government.

If a natural person does not comply with the aforementioned requirements, it shall be considered to be a non-resident for the purposes of tax calculation.

Any legal person is considered to be a resident for the purposes of tax calculation, if it is or has to be founded and registered in the RoL in accordance with RoL regulatory enactments. Other legal persons are considered to be non-residents for the purposes of tax calculation.

If a non-resident is a resident of the country, with which a tax convention has been entered into, tax relieves determined in tax conventions shall apply. The procedure for application of tax relieves is determined by RoL Cabinet Regulation No. 178 of 30 April 2001, “Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion” and published in the newspaper “Latvijas Vēstnesis” (Official Gazette of the Republic of Latvia) on 4 May 2001.

**Table 2 — Imposition of taxes on Notes as at 01.01.2014**

Legal status	Tax rate for interest	Tax rate for capital increase	Conditions
Resident — natural person	10%	15%	Taxes from interest are deducted by the income payer. Payment of taxes for increase in capital is made by the taxpayer himself.
Resident — legal person	0% <sup>1</sup>	0% <sup>2</sup>	<sup>1, 2</sup> Under condition that Notes are in the public circulation of the European Union or European Economic Area in accordance with Section 6, Paragraph four, Clause 15 of the Law “On Enterprise Income Tax”.

Non-resident — natural person	10%/5% <sup>3</sup>	-- <sup>4</sup>	<p>Taxes from interest are deducted by the income payer.</p> <p><sup>3</sup> 5% tax rate is applied solely in case if the application of the reduced tax rate is determined by the tax convention entered into by and between Latvia and the relevant country.</p> <p><sup>4</sup> A non-resident may be obliged to pay the tax for increase in capital in its country of residence.</p>
Resident — legal person	0% <sup>5</sup> /15% <sup>6</sup>	-- <sup>7</sup>	<p><sup>5</sup> If a non-resident (except for legal persons registered in low-tax and tax-free countries or territories determined in Cabinet Regulations) receives interest payments from the securities in the public circulation of the European Union or European Economic Area.</p> <p><sup>6</sup> If a non-resident/legal person is registered in low-tax and tax-free countries or territories determined in Cabinet Regulations, 15% tax is deducted by the interest payer.</p> <p><sup>7</sup> A non-resident may be obliged to pay the tax for increase in capital in its country of residence.</p>

*Source: regulatory enactments of the RoL*

The Issuer is responsible for tax payments pursuant to the procedure and in the amount determined in regulatory enactments.

## 10. Issuer

### 10.1. Auditors

The last audited financial statement of the Issuer is a condensed interim financial statement for the six-month period which ended on 30 June 2014. The verification of the said statement was carried out by SIA “Deloitte Audits Latvia” (Grēdu iela 4A, Riga, LV-1019, Latvia, Licence No. 43).

The full financial statement of the Issuer for 2012, 2013, and six-month period which ended on 30 June 2014 with an audit report is available in the annex of the Prospectus.

Auditors have not verified the information included in the Prospectus.

### 10.2. Information about the Issuer

#### 10.2.1. Name

Name of the company is AS “mogo”.

#### 10.2.2. Place, date, number, and period of registration

The Issuer was registered in the Commercial Register of the RoL on 3 May 2012 under the uniform registration number 50103541751. The period of existence of the Issuer is not limited.

#### 10.2.3. Legal information

The legal and actual address of the Issuer is Riga, Matrožu iela 15A, LV-1048, Latvia.

Legal form — joint-stock company, legal status — legal person. The company’s country of foundation is the Republic of Latvia.

The Issuer carries out its activity in accordance with the following:

- Commercial Law;
- Civil Law;
- Consumer Rights Protection Law;
- Cabinet Regulation No. 245 of 29 March 2011, “Regulations Regarding the Procedures by Which a Special Permit (Licence) for the Provision of Consumer Credit Services Shall Be Issued, Re-Registered, Suspended and Cancelled and the State Fee for the Issue and Re-Registration of a Special Permit (Licence) Shall Be Paid, as well as the Requirements for a Capital Company for the Receipt of a Special Permit (Licence)”;
- Cabinet Regulation No. 1219 of 28 December 2010, “Regulations On Consumer Credit”;
- Cabinet Regulation No. 1037 of 21 December 2004, “Regulations regarding Distance Contracts for the Provision of Financial Services”;
- Personal Data Protection Law;
- Unfair Commercial Practice Prohibition Law;

- Law On Extrajudicial Recovery of Debt.

and other applicable regulatory enactments of Latvia.

The issue of Notes and their circulation in the secondary market is regulated by the Financial Instrument Market Law, AS “NASDAQ Riga” and AS “Latvijas Centrālais depozitārijs” regulations.

#### 10.2.4. Latest important events

The most important events in the history of the Issuer as of the foundation of the company in May 2012 are listed below.

**Table 3 — AS “mogo” important events**

2012		Events
May	AS “mogo” is founded	
July	AS “mogo” receives a special non-bank credit company’s licence of the Consumer Rights Protection Centre and the first leasing agreements are entered into; A cooperation agreement is signed with CSDD on access to vehicle registration system	
October	The first TV campaign “Money for a Car” is launched	
December	The development of a partner network is started (vehicle sellers), and the first financial leasing and leaseback agreements are entered into with clients through vehicle dealers	
2013		Events
January	The leasing portfolio of AS “mogo” reaches EUR 1,500,000	
February	The company starts issuing leases for the purchase and installation of vehicle gas equipment; Opening of a client service centre in CSDD premises in Riga	
May	The leasing portfolio of AS “mogo” reaches EUR 4,000,000	
June	Opening of a client service centre in Daugavpils	
July	Opening of a vehicle trade centre of AS “mogo” in A. Deglava iela in Riga	
September	Opening of a client service centre in Liepāja; The combined trademark AS “mogo” is registered in the Patent Office of the RoL (No. 66366)	
October	Signing of the 100 <sup>th</sup> cooperation agreement with a vehicle dealer in Latvia; The word (No. 011858123) and combined (No. 011441334) trademark mogo is registered in the European Patent Office	
November	Launch of the TV campaign of vehicle leasing service	
December	The leasing portfolio of AS “mogo” reaches EUR 7,000,000	

2014	Events
February	Opening of a client service centre in Valmiera
April	The shareholders meeting approves the financial statement for 2013 and decides that the company's losses will be covered from the profit of the next accounting periods.
May	Opening of a client service centre in Jēkabpils
June	In accordance with the audited financial data, the amount of Issuer's equity was positive and reached EUR 128,124 as a result of net profit as at 30 June 2014. Whereas, the turnover reached EUR 2,202,633 and the leasing portfolio amounted to EUR 15,371,097.
July	Opening of a client service centre in Talsi; A credit line of EUR 3,500,000 received from a commercial bank in Latvia
August	The update of the logo and homepage is started
September	The share capital of AS “mogo” is increased up to EUR 5,000,000

#### 10.2.5. Investments

The last audited financial statement of the Issuer is a condensed interim financial statement for the six-month period which ended on 30 June 2014. As of that date, the Issuer has not made any significant investments outside its usual economic activity described in Section 11 “Description of entrepreneurial activity”. The Issuer's management has not undertaken any obligations for the investments planned in future.

## 11. Description of Entrepreneurial Activity

The main area of AS “mogo” activity is leaseback or crediting against the vehicle already owned by the client and financial leasing.

AS “mogo” management, by adjusting service conditions to the market situation on a regular basis, has managed to offer its clients loans under acceptable conditions, which has allowed rapidly increasing the amount and number of issued leases over the recent years.

AS “mogo” offers possibilities of entering into a distance contract (extramural leasing contract) on the company’s homepage, as well as provides services to clients in six client service places: Riga, Daugavpils, Valmiera, Liepāja, Jēkabpils, and Talsi. In addition to client service in branches, AS “mogo” has entered into cooperation agreements with vehicle dealers and leasing brokers, which offer their clients to purchase used vehicles on a daily basis, using AS “mogo” leasing services.

### 11.1. Mission, vision, and values

#### 11.1.1. Mission

The company’s mission is to offer accessible and affordable leasing services to clients who need quick and simple way of getting financing or would like to purchase a vehicle.

#### 11.1.2. Vision

The Company’s vision is to be the market leading, customer friendly and accessible sale and leaseback and finance lease solutions company in Latvia.

#### 11.1.3. Values

*Fast support without unnecessary formalities* — the company will provide necessary funds within a couple of hours.

*Open communication and adaptation* — openness and flexible approach to every client’s needs are the basic values of AS “mogo”. It allows achieving a mutually beneficial solution in every situation.

*Long-term relationships* — the company values and creates mutually beneficial long term relationship with all its customers, it welcomes feedback and suggestions for improvement.

### 11.2. Strategy

AS “mogo” strategy is to offer clients easy-to-access, convenient, and favourable financial leasing and leaseback services. To achieve this aim, AS “mogo” will continue offering leasing services adapted to clients’ needs, high-quality of service, and a wide circle of vehicle sellers which ensure AS “mogo” leasing possibilities when a client purchases a vehicle.

### 11.3. Market overview

As at 1 January 2014, there were 634,603 cars registered in Latvia<sup>11</sup>. It is to be noted that 540,102 of 634,603 cars or 85.1% are vehicles with valid technical inspection certificate<sup>12</sup>.

**Table 4 — Amount of newly-issued loans to consumers in the non-bank sector as divided by the type of loan for 2013 (mln. EUR)<sup>13</sup>**

	Leasing, rent, and other loans secured by a vehicle	Mortgage loan	Consumer loan	Distance loans	Loans against movable property pledge
The amount of newly issued loans to consumers (mln. EUR)	<b>95.9</b> <b>(24%)</b>	11.0 (3%)	78.8 (19%)	179.9 (44%)	41.3 (10%)

Source: Consumer Rights Protection Centre

In 2013, new leases and loans secured by a vehicle were issued for the total amount of EUR 95,880,000. According to the calculations of company’s management, AS “mogo” issued approximately 9% of the amount of leases and vehicle loans issued in 2013, if compared to the proportion of 2.82% of the total amount of vehicle leases issued in 2012.

### 11.4. Competition

As at 31 December 2013, there were 53 licensed non-bank credit companies<sup>14</sup> which operated in the territory of Latvia, offering different credit services; 15 of them operated in the financial leasing and leaseback market<sup>15</sup>. Based on the summarised data of the industry for 2012, the market of financial leasing and leaseback consists of several companies in which the largest share of the amount of issued leases, approximately 90%, is constituted by seven traditional bank leasing companies: SIA “Nordea Finance Latvia”, SIA “Swedbank Līzings”, SIA “UniCredit Leasing”, SIA “DNB līzings”, SIA “SEB līzings”, etc.<sup>16</sup>. The market share of other companies, including AS “mogo”, was below 10% in 2012. Since the statistics for the largest providers of vehicle leases in 2013 is unavailable, the information summarised by the company suggests that traditional bank leasing companies have preserved their share

<sup>11</sup> Data of the Central Statistical Bureau of the RoL. “Number of Registered Cars at the Beginning of Month”. Available at:

[http://data.csb.gov.lv/Menu.aspx?selection=transp\\_\\_%C4%AAstermi%C5%86a%20statistikas%20dati\\_\\_Transport&tablelist=true&px\\_language=lv&px\\_type=PX&px\\_db=transp&rxid=09cbdccf-2334-4466-bdf7-0051bad1decd](http://data.csb.gov.lv/Menu.aspx?selection=transp__%C4%AAstermi%C5%86a%20statistikas%20dati__Transport&tablelist=true&px_language=lv&px_type=PX&px_db=transp&rxid=09cbdccf-2334-4466-bdf7-0051bad1decd)

<sup>12</sup> Road Traffic Safety Directorate. “Number of Vehicles in Technical Order as at 01.01.2014”. Available at: [http://www.csdd.lv/lat/noderiga\\_informacija/statistika/transportlidzekli/?doc=530](http://www.csdd.lv/lat/noderiga_informacija/statistika/transportlidzekli/?doc=530)

<sup>13</sup> Data of the Consumer Rights Protection Centre. “Report on the Activity of Non-bank Consumer Credit Sector in 2013”. Available at:

[http://www.ptac.gov.lv/upload/eur\\_2013\\_parskats\\_par\\_nebanku\\_kredit\\_sekt.pdf](http://www.ptac.gov.lv/upload/eur_2013_parskats_par_nebanku_kredit_sekt.pdf)

<sup>14</sup> Data of the Consumer Rights Protection Centre. Available at: <http://www.ptac.gov.lv/page/535>

<sup>15</sup> Data of the Consumer Rights Protection Centre. “Report on Non-bank Consumer Credit Sector (01.01.2013–30.06.2013)” [http://www.ptac.gov.lv/upload/2013\\_parskats\\_par\\_nebanku\\_kredit\\_sekt\\_1\\_01\\_2013\\_-30\\_06\\_2013.pdf](http://www.ptac.gov.lv/upload/2013_parskats_par_nebanku_kredit_sekt_1_01_2013_-30_06_2013.pdf)

<sup>16</sup> Data of the Consumer Rights Protection Centre. “Issued Amounts and Contracts Entered into in the Sector of Non-bank Financial Services in 2012”, “Summary on the Non-bank Credit Market for 2012”. Available at: <http://www.ptac.gov.lv/page/195>



in 2013, whereas AS “mogo” has significantly strengthened its position in the market of other non-bank credit companies. A significantly greater share of companies related to credit institutions in the common market may be explained by the financing available to traditional leasing companies, which in most of the cases is significantly cheaper than the capital available to other companies which have no direct relation to commercial banks. It allows traditional leasing companies to offer lower interest rates for their services. These companies usually concentrate on the amounts of loan/lease, which exceed EUR 8,000 on average. Moreover, leasing companies usually do not issue leases against a vehicle, the age of which exceeds 12 years at the end of the lease period. Such restriction in terms of the age of a vehicle may be related to that the interest rates offered by these companies do not justify the risk undertaken.

AS “mogo” average client is an owner or a potential owner of a 12-13 years old vehicle, who wishes to use leaseback or financial leasing services, yet the bank sector or traditional leasing companies do not offer it or have refused to issue a loan/lease mostly due to the age of the vehicle. Therefore, when comparing competition in more detail, the competitors which finance the purchase of vehicles or financial leaseback for older vehicles are analysed. These competitors are divided into two groups: direct competitors (the service is identical or highly similar) and indirect competitors (companies related to credit institutions, and other ways of obtaining the money, which fulfil leasing function, and the money can be obtained at the speed of leasing).

#### 11.4.1. Direct competitors

- **SIA “Money Express Credit”** offers five services: currency exchange, investment gold transactions, pawnshop services, mortgage loans, and vehicle leasing. The main difference from competitors is that the company offers vehicle pawnshop transactions — a client can borrow money, while leaving the vehicle in company’s parking lot for the period of loan. The company has low recognition among consumers. SIA “Money Express Credit” turnover in 2012 and 2013 reached EUR 459,079 and EUR 639,855 respectively. The company earned EUR 47,488 in 2012, whereas closed the year of 2013 with the loss of EUR 7188.
- **SIA “VITA CREDIT”** mostly offers four services: loans with a pledge, loans without a pledge, as well as vehicle leasing and vehicle leaseback. The company also provides financing in cooperation with vehicle dealers. The company has low recognition among consumers. SIA “VITA CREDIT” started its operation in 2011; in 2012, its turnover reached EUR 293,493, while the profit amounted to EUR 103,545; in 2013, the turnover increased up to EUR 792,329, whereas the profit reached EUR 396,877.
- **SIA “InCREDIT GROUP”** offers five services: consumer loan, leasing of goods/services, loan for companies, vehicle leasing, and leaseback. The company also provides financing in cooperation with vehicle dealers. The company’s recognition among consumers is relatively high. In 2012, its turnover reached EUR 4,292,866, whereas in 2013 — EUR 6,724,934. In 2012, the company operated with the profit of EUR 791,231, whereas in 2013, the profit reached EUR 1,804,986.

#### 11.4.2. Indirect competitors

- **Traditional leasing companies** — typical loans/leases above EUR 10,000 for clients with vehicles, the age of which does not exceed five years. AS “mogo” indirectly competes with traditional leases. AS “mogo” advantage is a fast and relatively simple process in preparation of a leasing agreement, as well as a possibility of entering into a distance contract and small administrative load for clients. The advantage of traditional leasing companies is lower annual interest rate.

#### 11.5. Services

AS “mogo” provides two financial services:

- financial leasing — a loan for purchasing a vehicle;
- leaseback — a loan against the client’s vehicle.

The principal service of the company is financial leasing which constitutes the greatest part of AS “mogo” leasing portfolio.

#### 11.6. AS “mogo” strengths

*Uniqueness and availability* — AS “mogo” is one of the rare companies in Latvia, which offers leasing for purchasing a vehicle without restrictions in terms of vehicle’s age; moreover, the amount of leasing starts from EUR 200. Traditional leasing companies usually do not serve this segment of the market, since they consider it to be a too risky business, and the potential benefit to be incommensurate with the risk, taking into account the interest rates offered by these companies.

*Speed* — one of AS “mogo” main advantages in relation to its competitors is the speed with which clients are served. When drawing up a leasing application, it is assessed and the client receives a reply within 30 minutes regardless of the place of drawing up of the application (Internet, client service centre, or vehicle dealerpartner). The cash is transferred to the client’s or vehicle dealer’s account not later than within 15 minutes as of the moment the lease is registered.

*Accessibility* — AS “mogo” offers its clients to enter into a contract both in person and on the Internet, thus expanding the circle of potential clients. The service centre in Riga, in CSDD building, attracts many potential clients, which increases company’s recognition and competitiveness. Whereas, client service centres in Daugavpils, Valmiera, Jēkabpils, Liepāja, and Talsi allow serving consumers from Latgale, Vidzeme, and Kurzeme regions more effectively, since the client does not have to go to the capital to enter into a leasing agreement.

**Table 5 — List of AS “mogo” client service centres**

<b>City</b>	<b>Address</b>	<b>Opening</b>
Riga	Bauskas iela 86	February 2013
Riga	Maskavas iela 451A	June 2013
Daugavpils	Saules iela 39	June 2013
Liepāja	Jūras iela 12	September 2013
Valmiera	Stacijas iela 3A	February 2014
Jēkabpils	Andreja Pormaļa iela 3	May 2014
Talsi	Lielā iela 18	July 2014

*Source: Company’s management*

Company’s plan of infrastructure development provides for opening several more client service centres in the largest cities of Latvia by the end of 2014.

*Securing the lease with the value of a vehicle* — securing the lease with the value of a vehicle allows the company to reduce the credit risk and to recover its funds by alienating the collateral in case of consumer’s insolvency. Since the company issues leases mostly based on the value of a vehicle, which is determined by the company itself, the possibility that the company will incur losses in case the contract is terminated is reduced to minimum. Since the vehicles of AS “mogo” clients are on average 12–13 years old, their sale does not pose any difficulties, since the market of such used vehicles is highly developed and the alienated vehicles are highly liquid.

*It is possible to receive only one lease for the particular vehicle at a time* — unlike other non-bank credit companies which can issue several leases to one client, AS “mogo” issues a lease solely against a particular vehicle, re-registering it in favour of AS “mogo”. This reduces the risk that a client has a possibility of receiving several leases simultaneously from different companies, reducing its solvency and increasing the credit risk, which often leads to significant problems with the fulfilment of obligations.

## 11.7. Attraction of clients

The attraction of potential clients is mostly carried out in two ways — by using active marketing in mass media and carrying out direct selling through vehicle dealers (partner network of vehicle dealers).

### 11.7.1. Marketing strategy

AS “mogo” marketing activities are diversified in different mass media. Marketing activities, which are used most often in terms of fund investment, are TV campaigns, Internet, radio, marketing services of *affiliates* or Internet partners, and external advertising.

Marketing campaigns are mostly focused on promoting brand awareness and consequent attraction of clients during the marketing campaign, as well as during 3–6 months after the campaign.

### 11.7.2. Direct selling through vehicle dealers

At AS “mogo”, the Partner Service Department is responsible for promoting direct selling activities. The primary task of the department is to enter into cooperation

agreements and maintain regular contractual obligations and contact with vehicle dealers, and attract additional clients to the company with the help thereof. Vehicle dealers receive a certain service fee from the amount of leasing agreement for each client attracted to AS "mogo".

Marketing materials which ensure the attraction of clients are regularly placed in partners' places of vehicle sale, for instance, car fresheners, vehicle price-lists, car paper mats during precipitation periods, large-sized banners, etc.

#### 11.8. Process of application and receipt of lease

The steps of receiving a leaseback or vehicle lease are the following:

- application for a lease at [www.mogo.lv](http://www.mogo.lv) or [m.mogo.lv](http://m.mogo.lv), by calling on +371 66 900 900, or in person in AS "mogo" branches in Riga, Daugavpils, Valmiera, Liepāja, Jēkabpils, or Talsi;
- AS "mogo" examines the application and provides a leasing offer within 30 minutes;
- an agreement can be signed electronically or with the vehicle dealer partner, or by meeting with AS "mogo" specialist in person to draw up the leasing agreement;
- a power of attorney is prepared for the client at CSDD, in order to register the vehicle as a collateral for receiving the lease along with the signing of the agreement in person or at the place of vehicle sale; otherwise (electronically) AS "mogo" sends the power of attorney intended for CSDD to the client by courier mail by noon of the next day;
- the client registers the vehicle at CSDD as a collateral in favour of AS "mogo";
- AS "mogo" receives a notification about the re-registration of the vehicle in favour of the company and the leasing money is transferred to the client's bank account after the final verification of documents.

It is possible to receive leaseback or vehicle lease within one hour, including the verification of vehicle and credit record, and after the registration of the vehicle in favour of AS "mogo", which is the last step in the lease execution process, the client can receive money in his account within several hours.

#### 11.9. Evaluation of a vehicle

When evaluating the conformity of the vehicle indicated in the leasing application to the requirements of AS "mogo", the data base of the Road Traffic Safety Directorate (CSDD) is used in the first place. The company issues the lease to a vehicle of any age. The evaluation of the vehicle is carried out within 30 minutes before the client is provided with the first offer.

During the evaluation, the main attention is paid to the following things:

- vehicle's market value for vehicles of similar brand, model, year of manufacture, engine volume, and distance covered (for more rare models, the range of criteria may be smaller);
- whether the vehicle has a valid technical inspection certificate, as well as the results of previous technical inspections (distance covered, deficiencies) and availability of OCTA;

- when the vehicle was registered in Latvia.

The following vehicle platforms are used to determine the value and liquidity of the vehicle:

- the vehicle register of AS “mogo” IT system which summarises evaluations of all vehicles and is used to view previous evaluations;
- advertisement platforms.

When assessing the vehicle in person, AS “mogo” vehicle assessment specialist may reduce the value of the vehicle, if serious visual defects are discovered, or increase the value of the vehicle by 10%-20%, if the vehicle has no defects and comes in good grade.

The Issuer issues loans for vehicles which have OCTA insurance, as well as KASKO insurance, if the amount of loan exceeds EUR 5,000; thus, the risks are reduced in cases when the vehicle gets in a traffic accident or is damaged, as well as in case of robbery or theft.

#### 11.10. Assessment of client’s solvency

In order to assess client’s ability to repay the lease, the market value of the vehicle is taken as the basis. When determining the market value of the vehicle, the company determines client’s ability to fulfil his/her obligations, namely, client’s level of income and solvency are determined in order to repay the lease immediately. Assessment steps are the following:

1. verification of the client’s status — the status of a potential client is verified in the information sources available to the company (Internet, media, etc.);
2. Verification of payment discipline — it is verified whether a potential client has already used company’s services. If the potential client has already been AS “mogo” client and the payment discipline has not been complied with on a regular basis or the agreement has been terminated, the current client’s level of income and loan obligations in other credit institutions are assessed in detail.
3. Verification of income and obligations — the amount of client’s monthly income and current loan obligations verified. In order to verify whether the potential client will have sufficient funds to fulfil his/her loan obligations, the previously specified client’s monthly income and amount of obligations are used.
4. Verification of credit record — in order to determine what the previous fulfilment of obligations and discipline of a potential client was, the credit record of the client is verified in different databases.
5. Special observations — during the negotiations by phone, e-mail and/or in person, while obtaining the information from a client, the stability of client’s personal situation (place of work, experience, education, etc.) is assessed.

### 11.11. Issue of lease

The process of lease issue is divided in four stages:

1. Determination of the final amount of lease;
2. Administrative inspection;
3. Transfer of lease; and
4. Monitoring.

Each of the issue stages comprises control mechanisms which help in effectively ensuring the issue of leases in compliance with the company’s quality standards and further supervision of the lease. The initial stage of the process comprises automatic processing of all client’s data, preparation of an agreement, and expressing an offer.

The administrative stage includes the verification of re-registration of client’s vehicle in favour of the Issuer, receipt of a statement from a client regarding the sale of a vehicle as a used property, verification of signed agreements, verification of accompanying documents, as well as verification of KASKO policy for leases over EUR 5,000.

The transfer of a lease is the final stage of the process of lease issue, which includes the preparation and execution of a payment to the bank account specified by the client. As of this moment, the lease is monitored on a regular basis.

### 11.12. The process of loan recovery and sale of vehicles

According to the data at the disposal of the Consumer Rights Protection Centre, leases and loans secured by a vehicle have the lowest proportion in the number of outstanding agreements if compared to other loans. As at 31 December 2013, only 10.36% of all the vehicle leasing agreements and commercial pledge agreements were overdue, if compared, for instance, to distance crediting, in which overdue payments were on average for 36.17% of issued loans.

**Table 6 — Proportion of overdue agreements in the division of loan types as at 31.12.2013<sup>17</sup>**

	Distance loans	Mortgage loan	Consumer loan	Leasing, rent, and loans secured by a vehicle
Current	63.83%	66.18%	79.99%	89.64%
Overdue	36.17%	33.82%	20.01%	10.36%

*Source: Data of the Consumer Rights Protection Centre*

The basic principle of effective debt recovery is timely and continuous promotion of debt recovery activities. The supervision and recovery of Issuer’s leases is carried out by the specialists of the Debt Recovery Department, who perform the following activities:

- sending of SMS reminders — usually at the initial stage of debt recovery;
- voice calls to the debtors;
- sending of a reminder and warning letters;

<sup>17</sup> Data of the Consumer Rights Protection Centre. “Report on the Activity of Non-bank Consumer Credit Sector in 2013”. Available at: [http://www.ptac.gov.lv/upload/eur\\_2013\\_parskats\\_par\\_nebanku\\_kredit\\_sekt.pdf](http://www.ptac.gov.lv/upload/eur_2013_parskats_par_nebanku_kredit_sekt.pdf)

- transfer of debt cases to debt recovery companies;
- a possibility of unilaterally withdrawing from an agreement is used.

Up to the moment the agreement is terminated, the responsible worker is obliged to identify the reason for payment delay, as well as to offer the Debtor solutions for eliminating the payment delay.

The value of alienated vehicles is determined by attracting a professional and independent vehicle assessment company, which fully protects the Issuer from the risk that the client will later apply to a court with a claim against the company regarding the sale of a vehicle contrary to the conditions of the agreement and legislation of Latvia. If the vehicle is not found within three months as of the moment the recovery is commenced, criminal proceedings are initiated regarding the misappropriation of the vehicle.

Since the company issues leases mostly based on the value of a vehicle, which is determined by the company itself, the risk that the company will incur losses in case the contract is terminated is reduced to minimum. Since the vehicles of Issuer's clients are on average 12–13 years old, their sale does not pose any problems, since the market of such used vehicles is highly developed and the alienated vehicles are highly liquid.

As of July 2013, the car trade centre of the Issuer was opened in A. Deglava iela in Riga. The car trade centre can accept ~100 vehicles; moreover, it features a client centre where one can draw up leasing documents.

#### 11.13. Loan issue policy of the Issuer

The aim of Issuer's loan policy is to determine the conditions of receiving/obtaining information and to determine the criteria for analysis of obtained information/disbursement of a loan.

Since the Issuer has only two types of leasing — financial leasing (loan for the purchase of a vehicle) and leaseback (loan against the client's vehicle), the company has no restrictions in terms of percentage division of leasing portfolios neither by the type of leasing, nor by the type of borrowers (natural and legal persons), and leases are not diversified on purpose (according to the brand and age of the vehicle).

The company has set certain loan limits for its clients — the maximum amount of loan depends on the net income of a particular client, for instance, for a client with net income below 70% of the minimum salary determined in the country (in 2014, the minimum salary is EUR 320), the total amount of all credit payments a month cannot exceed 10% of the monthly income.

Issuer's clients, based on the information obtained from the credit record data bases, are divided in two risk groups:

- Low-risk client — a client has had no previous loan obligations for the last two years and the amount of lease does not exceed EUR 5,000;



- High-risk client — a client has had previous loan obligations for the last two years and/or the amount of lease exceeds EUR 5,000;

The client is verified in all the information sources available to the company (global network, media, etc.). If the client appears to be suspicious (several complaints have been received in the global network, the client is a debtor of the State Revenue Service of the RoL or provides slow and unconvincing answers to the questions of a client service specialist), such client is assessed by the Risk Department. In cases when the amount of lease exceeds EUR 9000, the client is assessed by the Executive Director and Chief Financial Officer. The Board of the company is involved in the assessment of the most complicated cases as well.

#### 11.14. Issuer’s impairment allowance methodology

In general, impairments are divided into the following groups: current (clients without outstanding payments); the ones, the payments of which are delayed for 1 to 91 days (or more); secured (clients with terminated agreements); unsecured (clients with terminated agreements, in which the recovery of vehicles is impossible and/or clients with terminated agreements, who have debt after the sale of the collateral).

The value of each referred to group is multiplied by the “probability of default” and “losses given default”, as a result the amount of impairments is obtained. The group of unsecured agreements is an exception; in this case, the particular amount of impairments is calculated, based on the income from the sold collateral, contributions made by the client after the termination of an agreement and forecasts regarding the amount of debt recovery in future.

The probability of default is the probability of occurrence of non-fulfilment of obligations within a certain period of time. This indicator is determined by using previous data on the non-fulfilment of obligations and is regularly updated.

Losses given default is the amount of money lost in case the client fails to fulfil his/her obligations. The Issuer regularly assesses the loan portfolio and determines this indicator, based on accrued losses and exposition of loans.

#### 11.15. Employees and summary of experience of Issuer’s management

As at 30 June 2014, the Issuer employed 59 persons, including two members of the Board, executive director, and chief financial officer. Along with rapid expansion in 2013, the number of company’s employees has doubled, if compared to the end of 2012, when the company employed 19 persons. In addition, the company consequently invests into training of employees, in order to improve their professional skills; moreover, the performance of employees and work culture are constantly assessed.



Table 7 — Changes in the number of Issuer’s employees from Q3 of 2012 to Q2 of 2014

<b>At the end of the quarter</b>	<b>Number of employees</b>
Q3 2012	7
<b>Q4 2012</b>	<b>19</b>
Q1 2013	27
Q2 2013	34
Q3 2013	38
<b>Q4 2013</b>	<b>39</b>
Q1 2014	45
Q2 2014	59

*Source: Company's management*

The company’s management includes the Chairperson of the Board Jēkabs Endziņš, Member of the Board Mārcis Grīnis, Chief Financial Officer Kaspars Leimanis, Chief Executive Director Ģirts Lediņš, Chief Information Officer Zigmārs Rudzītis, and Chief Marketing Officer Juris Graudumnieks.

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## Jēkabs Endziņš — Chairman of the Board

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### Work experience

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	<b>AS “mogo” — Chairman of the Board</b>
Jul 2012 – present	Founding of the company, introduction and management of business processes, strengthening of trademarks. Supervision of the Finance Department, Marketing Department, IT Department, Client Service Department, and Partner Service Department.
	<b>SIA “POScredit” — Member of the Board, Executive Director</b>
Jan 2012 – Apr 2013	Founding of the company, development of services, selection of employees, introduction and management of business processes. Management of marketing activities and strengthening of recognition.
	<b>AS “Skillion Ventures” — Member of the Board, Executive Director</b>
Jan 2012 – Mar 2013	Investment supervision and company management.
	<b>SIA “Creative Mobile” — Product/Project Manager</b>
Jul 2010 – Mar 2011	Internet project management (homepages, applications, and Internet games), development of concepts, selling projects, management of programmers and designers. Over 20 Internet projects have been developed under the guidance of Jēkabs.
	<b>SIA “Maypril” — Financial Project Manager</b>
Jul 2009 – Jun 2010	Creation of an advertising agency, which operates in the area of reverse graffiti and guerrilla marketing, creation of the company, project management.

### Education

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Sep 2007 – Jun 2011	<b>Stockholm School of Economics in Riga (SSE Riga)</b> Bachelor’s Degree in Economics and Business Administration
Sep 2004 – Jun 2007	<b>Riga State Gymnasium No. 1</b> Secondary Education Diploma

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**Mārcis Grīnis — Member of the Board**


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**Work  
experience**


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**AS “mogo” — Member of the Board**

Introduction and management of company’s strategic processes. Attraction of financing for company development, strengthening of trademarks.  
 Sep 2012 – present Supervision of Finance Department, Accounting Department, Administration Department, Debt Recovery Department, and Partner Service Department.

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**Aon Risk Services Inc. (Miami, USA) — Client Manager**

Aon Miami (USA) is a global manager of client service and in-depth insurance study projects. Supervisor of correspondents of the Sales Department and financial controller in the Latin America region. Clients —  
 Nov 2011 – Sep 2012 PepsiCo, Alcatel-Lucent, HP.

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**SIA “Ernst & Young Baltic” — Consultant at the Department of Transactions and Financial Consultations**

Consultant on the purchase and sale of companies, in-depth financial analyses, business modelling and assessment. Clients — Mortgage and Land  
 Mar 2011 – Oct 2011 Bank of Latvia, LMT, 220.lv.

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**SIA “UPB” — Financial Project Manager**

Development of company’s foreign network (Sweden, Denmark, Norway, Iceland, Germany). Strategic planning, control of finances, risk assessment,  
 Jul 2007 – Jan 2010 development of transfer price policy.

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**Education**


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Sep 2009 – **Copenhagen Business School (CBS), Copenhagen, Denmark**  
 Oct 2011 Master’s Degree in Finance and Strategic Management

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Sep 2010 – **Indian Institute of Management Lucknow, India (IIML)**  
 Dec 2010 Exchange programme

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Sep 2003 – **Stockholm School of Economics in Riga (SSE Riga)**  
 Jun 2008 Bachelor’s Degree in Economics and Business Administration

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**Kaspars Leimanis — CFO**


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**Work  
experience**


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**AS “mogo” — CFO**

Jan 2013 – present  
 Management, motivation, and development of employees of the Finance and Administration Department. Introduction of company’s financial system, supervision and management of its circulation. Preparation of annual budget, current forecasts, and management reports. Cash flow control and preparation of financial statements.

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**SIA “Microsoft Latvia” — Head of the Finance and Administration Department**

May 2006 – May 2012  
 Management, motivation, and development of employees of the Finance and Administration Department. Optimisation of company’s expenses, performance improvement, and analysis of financial activity. Preparation of annual budget and monthly forecasts, control of their fulfilment. Management of internal control systems.

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**SIA “Microsoft Latvia” — Financial Controller**

Apr 2004 – Apr 2006  
 Introduction, verification, and improvement of internal control mechanisms. Cash flow control. Preparation of annual budget of expenses and monthly forecasts, control of their fulfilment.

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**SIA “PricewaterhouseCoopers” — Senior Consultant at the Audit Department**

Oct 2001 – Mar 2004  
 Planning and management of audit projects of companies of different industries. Verification and improvement of internal control system of companies. Audit of financial statements in accordance with the requirements of Latvian legislation and International Financial Statement Standards. Audit of accounting methods and financial accounting procedures of companies.

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**Education**


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Sep 2002 – Jun 2004 **University of Latvia, International Relations Department**

Master’s Degree of Social Sciences in Economics

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Sep 1999 – Jun 2002 **Stockholm School of Economics in Riga (SSE Riga)**

Bachelor’s Degree in Economics and Business Administration

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Dec 2007 – present **Association of Chartered Certified Accountants (ACCA)**

Last-level candidate in ACCA programme

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**Girts Lediņš — CEO**


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**Work  
experience**


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**AS “mogo” — CEO**

Daily labour and resource management of company’s Latvian transactions. Development, improvement, and control of inner processes. Business and service development. Development and expansion of client service centres.

May 2013 – present      Development and compliance with the budget. Fulfilment of daily and long-term plans and aims. Ensuring data security.

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**SIA “Deloitte Latvia” — Consultant at the Department of Finance and Management Services**

Finance and management services: assessment of companies, in-depth financial study of a company (due diligence), structuring of transactions on buying/selling and merging companies, preparation of business plans, feasibility study of business projects, management consultations, process improvement projects, finance modelling, audit of functions, and other finance and management projects.

Sep 2011 – Mar 2013

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**BDO Zelmenis & Liberte (now BDO Tax) — Consultant at the Department of Tax Services**

Tax services: tax and legal consultations, conformity of company’s tax policy to tax legislation of the RoL, transfer prices, structuring of taxes, founding of companies abroad, public and private partnership (PPP) projects, use of European Structural Funds.

Mar 2010 – Aug 2011

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**Bob-sleigh Development Centre — Member of the Board**

Bob-sleigh popularisation and development. Attraction of funds for bob-sleigh development.

May 2009 – Feb 2011

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**Education**


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Sep 2012 – **BA School of Business and Finance**

Jul 2014      Master’s Degree in Finances

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Sep 2007 – **Riga Stradiņš University**

Jul 2011      Bachelor’s Degree in Economics

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Dec 2008 – **Association of Chartered Certified Accountants (ACCA)**

present      Last-level candidate in ACCA programme

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**Zigmārs Rudzītis — CIO**


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**Work  
experience**


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**AS “mogo” — CIO**

Sep 2012 – present Department staffing and management of programmers. Development of IT system concept and preparation of business requirements. IT system development management and implementation. Management of other IT-related processes — hosting, data security, IP telephony.

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**SIA “MADARA Cosmetics” — E-Store Manager**

Apr 2011 – Sep 2012 Introduction and maintenance of the e-store after development processes. The scope of responsibility included the technical development of the e-store (functional upgrades, design updates), creation of a logistics chain in the territory of Latvia and abroad, planning of transport packing and transport costs.

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**SIA “MADARA Cosmetics” — E-Store Development Manager**

Aug 2010 – Apr 2011 Management of e-commerce platform development with the client. Acceptance, testing of works, reporting of supplements and errors. The main task was for the company to receive the ordered e-commerce platform within the specified period and of the specified quality.

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**SIA “Fresho” — Project Manager**

Oct 2007 – May 2009 Project manager in the development of job application aggregator portal and the application placement platform for the US market. The duties included the coordination of inner programming work. Management of company’s administrative and functional processes.

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**Education**


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Sep 2005 – Jun 2009 **Stockholm School of Economics in Riga (SSE Riga)**  
Bachelor’s Degree in Economics and Business Administration

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Sep 1999 – Jun 2005 **Riga State Gymnasium No. 1**  
Secondary Education Diploma

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**Juris Graudumnieks — CMO**


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**Work  
experience**


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**AS “mogo” — CMO**

2014 – present Management of company’s marketing projects, development and fulfilment of marketing strategy. Determination of advertising aims and marketing activities, assessment of results. Staffing of department resources and assessment of employees. Management of other projects related to marketing.

**SIA “Quinto Group” — Sales and Marketing Director**

2013 – 2014 Development of a marketing strategy for the Russian market, selection and management of sales team, managing the fulfilment of the marketing budget plan, determination and management of marketing activities.

**SIA “Zelta drudzis” — Director**

2008 – 2012 Creation and development of live interactive TV show strategy, management of daily live TV show, creation and management of production team. Preparation of company’s budget and control of its fulfilment. Promotion of cooperation with the leading telecommunications operators and TV channels. Digital marketing management.

**TV5 Channel — Director**

2004 – 2008 Company management, preparation of the budget and control of its fulfilment, promotion of cooperation with media and creative agencies, preparation of reports for company’s shareholders.

**TV5 Channel — Sales and Marketing Director/Member of the Board**

2001 – 2004 Commencement of operation of new-form TV channel. Selection and management of company’s personnel. Sales and finance management, planning of TV broadcasts, and promotion of recognition. Promotion of cooperation with advertising agencies and clients.

**Internet portal TVNET (www.tvnet.lv) — Sales and Marketing Director/Member of the Board**

2000 – 2001 Creation and development of TVNET and FinanceNET news portals. Development of the Internet advertising management system. B2B sales management with media agencies. Development of the concept of portal recognition promotion campaign and its coordination.

**SIA AUDI AG — Marketing Manager/Member of the Board**

1996 – 2000 Market research and competition analysis. Development of marketing, communication, and brand strategy. Promotion of company’s advertising and selling process.

**Education**


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**Riga Technical College**

1999 – 2005 Diploma in the course “Entrepreneurship Economics and Management”

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### 11.16. Structure of the Group

As of 1 July 2014, AS “mogo” is a member of the group of the companies registered in Luxembourg “Mogo Finance S.A.”, which combines all “mogo” trademark companies in the Baltic States and Georgia. The company “Mogo Finance S.A.” owns 100% of AS “mogo” shares, whereas AS “mogo” has no investments in other companies as of 22 July 2014.

**Table 8 — Structure of the group**

Country	Company	Commencement of operational activity
Latvia	AS “mogo” (registration No. 50103541751)	July 2012
Lithuania	UAB “mogo LT” (registration No. 302943102)	May 2013
Estonia	OÜ “mogo” (registration No. 12401448)	August 2013
Georgia	შპს “მოგო” (SIA “mogo”) (registration No. 404468688)	June 2014

*Source: Company's management*

### 11.17. Development plans

Issuer’s development plans are related to the improvement of inner processes and increasing the current share in the local market:

1. To become the most recognisable provider of non-bank financial leasing services for used vehicles in Latvia;
2. In order to reduce Issuer’s dependence on the loans of related persons and to finance further expansion of operation, it is planned to issue notes with shorter repayment period and offer them to the Baltic and EU institutional investors;
3. To improve and develop CRM (Customer Relationship Management) system, which would help the Issuer to improve its performance;
4. To become even more accessible for clients by opening new representations in the largest cities of Latvia;
5. To establish wider and closer cooperation with the sellers of used vehicles in Latvia.

### 11.18. Information about tendencies

The Issuer has no information at its disposal regarding the tendencies, insecurity factors, claims, obligations, or events, except for those referred to in the Prospectus, which may significantly affect Issuer’s perspectives in the current financial year.

### 11.19. Profit forecasts

The Issuer’s management does not want to include profit forecasts or profit assessment in the Prospectus.

### 11.20. Issuer’s management bodies

The Issuer’s management bodies are shareholders meeting, council, and board. The address of all the members of the Board is Riga, Matrožu iela 15A, LV-1048, Latvia.



### 11.20.1. Council

Issuer’s Council consists of three members:

- Ramona Tilīņa — Chairperson of the Council
- Uldis Judinskis — Deputy Chairperson of the Council
- Ieva Judinska-Bandeniece — Member of the Council

Members of the Council were appointed by the decision of the shareholders meeting of 30 June 2014. The principal duties of the members of the Council are to represent the interests of shareholders and supervise the professional performance of the Issuer’s members of the Board. Since no audit committee will be created for the Issuer, the Issuer plans to supplement the duties of the current Council with the function of an audit committee within three months after the inclusion of Notes on the NR Baltic Bond List, thus ensuring the conformity of Issuer’s activity and internal regulations to the legislation in force in Latvia and Europe.

### 11.20.2. Board

Issuer’s Board consists of two members:

- Jēkabs Endziņš
- Mārcis Grīnis

Members of the Board are entitled to represent the Issuer singly.

### 11.20.3. Activity of members of administration, management, and supervision bodies outside the Issuer

Issuer’s members of the Board own capital shares in other business companies, and they take different positions in other business companies, yet they do not have significant influence on the Issuer.

Issuer’s members of the Council take different positions in other business companies, yet they do not have significant influence on the Issuer.

### 11.20.4. Conflicts of interests of members of administration, management, and supervision bodies

The persons referred to in Section 11.20 “Issuer’s management bodies” of the Prospectus may have conflicts of interests against the Issuer, its creditors, and its represented interests as participants or other duties. In order to eliminate possible conflicts of interests and reduce the consequences of these conflicts, the Issuer complies with all the restrictions provided for by the regulatory enactments of the RoL in relation to transactions with shareholders, members of the Council and the Board.

Related persons are Issuer’s subsidiary companies and other companies, as well as its shareholders which can control the Issuer or which have significant influence on the Issuer by taking decisions related to the principal activity; the officials of Issuer’s or

its subsidiary company’s higher management and a close family member of any of the aforementioned private persons, as well as companies which are controlled by these persons or which have significant influence on them.

**Table 9 — Transactions with related persons as at 30.06.2014 and 31.12.2013**

<b>Related person</b>	<b>Products and services sold to related persons, EUR</b>	<b>Products and services received from related persons, EUR</b>	<b>Debts of related persons, EUR</b>	<b>Debts to related persons, EUR</b>
<b>As at 30 June 2014</b>				
<b>Companies which have significant influence on the Issuer</b>				
Largest shareholders	1210	2705	-	-
Other related companies	13,185	2083	897,776	1185
<b>TOTAL:</b>	<b>14,395</b>	<b>4788</b>	<b>897,776</b>	<b>1185</b>
<b>As at 31 December 2013</b>				
<b>Companies which have significant influence on the Issuer</b>				
Largest shareholders	-	-	47	1,570,313
Other related companies	373,801	24,619	3961	5,183,801
<b>TOTAL:</b>	<b>373,801</b>	<b>24,619</b>	<b>4008</b>	<b>6,754,114</b>

*Source: AS “mogo” condensed interim financial statement for the six-month period which ended on 30.06.2014; financial statement for 2013*

Issuer’s services are available to shareholders, members of the Council and the Board, as well as employees pursuant to general transaction conditions.

#### 11.21. Shareholders

The only shareholder of the Issuer is a company registered in Luxembourg “Mogo Finance S.A.” (registration No. B 174.457, legal address: 2-4 rue Eugene Ruppert, LV-2453, Luxembourg) which owns 100% shares of the company.

The true beneficiaries of the Issuer are two financial investors, citizens of the Republic of Latvia, each of which owns 30.33% of capital shares of “Mogo Finance S.A.”. The remaining 39.34% of capital shares of “Mogo Finance S.A.” belong to seven private individuals, citizens of Latvia, of whom the largest shareholder owns 10.11%, while the smallest — 0.5%.

As of 30 September 2014, the share capital of the Issuer was increased up to EUR 5,000,000 without changing the structure of shareholders.

**Table 10 — List of AS “mogo” shareholders**

<b>Name, surname/Name</b>	<b>Number of shares</b>	<b>% of the total number</b>
As at 30 June 2014:		
“Mogo Finance S.A.”	300,000	100.00%
As at 30 September 2014, after increasing the share capital:		
“Mogo Finance S.A.”	5,000,000	100.00%

*Source: Register of Enterprises*

At the moment of signing the Prospectus, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer’s control.

#### 11.22. Other business companies of shareholders

Issuer’s beneficiaries have made investments in other business companies which operate in the following areas: real estate (Latvia), crediting (Latvia and Estonia), construction (Latvia), and cosmetics (Latvia). Issuer’s relationships with related persons are disclosed in its financial statements. Business companies of beneficiaries have no significant influence on the Issuer.

#### 11.23. Management practice

The Issuer complies with the company management principles in force in Latvia and internationally accepted practice in relation to corporate management. In order to ensure that cooperation partners and clients understand their work and to promote confidence in their long-term economic potential, the Issuer pays great attention to ensuring the transparency of business, personnel training, improving the quality of services, and provision of high-quality services.

The Issuer operates in compliance with the requirements of the public and always endeavours to achieve the best results in its work. The Issuer has no audit committee. The Issuer plans to supplement the duties of the current Council with the function of an audit committee within three months after the inclusion of Notes on the NR Baltic Bond List, thus ensuring the conformity of Issuer’s activity and internal regulations to the legislation in force in Latvia and Europe.

The Issuer plans to continue improving its management practice in accordance with NR Corporate Management Principles and recommendations, as well as internationally accepted practice.

## 12. Financial information about Issuer’s assets and liabilities, financial situation, profit and loss

The information included in this section of the Prospectus has been obtained from the financial statements for 2012, 2013, and six-month period which ended on 30 June 2014, which have been audited and approved at the meeting of the Board and prepared in accordance with International Financial Statement Standards (IFSS).

### 12.1. Balance sheet

The Issuer’s balance sheet and profit and loss statements have been obtained from the audited financial statement for 2012 (1<sup>st</sup> financial year, period from 3 May to 31 December), 2013, and six-month period which ended on 30 June 2014.

**Table 11 — AS “mogo” balance sheets for 2012, 2013, and six months of 2014, EUR**

Indicator	30.06.2014, EUR	31.12.2013, EUR	31.12.2012, EUR
<b>Long-term investments:</b>			
Intangible Assets	150,712	107,808	49,557
Fixed Assets	98,633	74,364	18,310
Investments in Subsidiaries	96	-	3048
Deferred Tax Assets	42,993	25,251	31,306
Other non-current Financial Assets	880,000	-	-
Non-current Net Finance Lease Receivables	10,878,829	4,844,515	1,110,184
<b>Total Non-current Assets</b>	<b>12,051,263</b>	<b>5,051,938</b>	<b>1,212,405</b>
<b>Current assets:</b>			
Current Net Finance Lease Receivables	4,105,272	2,342,855	570,751
Other Receivables	42,605	25,598	7316
Deffered Expense	39,821	19,923	4585
Cash and Cash Equivalents	867,364	306,097	45,418
<b>Total current assets</b>	<b>5,055,062</b>	<b>2,692,473</b>	<b>628,070</b>
<b>TOTAL ASSETS</b>	<b>17,106,325</b>	<b>7,744,411</b>	<b>1,840,475</b>
<b>Equity:</b>			
Issued Share Capital	426,862	426,862	426,862
Accumulated Loss	(298,738)	(475,342)	(185,934)
<b>Total Equity</b>	<b>128,124</b>	<b>(48,480)</b>	<b>240,928</b>
<b>Current Liabilities:</b>			
<b>Long-term creditors:</b>			
Borrowings	15,979,000	5,657,390	1,217,941
<b>Total long-term creditors:</b>	<b>15,979,000</b>	<b>5,657,390</b>	<b>1,217,941</b>
<b>Short-term creditors:</b>			
Borrowings	564,227	1,854,427	301,378
Trade Payables	63,215	62,235	50,021
Current Tax Liabilities	158,155	85,300	8,264
Deffered Revenue	79,763	48,846	3,682
Other Liabilities	133,841	84,693	18,261
<b>Total Current Liabilities</b>	<b>999,201</b>	<b>2,135,501</b>	<b>381,606</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,106,325</b>	<b>7,744,411</b>	<b>1,840,475</b>

## 12.2. Profit and loss statement

**Table 12 — AS “mogo” profit and loss statement for 2012, 2013, and six months of 2014, EUR**

Indicator	01.01.2014 –		03.05.2012
	30.06.2014,	2013, EUR	31.12.2012,
	EUR		EUR
Interest and similar income	2,202,633	2,369,884	140,230
Interest expense	(574,808)	(739,063)	(29,423)
Impairment	(169,290)	(167,290)	(50,417)
Actual cost of sold goods	-	(5265)	-
Selling expense	(385,886)	(702,978)	(129,027)
Administrative expense	(772,756)	(976,345)	(132,654)
Other operating income	56,420	82,161	2706
Other operating expense	(76,457)	(89,987)	(3712)
Other interest receivables and similar income	5375	15,946	871
Interest payable and similar expense	(19)	(26,263)	(15,814)
<b>Profit/(Loss) before Income Tax</b>	<b>285,212</b>	<b>(239,200)</b>	<b>(217,240)</b>
Corporate Income tax	(126,351)	(44,153)	-
Deferred Income tax	17,743	(6055)	31,306
<b>Net profit/(loss) for the period</b>	<b>176,604</b>	<b>(289,408)</b>	<b>(185,934)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive profit/(loss) for the period</b>	<b>176,604</b>	<b>(289,408)</b>	<b>(185,934)</b>

## 12.3. Cash flow review

**Table 13 — AS “mogo” cash flow review for 2012, 2013, and six months of 2014, EUR**

Indicator	01.01.2014 – 30.06.2014, EUR	2013, EUR	03.05.2012 – 31.12.2012, EUR
<b>Cash flows to/from operating activities</b>			
Loss before tax	285,212	(239,200)	(217,240)
Adjustments for:			
Amortisation and depreciation	38,296	70,934	34,077
Carrying value of disposed equipment	128	-	-
Vacation pay reserve	14,876	30,634	3973
Interest income	(5375)	(15,946)	(871)
Impairment	169,290	-	-
Interest expense	574,808	739,063	29,423
<b>Operating profit or loss before working capital changes</b>	<b>1,077,235</b>	<b>585,485</b>	<b>(150,639)</b>
Increase in receivables	(7,994,195)	(5,538,013)	(1,691,967)
Increase in payables	70,566	126,409	73,875
<b>Cash generated from operations</b>	<b>(6,846,394)</b>	<b>(4,826,119)</b>	<b>(1,768,731)</b>
Corporate Income tax paid	(57,894)	(390)	-
<b>Net cash flows to/from operating activities</b>	<b>(6,904,288)</b>	<b>(4,826,509)</b>	<b>(1,768,731)</b>
<b>Cash flows to/from investing activities</b>			
Purchase of equipment intangible assets	(105,594)	(185,240)	(101,943)
Investments in subsidiaries	(96)	(2500)	(3048)
Increase in the capital of subsidiaries	-	(100,084)	-
Selling of subsidiaries	-	302,717	-
Loans issued	(1,396,500)	(603,354)	(597,592)
Loan repayments received	510,000	406,268	597,592
Interest received	1081	15,946	-
<b>Net cash flow to/from investing activities</b>	<b>(991,109)</b>	<b>(166,247)</b>	<b>(104,991)</b>
<b>Cash flows to/from financing activities</b>			
Proceeds from the issue of shares	-	-	426,862
Proceeds from borrowings	19,117,823	8,204,067	1,625,086
Repayment of borrowings	(10,029,950)	(2,232,869)	(129,045)
Interest paid	(631,209)	(717,763)	(3763)
<b>Net cash flows to/from financing activities</b>	<b>8,456,664</b>	<b>5,253,435</b>	<b>1,919,140</b>
Change in cash	561,267	260,679	45,418
Cash at the beginning of the period	306,097	45,418	-
<b>Cash at the end of the period</b>	<b>867,364</b>	<b>306,097</b>	<b>45,418</b>

## 12.4. Review of changes in equity

**Table 14 — AS “mogo” review of changes in equity for 2012, 2013, and six months of 2014, EUR**

	Share capital, EUR	Non-distributed profit/(Accumulated loss), EUR	Total, EUR
<b>3 May 2012</b>	-	-	-
Issue of shares	426,862	-	426,862
Profit/(Loss) for the period	-	(185,934)	(185,934)
<b>31 December 2012</b>	<b>426,862</b>	<b>(185,934)</b>	<b>240,928</b>
Profit/(Loss) for the period	-	(289,408)	(289,408)
<b>31 December 2013</b>	<b>426,862</b>	<b>(475,342)</b>	<b>(48,480)</b>
Profit/(Loss) for the period	-	176,604	176,604
30 June 2014	426,862	(298,738)	128,124

## 12.5. Long-term and short-term borrowings from related persons

Related persons are Issuer’s subsidiary companies and other companies, as well as its shareholders which can control the Issuer or which have significant influence on the Issuer by taking decisions related to the principal activity; the officials of Issuer’s or its subsidiary company’s higher management and a close family member of any of the aforementioned private persons, as well as companies which are controlled by these persons or which have significant influence on them.

Table 17 shows the structure of Issuer’s long-term and short-term borrowings as at 31 December 2013 and 30 June 2014. Before the issue of Notes, long-term borrowings were received on average for three years with the annual interest rate of 14-15%; whereas, the term of Notes is longer, namely seven years, with gradual quarterly repayment of principal amount, starting from the 5<sup>th</sup> year; moreover, the interest rate amounts to 10%, thus improving Issuer’s cash flow.

As at 31 December 2013, long-term borrowings from related persons amounted to EUR 5,157,930, whereas short-term borrowings amounted to EUR 1,569,671. Related persons that issued loans to the Issuer were business companies partially or fully owned by the Issuer’s shareholders and registered in Latvia and other European Union Member States. The lenders of borrowings of non-related persons, which amounted to EUR 757,085, were two private individuals, citizens of Latvia, and a business company registered in Latvia.

As at 30 June 2014, loans in the form of Notes amounted to EUR 15,879,000, which constituted 96% of the total amount of Issuer's long-term and short-term borrowings. The remaining 4% (EUR 664,227) were borrowings from non-related parties, which were issued by two private investors, citizens of Latvia.

**Table 15 — Long-term and short-term borrowings as at 31 December 2013 and 30 June 2014**

<b>Borrowings as at 30 June 2014</b>			
<b>Long-term:</b>	<b>Annual interest rate (%)</b>	<b>Repayment deadline</b>	<b>30.06.2014, EUR</b>
Notes	10	31.03.2021	15,879,000
Borrowing from non-related party	14	01.07.2015	100,000
<b>Total long-term loans:</b>			<b>15,979,000</b>
<b>Short-term:</b>	<b>Annual interest rate (%)</b>	<b>Repayment deadline</b>	<b>30.06.2014, EUR</b>
Borrowing from non-related party	14	01.03.2015	100,000
Borrowing from non-related party	14	01.04.2015	100,000
Borrowing from non-related party	14	01.05.2015	100,000
Borrowing from non-related party	14	01.06.2015	100,000
Borrowing from non-related party	10	19.12.2014	164,227
<b>Total short-term borrowings:</b>			<b>564,227</b>

**Borrowings as at 31 December 2013**

<b>Long-term:</b>	<b>Amount in the original currency</b>	<b>Annual interest rate (%)</b>	<b>Repayment deadline</b>	<b>31.12.2013, EUR</b>
Borrowing from related person	EUR 1,406,390	15	13.02.2016	1,406,390
Borrowing from related person	EUR 2,066,000	15	14.04.2016	2,066,000
Borrowing from related person	EUR 1,685,000	15	04.07.2016	1,685,000
Borrowing from non-related person	EUR 500,000	14	01.07.2015	500,000
<b>Total long-term loans:</b>				<b>5,657,390</b>

<b>Short-term:</b>	<b>Amount in the original currency</b>	<b>Annual interest rate (%)</b>	<b>Repayment deadline</b>	<b>31.12.2013, EUR</b>
Borrowing from related persons	EUR 1,569,671	15	01.10.2014	1,569,671
Borrowing from non-related person	EUR 157,085	15	19.12.2014	157,085
Borrowing from non-related person	EUR 100,000	15	01.02.2014	100,000
Accrued interest for borrowings from related persons	EUR 26,398	-	-	26,398
Accrued interest for borrowings from non-related persons	EUR 1273	-	-	1273
<b>Total long-term loans:</b>				<b>1,854,427</b>

## 12.6. Explanations of financial statements

Explanations, annexes, and an auditor report regarding Issuer’s financial statements can be found in the annex of the Prospectus.

## 13. Important Contracts

- On 31 July 2014, a contract was entered into with a commercial bank in Latvia on the short-term credit line of EUR 3,500,000.

The Issuer has no information regarding other important contracts which might affect its ability to fulfil its obligations to Noteholders in relation to the securities to be issued.

## 14. Legal Proceedings and Arbitration

In accordance with the information available to the Issuer’s management at the moment of signing the Prospectus, no state interventions, legal proceedings or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer, are taking place.

## 15. Documents Available to the Public

All interested persons have a possibility of getting acquainted with the following documents:

- Issuer’s registration document and articles of association;



- Issuer’s financial statements for previous years, starting from the financial statement for 2013;
- Prospectus;

at the Issuer’s office at Matrožu iela 15A, LV-1048, Latvia, or requesting an electronic copy by e-mail [info@mogo.lv](mailto:info@mogo.lv)

## 16. Annexes

Annex A — AS “mogo” financial statement for 2013

Annex B — AS “mogo” condensed interim period financial statement for the six-month period which ended on 30 June 2014.