AS VIA SMS GROUP

CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
for the year 2017

Prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union

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General Information

Name of the company	VIA SMS GROUP
Legal status of the company	Joint-stock company
Unified registration number, place and date of registration	40003901472 Riga, 23 February 2007
Registered office	13.janvara street 3 Riga, Latvia, LV-10510
Shareholders	SIA Financial investment 50% Deniss Šerstjukovs 31% Georgijs Krasovickis 19%
Members of the Board	Eduards Lapkovskis Deniss Serstjukovs Georgijs Krasovickis
Subsidiaries	VIA SMS SIA, 13.janvara street 3, LV-1050, Riga, Latvia (100%) VIA SMS LT UAB, A. Vivulskio g. 7, LT-03162, Vilnius, Lithuania, (100%) until 15.05.2017 VIA SMS PL z.o.o., Al. Jerozolimskie 123A; 02-017, Warszawa, Poland (100%) VIA SMS s.r.o., Lazarská 1719/5, 110 00 Praha 1, Czech Republic (100%) ViaConto Sweden AB, Holländargatan 27, 113 59, Stockholm, Sweden (100%) ViaConto Minicredit S.L., Josep Tarradellas 8-10, ático 3ª Barcelona 08029, Spain (100%) CASHALOT Sp.z.o.o., Al. Jerozolimskie 123A; 02-017, Warszawa, Poland (100%) VIAINVEST SIA, 13.janvara street 3, LV-1050, Riga, Latvia (100%) Via Payments UAB, Vilkpedes g. 22, Vilnius, Lithuania, (100%) since 19 May 2017 IFN VIACONTO MINICREDIT S.A, Calea MOSILOR 21, Bucuresti sect 3, Rumania (95%) since 13 July 2017
Reporting period	1 January 2017 – 31 December 2017
Auditors name and address	BDO Audit SIA Licence No. 176 Gunta Darkevica Certified auditor Certificate No. 165

Management Report

The Management Board of the Company presents its report on the consolidated and separate financial statements for the period ended on December 31, 2017.
All figures are presented in EUR (*Euro*).

Core activities

The core activity of the Company and its subsidiaries (together referred to as "Group") is providing consumer lending services (in particular – issuing online payday and instalment loans). VIA SMS Group mission is to provide simple and accessible alternative financial services by delivering transparency, building trust and bringing positive change by educating society on making smart financial decisions.

Business overview

The Group has closed the reporting period with a net turnover of EUR 20 039 219 that shows 21,1% increase in comparison with the same period in 2016. The largest net turnover was reached in Spain where the net turnover has increased by 63%; the second largest turnover was reached in Sweden – by 55%, the third – in Poland where net turnover increased by 17% in comparison with data reported to December 31, 2016. Company's EBITDA in 2017 has reached EUR 2 900 866 and has ensured the net profit of EUR 1 182 522.

During 2017 the Group has made investments in newly established subsidiary in Romania, digital payment services provider VIA Payments, as well as developed new consumer lending brand in Poland – Cashalot. VIA SMS Group has also invested in the further development of the peer-to-peer lending platform VIAINVEST.

The net loan portfolio as per December 31, 2017, was EUR 18 022 102 which shows 23% growth in comparison with December 31, 2016. The largest portfolio increase was reached in the Czech Republic where the difference between reporting period and the same period last year amounts to 41%. The Czech Republic is followed by Poland with 32% growth, Latvia – with 25% growth and Spain – with 24% growth.

In 2017 VIA SMS Group was mainly focused on strengthening its positions in existing markets, acquiring new ones, as well as intensive product development. Following the strong performance in existing markets and growing demand for consumer lending services across Europe, VIA SMS Group has obtained a license allowing to operate in the Romanian consumer lending market. The newly established consumer lending company operating under the brand name VIACONTO.ro is providing online lending services in Romania. To expand existing operations in Poland, in July of 2017, VIA SMS Group has launched a new consumer lending brand Cashalot that is offering short-term online lending services for Polish residents.

VIA SMS Group has also established new daughter company VIA Payments that has obtained the electronic money institution license and is planning to develop and launch digital payment services brand within the Q2 of 2018.

During the 2017 VIA SMS Group has been working on improving the quality of creditworthiness evaluation and customer service effectiveness in all markets. The company was also focused on further development of the peer-to-peer lending platform VIAINVEST. 2017 marked a milestone of loans with a total value of 43 million EUR funded through the platform.

On September 7, 2017, VIA SMS Group has successfully finished the reorganization of the company and changed its legal form from Ltd. (Limited Liability Company) to JSC (Joint Stock Company).

Management Report (cont'd)

Development plans

In 2018 VIA SMS Group will continue to strengthen its position in represented markets (Latvia, Sweden, Czech Republic, Poland, Spain, and Romania) with a particular focus on developing and stabilizing business operations in Spain and Romania. VIA SMS Group development plans also include the launch of new innovative products as well as introducing instalment loan product and payment cards with credit line in all represented markets.

E. Lapkovskis
Member of the Board

D. Šerstjukovs
Member of the Board

Riga, April 27, 2018

Statement of Management's Responsibility

The Management Board of SIA VIA SMS Group ("the Company") is responsible for preparing the consolidated and separate financial statements of the Company and its subsidiaries.

The consolidated and separate financial statements are prepared in accordance with the source documents and give a true and fair view of the Company' s and its subsidiaries' financial position, operation results and cash flows for year ended 31 December 2017.

The Board confirms that appropriate accounting policies have been consequently applied and prudent and reasonable judgments and estimates have been made by the management in the preparation of the consolidated and separate financial statements for year ended 31 December 2017, set out on pages 7 to 32. The Board also confirms that International Financial Reporting Standards (IFRS) as adopted by the EU have been applied and complied with. The unaudited interim consolidated and separate financial statements have been prepared on a going concern basis and in compliance with laws and regulations of the Republic of Latvia applicable to the preparation of financial statements.

The Group's management Board is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group. The Group's Board is also responsible for operating the Group in compliance with all the applicable laws and other legislative or regulatory provisions of the Republic of Latvia, as well as with the national laws and regulations of the countries in which the Group conducts its business.

On behalf of the Management Board:

E. Lapkovskis
Member of the Board

D. Šerstjukovs
Member of the Board

Riga, April 27, 2018

Consolidated and Separate Income Statements

	Notes	Group 01.01.2017-31.12.2017. EUR	Group 01.01.2016-31.12.2016. EUR (corrected)	Company 01.01.2017-31.12.2017. EUR	Company 01.01.2016-31.12.2016. EUR
Net turnover	4	20 039 219	16 545 403	1 262 583	1 013 495
Operating costs	5	(4 068 244)	(2 893 165)	(1 115 046)	(849 398)
Impairment allowances	12	(7 453 610)	(6 803 757)	-	-
Gross profit/ (loss)		**8 517 365**	**6 848 481**	**147 537**	**164 097**
Selling expenses (marketing)		(2 346 494)	(1 763 207)	-	(1 360)
Operating profit/ (loss)		**6 170 871**	**5 085 274**	**147 537**	**162 737**
Administrative expenses	6	(4 380 661)	(3 252 337)	(42 554)	(39 284)
Other operating expenses	7	(568 227)	(887 645)	(8 503)	(10 828)
Other operating income	8	354 033	30 250	2 059 485	200 132
Profit/ (loss) before tax		**1 576 016**	**975 542**	**2 155 965**	**312 757**
Taxes		(393 494)	(555 260)	(30 982)	(21 606)
Net profit/ (loss) for the period		**1 182 522**	**420 282**	**2 124 983**	**291 151**
Profit / (loss) attributable to minority shareholders		(4 870)	-	-	-
Profit/ (loss) attributable to equity holders		1 187 392	420 282	2 124 983	291 151

The accompanying notes on pages 13 to 32 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 32 were approved by the Management Board on 27 April 2018 and signed on behalf of the Company by:

Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

Consolidated and Separate Statements of Comprehensive Income

	Group		Company	
	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR (corrected)	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR
Net profit/ (loss) for the period	**1 187 392**	**420 282**	**2 124 983**	**291 151**
Depreciation of revaluation reserve	110 000	110 000	-	
Foreign currency translation reserve	95 961	(2 662)		-
Total comprehensive income	**1 393 353**	**527 620**	**2 124 983**	**291 151**

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Member of the Board
D. Šerstjukovs

Consolidated and Separate Statements of Financial Position

		Group		Company	
	Note	31.12.2017 EUR	31.12.2016 EUR (corrected)	31.12.2017 EUR	31.12.2016 EUR
Non-current assets		**2 272 820**	**2 392 824**	**12 787 196**	**10 911 245**
Property, plant and equipment	9	132 210	74 396	-	-
Intangible assets	9	361 112	293 155	-	-
Investments in leasehold improvements	9	33 153	38 271	-	-
Investments in subsidiaries and associates	10	-	-	3 081 836	1 953 336
Bonds		1 481 000	1 615 000	1 481 000	1 615 000
Loans and trade receivables		37 296	152 260	8 224 360	7 342 840
Deferred tax		228 049	219 742	-	69
Current assets		**22 825 472**	**16 696 096**	**1 442 608**	**836 278**
Loans and trade receivables	11; 12	18 022 102	14 669 170	690 423	289 871
Other receivables	13	2 574 559	795 552	341 556	402 499
Prepaid expenses		69 376	73 253	57 990	841
Cash and cash equivalents	14	2 159 435	1 158 121	352 639	143 067
Total assets		**25 098 292**	**19 088 920**	**14 229 804**	**11 747 523**

The accompanying notes on pages 13 to 32 form an integral part of the consolidated and separate financial statements.

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Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

Consolidated and Separate Statements of Financial Position (cons'd)

		Group		Company	
		31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	31.12.2016 EUR
			(corrected)		
Equity	Note	**3 175 314**	**1 968 535**	**3 369 430**	**1 244 447**
Share capital	15	803 000	803 000	803 000	803 000
Foreign currency translation reserve		137 950	41 989	-	-
Revaluation reserve		124 261	234 261	-	-
Retained earnings		2 110 103	889 285	2 566 430	441 447
Total equity attributable to the members of the Company		**3 180 316**	**1 968 535**	**3 369 430**	**1 244 447**
Minority shareholder share capital		5 002	-	-	-
Non-current liabilities		**8 029 437**	**7 650 139**	**10 685 076**	**8 720 401**
Bonds	16	6 105 000	6 105 000	6 105 000	6 105 000
Borrowings	16	1 924 437	1 545 139	4 580 076	2 615 401
Current liabilities		**13 888 539**	**9 470 246**	**175 298**	**1 782 675**
Bonds	16	61 011	58 354	61 011	58 354
Borrowings	16	10 336 360	6 154 635	84 802	1 698 271
Trade payables		2 235 020	2 022 437	43	217
Other liabilities		603 785	391 676	532	17
Corporate income tax payable		9 154	223 333	9 154	21 675
Accrued liabilities	17	423 203	433 571	12 601	4 141
Deferred income		220 006	186 240	7 155	-
Total liabilities		**21 917 976**	**17 120 385**	**10 860 374**	**10 503 076**
Total equity and liabilities		**25 098 292**	**19 088 920**	**14 229 804**	**11 747 523**

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Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

Consolidated and Separate Cash Flow Statements

	Note	Group 01.01.2017-31.12.2017. EUR	Group 01.01.2016-31.12.2016. EUR (corrected)	Company 01.01.2017-31.12.2017. EUR	Company 01.01.2016-31.12.2016. EUR (reclassified)*
Cash flows to/ from operating activities					
Profit/ (loss) before tax		**1 576 016**	**975 542**	**2 155 965**	**312 757**
Interest income		(15 871)	(14 782)	(1 260 783)	(998 037)
Interest expenses		1 467 221	878 543	1 027 599	742 765
Depreciation, amortization, and write-offs of property, plant and equipment and intangible assets		198 839	186 063	-	-
Vacation pay reserve		(3 728)	38 066	-	-
Dividends received		-		(2 038 324)	(200 000)
Operating profit before adjustments for current assets and current liabilities		**3 222 477**	**2 063 432**	**(115 543)**	**(142 515)**
Increase/(decrease) in loans		(3 352 932)	(4 088 414)	(163 129)	(242 065)
Increase/(decrease) in receivables and other assets		(1 730 514)	(226 509)	(204 390)	(2 954)
Interest received		-	-	-	-
Increase/(decrease) in other liabilities		6 613 606	1 354 478	(81 355)	(229 208)
Cash generated from operations		**4 752 637**	**(897 013)**	**(564 417)**	**(616 742)**
Corporate income tax (paid)		(1 467 370)	(624 277)	(43 347)	-
Net cash flows to/ from operating activities		**3 285 267**	**(1 521 290)**	**(607 764)**	**-**
Cash flows to/ from investing activities					
Purchase of property, plant and equipment and intangible assets		(319 492)	(61 516)	-	-
Income from sale of investments/(Investments in subsidiaries)			-	(786 246)	(56 026)
(Issued) loans		55 491	(73 150)	-	-
Net cash flows to/ from investing activities		**(264 001)**	**(134 666)**	**(786 246)**	**(56 026)**
Cash flows to/ from financing activities					
Received borrowings		225 000	5 075 762	2 191 088	2 012 224
Repurchased bonds		141 839	(805 900)	141 839	(805 900)
Repayment of borrowings		(322 770)	(1 218 527)	(354 089)	(10 200)
Interest paid		(2 064 021)	(780 126)	(2 370 256)	(648 408)
Dividends received		-	-	1 995 000	200 000
Net cash flows to/ from financing activities		**(2 019 952)**	**2 271 209**	**1 603 582**	**747 716**
Change in cash and cash equivalents		**1 001 314**	**615 253**	**209 572**	**74 948**
Cash and cash equivalents at the beginning of the period		1 158 121	542 868	143 067	68 119
Cash and cash equivalents at the end of the period	14	2 159 435	1 158 121	352 639	143 067

* Loans issued and interest received since 2017 have been classified as operating activity and prior year amounts have been reclassified for consistency with the current period presentation.

The accompanying notes on pages 13 to 32 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 32 were approved by the Management Board on 27 April 2018 and signed on behalf of the Company by:

Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

Consolidated and Separate Statements of Changes in Shareholders' Equity

Group	Share capital	Foreign currency translation reserve	Retained earnings/(Accumulated Loss)	Revaluation reserve	Total
	EUR	EUR	EUR	EUR	EUR
			(corrected)		
Balance as of 31.12.2015.	**803 000**	**44 050**	**359 003**	**344 261**	**1 550 314**
Revaluation reserve	-	-	-	(110 000)	**(110 000)**
Depreciation of revaluation reserve	-	-	110 000	-	**110 000**
Foreign currency translation	-	(2 061)	-	-	**(2 061)**
The reporting year result	-	-	420 282	-	**420 282**
Balance as of 31.12.2016.	**803 000**	**41 989**	**889 285**	**234 261**	**1 968 535**
Revaluation reserve			110 000		**110 000**
Depreciation of revaluation reserve				(110 000)	**(110 000)**
Foreign currency translation		95 961			**95 961**
Disposal/acquisition of subsidiary			(71 572)		**(71 572)**
The reporting year result			1 187 392		**1 187 392**
Balance as of 31.12.2017.	**803 000**	**137 950**	**2 115 105**	**124 261**	**3 180 316**

Company	Share capital	Accumulated Profit/Loss	Total
	EUR	EUR	EUR
Balance as of 31.12.2015	**803 000**	**150 296**	**953 296**
Profit for the period	-	291 151	**291 151**
Balance as of 31.12.2016	**803 000**	**441 447**	**1 244 447**
Profit for the period		2 124 983	**2 124 983**
Balance as of 31.12.2017	**803 000**	**2 566 430**	**3 369 430**

The accompanying notes on pages 13 to 32 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 32 were approved by the Management Board on 27 April 2018 and signed on behalf of the Company by:

Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

Notes to the Consolidated and Separate Financial Statements

1. General information

AS VIA SMS GROUP is a Joint-stock company registered in the Republic of Latvia. The Company and its subsidiaries ("the Group") operate in Latvia, as well as in other countries: the Czech Republic, Poland, Sweden, Spain and Romania. The main business of the Group is providing short-term loans.

The registered office of AS VIA SMS GROUP is at 13.janvara street 3, Riga, LV-1050 Latvia.

Products and services

Group's consumer lending product portfolio consists of 4 lending products – payday loan, installment loan, a payment card with credit line SAVA.card (available in Latvia) and a credit line (available in Sweden).

A payday loan is a short-term consumer loan with a term up to 30 days and a maximum amount between 500 EUR and 700 EUR (varies depending on the country). Within this type of loan it is available to request payment deferral services, income from what amounts around 50% of the Group's revenue.

An installment loan is a consumer loan with a term from 3 to 24 months and a maximum amount that does not exceed 1400 EUR. This type of loans is available for Group clients in Latvia and Sweden. Swedish customers can also access a credit line with an amount up to 20 000 SEK.

SAVA.card is available for Group clients in Latvia. It is a payment card with a credit line up to 1500 EUR that offers an opportunity to receive a payment card operating in the MasterCard payment system. This allows cardholders to make purchases in more than 32 million sale points in the world where MasterCard is accepted. Clients are able to apply for the card as well as manage it online.

In August, 2017 VIA SMS Group has introduced multiproduct services available for customers in Latvia. Within the multiproduct services customers can combine up to three different consumer lending products not exceeding the total maximum limit of EUR 1500.

All lending products offered by the Group are non-secured loans so the company has developed complex risk assessment procedure, that is based on the analysis of the client's creditworthiness, historical data and other parameters. To avoid the fraud clients are requested to transfer 0,01 EUR from their personal bank account that allows to identify the client. All transactions that occur between the clients and the Group are non-cash transactions made online or via a text message.

2. Summary of significant accounting principles

1) Basis of preparation of the Financial Statements

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not significantly differ from IFRS issued by the International Accounting Standards Board (IASB) and are in force at the time of the preparation of these financial statements

The accompanying financial statements are presented in euro (EUR).

Accounting policies applied in the year 2017 are consistent with those used in the preparation of the financial statements for year 2016.

The consolidated and separate financial statements have been prepared under the historical cost convention.

Notes to the Consolidated and Separate Financial Statements (cont'd)

Standards and Interpretations applied in the reporting period

The following new and amended IFRS and interpretations have entered into force in 2017 and have no impact on the Company's operations and these financial statements:

- Amendments to IAS 12 "Income Tax" - deferred tax for unrealized liabilities (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 7 "Statement of Cash Flows" - on the disclosure information initiative (effective for annual periods beginning on or after 1 January 2017).

Several new standards and interpretations have been published and become effective for financial periods beginning on or before 2018. January or later, or not approved for use in the EU:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
  Classification and measurement. The Standard is effective for annual periods beginning on or after 1 January 2018, and its earlier application is permitted. The Standard introduces new classification and measurement requirements for financial instruments as well as principles for determining impairment and hedge accounting. Management has assessed the impact of this standard and considers it to be immaterial.
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
  The Standard is effective for annual periods beginning on or after 1 January 2018. IFRS15 sets out a five-step model that will be applied to revenues from a contract with a client (with a few exceptions), regardless of the type of transaction or sector in which the revenue was generated. Standard requirements will also apply to the recognition and measurement of profit and loss arising from the sale of non-financial assets that the company has not produced or created in the ordinary course of business (for example, the sale of fixed assets or intangible assets). Comprehensive information will be required, including total revenues, information on contract performance obligations, changes in contractual asset and liability balances between periods and key ratings and estimates. Management has assessed the impact of this standard and consider it to be immaterial.
- IFRS 15 "Revenue from Contracts with Customers" (Clarifications).
  The adjustments are effective for annual periods beginning on or after 1 January 2018 and their earliest application is permitted. The purpose of the refinements is to clarify the purposes of the IASB in the preparation of IFRS 15 "Revenue from customer contracts", in particular with respect to identifying accounting obligations for execution, changing the wording of the "separately identifiable" principle, considerations of the principal and trustee, including whether the company is a principal or trustee, and the principle of control and licensing, providing additional guidance on intellectual property and copyright accounting. Management has assessed that the effect of this standard is not significant.
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019, is not yet accepted in the EU). The Standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of the lease to be observed by both parties to the lease agreement, namely, the client ("lessee") and the supplier ("the lessor"). According to the new standard, should recognize most of their leases in their financial statements. Tenants will have to use the same accounting model for all leases with some exceptions. The inventory kept by the lessor does not change significantly. The management has not yet estimated the impact of the implementation of this standard.
- IFRIC 22 "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 January 2018, not yet adopted by the EU);
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021, not yet adopted by the EU);
- IFRIC 23, "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019, is not yet adopted by the EU);

Notes to the Consolidated and Separate Financial Statements (cont'd)

- Amendments to IAS 40 "Investment Property" - reclassification of Investment Properties (effective for annual periods beginning on or after 1 January 2018) are not yet accepted by the EU.

The Group considers that adoption of the respective standards, amendments of effective standards and interpretations will not significantly affect Group's financial statement at its initial application period.

2) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and entities controlled by the Company (its subsidiaries) on the last day of the reporting period. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Adjustments are made to the financial statements of subsidiaries, if necessary, to unify the accounting policies used by the other members of the Group. All inter-company transactions and balances between Group companies are eliminated in consolidation process. Subsidiaries are consolidated using the purchase method of accounting from the date from which control has been transferred to the Group and ceases to be consolidated from the date on which control is transferred to another company.

The Group consists of the Company and the following companies, which are controlled either directly or indirectly by the Company:

- VIA SMS SIA
- VIA SMS LT UAB
- VIA SMS PL z.o.o.
- VIA SMS s.r.o.
- VIA CONTO SWEDEN AB
- VIACONTO MINICREDIT S.L.
- CASHALOT Sp.z.o.o.
- VIAINVEST SIA
- Via Payments UAB
- IFN VIACONTO MINICREDIT

The Company has the power and ability to influence relevant processes in these entities by carrying out their operational management, providing funding (both as equity and loans), and providing IT resources. That gives the Company control over these entities.

3) Significant accounting assumptions and estimates

According to IFRS as adopted by the EU, the preparation of financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets and liabilities. IFRS also requires disclosing the information about contingent assets and liabilities as of reporting date and income and expenses for the reporting period . The Group makes estimates and assumptions concerning the future perspectives of the Group. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the respective estimates are revised if the changes only affect that period or in the review period and subsequent periods if the changes affect both the current and subsequent periods.

a) Loans and receivables

Loans are measured at amortized cost using the effective interest rate method. The amortized cost of a loan is the amount at which the loan is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount (through the use of an allowance account), and minus any reduction for impairment or uncollectibility.

Notes to the Consolidated and Separate Financial Statements (cont'd)

b) Impairment of financial assets

The Company conducts its loans receivable analysis at each reporting date, to assess whether and to what extent an allowance for asset impairment should be made. It is disclosed in the Income Statement.

The Group recognizes impairment loss based on historical loss experience which is adjusted on the basis of currently available data. Allowances are calculated based on base features of the portfolio. The main criterion for assessment is settlement discipline. Calculation of necessary allowance on portfolio is based on experience and previous period's statistics. On the basis of knowledge of the current situation, the management makes estimates of the net present value of expected future cash flows when determining the amount of allowances.

The carrying amount of the asset is reduced based on the allowances and the increase/decrease of the value, and is recognized in the income statement. The residual balances of any loan and receivable are written off from the accounts of the statement of financial position and from allowances for credit losses, if cannot be recovered or sold.

c) Intangible assets and property, plant and equipment

Property, plant and equipment and intangible assets, except for goodwill and real estate, are stated at acquisition cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis and written off over the useful life of respective intangible asset, using the following annual depreciation and amortization rates established by the management:

Intangible assets:	*Useful life*
Licenses	5 years
Programs	5 years
Property, plant and equipment	
Buildings	20 years
Vehicles	5 years
Furniture, fittings and equipment	3-5 years

Intangible assets and property, plant and equipment are amortized/ depreciated over their useful life. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least annually. Depreciation and amortization expense on property, plant and equipment and intangible assets with finite lives are recognized in the income statement caption "Administrative expenses".

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at bank, and demand deposits in banks.

e) Financial liabilities

Financial liabilities are disclosed in the statement of financial position under the caption "Borrowings" and measured at amortized cost.

Subsequent to initial recognition all borrowings are stated at amortized cost, using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement that are an integral part of the effective interest rate.

f) De-recognition of financial assets and financial liabilities

A financial asset is derecognized where:

- the contractual rights to the cash flows from that asset have expired; or
- the Group has transferred its rights to the cash flows from that asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a `cession` arrangement; and

Notes to the Consolidated and Separate Financial Statements (cont'd)

- either (a) the Group has transferred substantially all the risks and rewards of the ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the ownership of the asset but has retained the control of the asset.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

g) Revenue recognition

Interest income and expenses are recognized in the income statement under the accrual basis of accounting, applying the effective interest rate method. Interest income and expenses include the amortization of the difference (discount, premium or other) between the initial carrying amounts of the interest-bearing financial asset or liability and its maturity amount, that is calculated using the effective interest rate method.

Fees and commissions received from customers are generally recognized on an accrual basis when the service is provided or on the basis of specified significant events.

Accrued interest is recognized in the income statement if the Company has no objective evidence that it will not be received on time.

Income and expenses relating to the reporting period are recognized in the income statement irrespective of the receipt or payment date.

h) Taxes

Current corporate income tax is calculated in accordance with tax legislation of subsidiary's residence.

Deferred income tax is calculated on temporary differences in the timing of the recognition of the value of assets and liabilities in the financial statements and their value for taxation purposes. The deferred income tax assets and liabilities are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. Deferred corporate income tax asset is recognized in the financial statements where its recoverability is foreseen with reasonable certainty.

i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimates to settle the present obligation, its carrying amount is based on the present value of those cash flows.

j) Share capital

The Company's shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are recognized under equity as a non-taxable deduction from income.

k) Foreign currency translation:

i) Functional and presentation currency

Foreign currencies are included in the financial statements of each the Group's entities and are presented using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in euro (€), which is the Company's functional currency.

Notes to the Consolidated and Separate Financial Statements (cont'd)

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from currency exchange conversions, as well as monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

iii) Group companies

The results and financial position of all the Group companies that have a presentation currency different from the Group's presentation currency are translated into the functional currency as follows:

- Assets and liabilities are translated at the applicable exchange rate at the final reporting date;
- Income and expenses for each income statement caption are translated at the average exchange rate, and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, from currency exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

Notes to the Consolidated and Separate Financial Statements (cont'd)

l) Accounting Policies, Changes in Accounting Estimates

The corrections of prior period accounting policy change in VIA SMS s.o.o (Poland) are recognized in the reporting period:

Consolidated and separate Income Statements

	01.01.2016-31.12.2016 EUR Before correction	EUR Correction	01.01.2016-31.12.2016 EUR Corrected
Impairment allowances	(6 114 590)	(689 167)	(6 803 757)
Gross profit	**7 537 648**	**(689 167)**	**6 848 481**
Operating profit	**5 774 441**	**(689 167)**	**5 085 274**
Profit before tax	**1 664 709**	**(689 167)**	**975 542**
Net profit for the period	**1 109 449**	**(689 167)**	**420 282**

Consolidated and separate Statements of Financial Position

	01.01.2016-31.12.2016 EUR Before correction	EUR Correction	01.01.2016-31.12.2016 EUR Corrected
Other receivables	1 484 719	(689 167)	795 552
Current assets	**17 385 263**	**(689 167)**	**16 696 096**
Total assets	**19 778 087**	**(689 167)**	**19 088 920**
Retained earnings	1 578 452	(689 167)	889 285
Total equity	**2 657 702**	**(689 167)**	**1 968 535**
Total equity and liabilities	**19 778 087**	**(689 167)**	**19 088 920**

Notes to the Consolidated and Separate Financial Statements (cont'd)

3. Financial risk management

Risk management is an integral part of the Group's activities. Risk categories that are addressed by the Group subsidiaries mainly include credit risk, country risk, liquidity risk, and currency risk. Each subsidiary participates in the credit risk management by developing its own risk management instruments, such as lending procedures, while country, liquidity and currency risks are managed at the Group level.

Credit risk

Credit risk is the risk of losses arising from a borrower's or counterparty's inability to meet its contractual obligations. Credit risk is mitigated as follows:

- Lending procedures are set up in each Group subsidiary to ensure high quality of portfolio. Such procedures are constantly improved and include judicial and behavioural indicators, use of credit bureau data and the reduction of loan principal when the prospective customer has a questionable creditworthiness.
- Penalties, extension of payment terms, restructuring (renegotiation) are used to mitigate risks associated with unrepaid debts. These options are available to borrowers in cases where there is difficulty or unwillingness to repay the debt. Extensions and restructuring (renegotiation) both extend the repayment date simultaneously with generating extra cash flow to the portfolio.
- In 2017 all Subsidiaries operate an automated credit decision system.
- In 2017 a new fraud prevention system was installed in all Subsidiaries
- Loan loss allowances are an adequate way to mitigate the risk of losses to be incurred in the course of loan repayment transactions. Loan loss allowances are based on the loan statistical repayment history of borrowers.

The table below shows the Group's gross portfolio broken down by the age of debt. The numbers of days overdue is used as an indication of the quality of the portfolio. Microloans still form the largest portfolio share, but the tendency to increase the time to maturity continues in the reporting period.

On 31 December 2017	Days overdue	Payday EUR	Instalment EUR	Credit Line EUR
Performing	<=0	9 201 955	413 057	2 871 767
	1-30	1 635 359	55 145	676 120
	31-60	913 572	23 645	270 119
Past due not	61-90	893 016	29 571	195 407
	90+	4 849 497	911 980	174 158
Restructured	-	765 551	423 774	-
	Total	**18 258 950**	**1 857 172**	**4 187 571**
			Loans and receivables:	**24 303 693**
			Unearned commission:	(353 345)
			Impairment allowances:	(5 928 246)
			Net loan portfolio:	18 022 102

Notes to the Consolidated and Separate Financial Statements (cont'd)

On 31 December 2016	Days overdue	Payday EUR	Instalment EUR	Credit Line EUR
Performing	<=0	8 397 895	893 895	1 618 932
Past due not impaired	1-30	1 222 450	122 348	444 646
Impaired	31-60	635 229	70 538	143 986
	61-90	562 015	77 558	134 705
	90+	4 371 159	1 110 807	40 413
Restructured	-	594 164	306 863	-
	Total	**15 782 912**	**2 582 009**	**2 382 682**
	Loans and receivables:			**20 747 603**
	Unearned commission:			(349 508)
	Impairment allowances:			(5 728 925)
	Net loan portfolio:			14 669 170

Country risk

Country risk is the risk associated with changes in operation on the country level, and includes two basic areas: changes in the legislation of each respective country, and issues related to maintaining enough equity to issue loans to borrowers at all times, i.e. liquidity risks. Both country level risks are reduced with close control of operations from the country management, as well as the regular assessment of the situation from the management of the Group. Liquidity risk is low given the fast-turnaround nature of the payday product.

The table below shows the exposure of the loan portfolio to country risk in different countries. Czech, Polish and Latvian portfolios are growing the fastest. Czech Republic and Spain show moderate decline, mainly attributable to the sale of non-performing portfolio shares in these countries.

	31.12.2017	31.12.2016
	EUR	**EUR**
Poland	7 554 413	5 724 022
Latvia	5 825 135	4 688 531
Sweden	4 766 476	5 036 106
Spain	2 433 760	2 459 608
Czech Republic	3 723 909	2 839 336
Total	**24 303 693**	**20 747 603**

Currency risk

Currency risk is the risk of fluctuations of the value of a financial instrument as fluctuations in foreign exchange rates affect the Group's assets. The Group has assumed that the foreign exchange rate for currencies could potentially fluctuate by three standard deviations recorded in the previous period. The table below lists currencies that the Group was exposed to during the statement period, minimum and maximum values of the interest rate according to maximum difference the rate has suffered during the statement period.

Notes to the Consolidated and Separate Financial Statements (cont'd)

31 December 2017	CZK	PLN	SEK
Rate on the reporting date	25.54	4.17	9.85
Maximum difference in 2017	6.9%	3.8%	4.4%
Minimum value	23.78	4.01	9.42
Maximum value	27.30	4.33	10.28

31 December 2016	CZK	PLN	SEK
Rate on the reporting date	27.02	4.424	9.5669
Maximum difference in 2016	0.3%	3.9%	6.7%
Minimum value	26.93	4.25	8.93
Maximum value	27.11	4.6	10.21

The following table below shows sensitive loans and receivables, and the fluctuations of each of the currency exchange rates that come from the range between minimum and maximum exchange rates in the reporting period, similar as described in the previous tables. As the portfolio in Poland grows, so grows the risk introduced by its fluctuating national currency. The Czech koruna is not so stable anymore, one-third, of the total currency risk is attributed to its fluctuation.

	31 December 2017		31 December 2016	
Currency	Basis	Effect on result EUR	Basis	Effect on result EUR
EUR	8 258 895	-	7 148 139	-
PLN	7 277 055	277 358	5 510 558	213 463
SEK	4 565 444	201 033	4 721 006	315 100
CZK	3 483 633	240 276	2 829 508	9 828
Total	**23 585 027**	**718 667**	**20 209 211**	**538 391**

Liquidity risk

Liquidity risk is the risk that there will be not enough funds to issue loans to borrowers. Although the risk is low given the fast-turnaround nature of the payday product, to mitigate the risk, bank statements of each subsidiary are assessed every week by the management of the Group and by subsidiary managers on a daily basis.

Notes to the Consolidated and Separate Financial Statements (cont'd)

4. Net turnover

	Group		Company	
	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR
Commission fee	13 687 671	9 622 372	1 260 783	998 037
Extension fee	4 797 059	4 965 562	-	-
Penalties	824 604	949 672	-	-
SMS and other income	428 561	509 213	-	-
Letters	153 619	246 962	-	-
Restructuring commission	143 376	248 406	-	-
Registration fee	2 529	1 816	-	-
Services provided	1 800	1 400	1 800	15 458
Total	**20 039 219**	**16 545 403**	**1 262 583**	**1 013 495**

	Group		Company	
	01.01.2017.-31.12.2017. EUR	01.01.2016.-31.12.2016. EUR	01.01.2017.-31.12.2017. EUR	01.01.2016.-31.12.2016. EUR
Latvia	7 740 587	6 637 443	653 788	439 989
Poland	4 011 922	3646463	52 716	35 762
Sweden	3 618 473	2 443 835	233 878	231 676
Spain	2 679 684	1 641 429	314 604	198 319
Czech	1 968 949	2 166 692	7 597	106 849
Romania	19 604	-	-	-
Lithuania	-	9 541		900
Total	**20 039 219**	**16 545 403**	**1 262 583**	**1 013 495**

5. Operating costs

	Group		Company	
	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR
Interest expenses	1 467 221	998 281	1 027 599	-
Remuneration (operators and debt collectors, IT)	1 141 609	878 543	-	742 765
Customer due diligence	307 102	348 187	-	-
Debt collection expenses	249 504	111 982	-	-
Bank charges	145 991	116 722	33 567	50 180
SMS expenses	91 463	91 335	-	-
License and other membership fees	46 648	32 353	-	-
Telecommunications	46 158	28 841		-
Other costs	583 088	286 921	53 880	56 453
Total	**4 078 784**	**2 893 165**	**1 115 046**	**849 398**

Notes to the Consolidated and Separate Financial Statements (cont'd)

6. Administrative expenses

	Group		Company	
	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR
Remuneration (other)	2 302 580	1 788 987	6 883	5 712
Board remuneration	382 832	379 452	-	-
Legal and professional services	281 167	219 989	23 279	27 708
Lease of premises	292 441	216 356	1 993	1 953
Depreciation	200 158	186 050	-	3 566
Accounting expenses	56 269	113 207	8 961	-
Business trips	78 543	56 396	830	-
Utilities	30 707	47 929	418	339
Household goods	32 826	31 411	-	-
Other	723 138	212 560	190	6
Total	**4 380 661**	**3 252 337**	**42 554**	**39 284**

7. Other operating expenses

	Group		Company	
	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR
Unrecoverable VAT	428 869	500 662	6 905	4 385
Currency exchange, net	-	264 121	-	6 060
Vacation pay reserve	-	38 066	-	-
Donations	75 000	50 000	-	-
Other	64 358	34 796	1 598	383
Total	**568 227**	**887 645**	**8 503**	**10 828**

8. Other operating income

	Group		Company	
	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR	01.01.2017-31.12.2017. EUR	01.01.2016-31.12.2016. EUR
Currency exchange, net	287 635	-	19 644	-
Income from sale of fixed assets, net	-	-	-	-
Dividends received	43 324	-	2 038 324	200 000
Other	23 074	30 250	1 517	132
Total	**354 003**	**30 250**	**2 059 485**	**200 132**

Notes to the Consolidated and Separate Financial Statements (cont'd)

9. Property, plant and equipment and intangible assets

	Group			
	Property, plant and equipment	Intangible assets	Long-term investments in leased property, plant and equipment	Total
	EUR	EUR	EUR	EUR
Initial value				
1 January 2017	**174 776**	**724 564**	**54 806**	**954 146**
Acquisition cost	104 487	203 779	11 226	**319 492**
Reclassified	56 856	(62 929)	-	**(6 073)**
Disposed	(15 195)	-	-	**(15 195)**
31 December 2017	**320 924**	**865 414**	**66 032**	**1 252 370**
Depreciation				**-**
1 January 2017	**(100 380)**	**(431 409)**	**(16 535)**	**(548 324)**
Exchange rate fluctuations, net	(634)	2 835	766	**(1 477)**
Reclassified	(52 575)	58 648	-	**6 073**
Calculated depreciation	(48 388)	(134 659)	(17 110)	**(200 158)**
Disposed	13 263	283	-	**13 546**
31 December 2017	**(188 714)**	**(504 302)**	**(32 879)**	**(725 875)**
Carrying Amount on 1 January 2017	**74 396**	**293 155**	**38 271**	**405 822**
Carrying Amount on 31 December 2017	**132 210**	**361 112**	**33 153**	**526 475**

Depreciation of revaluation reserve for the reporting period recognized directly to reserves was 110 000 EUR (2016: 110 000 EUR). Revaluation reserve remaining value as at 31 December 2017 is 124 261 EUR (31 December 2016 –234 261EUR).

Notes to the Consolidated and Separate Financial Statements (cont'd)

10. Investments in subsidiaries and associates

As at 31 December 2017 and 31 December 2016, the Company had the following investments in the subsidiaries:

Company	Type of activity	Carrying amount as of 31.12.2017 EUR	Carrying amount as of 31.12.2016 EUR	Company's share of equity as of 31.12.2017	Company's share of equity as of 31.12.2016
- VIA SMS SIA (Latvia)	Financial services	368 443	368 443	**100 %**	**100 %**
- VIA SMS LT UAB (Lithuania)	Financial services	-	2 903	**-**	**100 %**
- VIA SMS PL z.o.o. (Poland)	Financial services	552 252	552 252	**100 %**	**100 %**
- VIA SMS s.r.o. (Czech Republic)	Financial services	250 318	72 672	**100 %**	**100 %**
- VIA CONTO SWEDEN AB (Sweden)	Financial services	847 933	801 040	**100 %**	**100 %**
- VIACONTO MINICREDIT S.L. (Spain)	Financial services	100 000	100 000	**100 %**	**100 %**
- CASHALOT Sp.z.o.o. (Poland)	Financial services	45 932	45 932	**100 %**	**100 %**
- VIAINVEST SIA (Latvia)	Financial services	10 000	10 000	**100%**	**100 %**
Via Payments SIA (Lithuania)	Financial services	713 000	-	**100%**	**-**
IFN VIACONTO MINICREDIT S.A. (Romania)	Financial services	193 864	-	**95%**	**-**
Total		**3 081 742**	**1 953 242**		

In the reporting period Company made a contribution 94 EUR into capital of European Economic Interest Grouping VIA SMS R&D Services. EEIG VIA SMS R&D Services has been founded with a purpose to provide its members with information technology, financial, marketing and legal support and ensure efficient and effective use of resources.

Notes to the Consolidated and Separate Financial Statements (cont'd)

Information on subsidiaries

Title	Address	Equity 31.12.2017 EUR (unaudited)	Equity 31.12.2016 EUR	Reporting period profit 31.12.2017 EUR (unaudited)	Reporting period profit 31.12.2016 EUR
VIA SMS SIA	13.janvara street 3, LV-1050, Riga, Latvia	2 710 801	3 601 171	1 104 630	1 244 664
VIA SMS PL z.o.o	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	933 533	885 222	715 419	443 638
VIA SMS s.r.o.	Lazarska 1719/5, 11000, Prague, Czezh Republic	1 184 318	564 573	371 793	529 306
ViaConto Sweden AB	Holländargatan 27, 113 59, Stokholma, Sweden	89 748	8 588*	34 543	(218 494)
ViaSpar Finans AB*	Holländargatan 27, 113 59, Stokholm, Sweden	1 033 801	1 045 299	10	12
VIACONTO MINICREDIT S.L.)	Josep Tarradellas 8-10, ático 3ª Barcelona 08029, Spain	2 695 010	565 048	(675 791)	198 182
CASHALOT Sp.z.o.o.	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	138 936	39 590	96 943	(5 618)
VIAINVEST SIA**	13.janvāra street 3, LV-1050, Rīga, Latvija	(266 457)	(38 783)	(227 674)	(48 783)
Via Payments UAB	Vilkpedes g. 22, Vilnius , Lithuania	619 141	-	(93 859)	-
IFN VIACONTO MINICREDIT S.A.	Calea MOSILOR 21 Bucuresti sect 3, Romania	67 709	-	(95 494)	-

* The Company ViaSpar Finans AB is a subsidiary of ViaConto Sweden AB (100%)
** VIAINVEST SIA share capital is increased in March 2018 by capitalization of shareholder's loan 190 000 EUR

11. Loans and trade receivables

	Group 31.12.2017 EUR	Group 31.12.2016 EUR	Company 31.12.2017 EUR	Company 31.12.2016 EUR
Loans to related parties	37 296	152 260	8 224 360	7 342 840
Total non-current loans and trade receivables	**37 296**	**152 260**	**8 224 360**	**7 342 840**
Loans to related parties	-	-	690 423	289 871
Loans to customers	24 303 693	20 747 603	-	-
Unearned commission	(353 345)	(349 508)	-	-
Impairment allowance for loans to customers	(5 928 246)	(5 728 925)	-	-
Total current loans and trade receivables	**18 022 102**	**14 669 170**	**690 423**	**289 871**
Total	**18 059 398**	**14 821 430**	**8 914 783**	**7 632 711**

Notes to the Consolidated and Separate Financial Statements (cont'd)

12. Impairment allowances

	Group		Company	
	31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	31.12.2016 EUR
Impairment allowances at the beginning of the period	**5 728 925**	**3 763 848**	**-**	**-**
Impairment allowances (loan agreements)	7 728 130	6 803 757	-	-
Currency exchange differences	51 037	36 296	-	-
Effect on profit and loss	**7 779 167**	**6 840 853**	**-**	**-**
Write-off	(51 810)	(59 617)	-	-
Receivables sold	(7 528 015)	(4 815 359)	-	-
Change for the reporting period	**199 342**	**1 965 077**	**-**	**-**
Impairment allowances at the end of the period	**5 928 267**	**5 728 925**	**-**	**-**

13. Other receivables

	Group		Company	
	31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	31.12.2016 EUR
Security deposit	24 088	22 649	254	254
Overpayment of taxes	232 697	12 757	3 135	6 290
Other receivables from related parties	-	102	336 170	395 713
Other receivables from customers	392 928	282 631	-	-
Other receivables	1 924 846	478 839	2 097	242
Total	**2 574 559**	**795 552**	**341 556**	**402 499**

14. Cash and cash equivalents

	Group		Company	
	31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	31.12.2016 EUR
EUR	1 529 401	516 319	352 550	111 145
PLN	395 184	231 187	-	-
SEK	57 687	217 889	89	31 922
RON	15 910	-	-	
CZK	161 253	192 726	-	-
Total	**2 159 435**	**1 158 121**	**352 639**	**143 067**

15. Share capital

Notes to the Consolidated and Separate Financial Statements (cont'd)

The total number of registered shares is 803 000. The par value of each share is EUR 1.00. All shares are fully paid.

16. Borrowings

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Short-term liabilities	**10 397 371**	**6 212 989**	**145 813**	**1 756 625**
Short-term loan	10 336 360	6 154 635	84 802	1 698 271
Accrued interest on short-term bonds*	61 011	58 354	61 011	58 354
Long-term loan	**8 029 437**	**7 650 139**	**10 685 076**	**8 720 401**
Long-term loans	1 303 000	1 208 000	4 438 080	2 556 827
Long-term customer deposits	479 441	278 565	-	-
Long-term bonds*	6 105 000	6 105 000	6 105 000	6 105 000
Accrued interest on long-term loans	141 996	58 574	141 996	58 574
Total	**18 426 808**	**13 863 128**	**10 830 889**	**10 477 026**

* - On 25th August, 2016 SIA VIA SMS Group successfully closed issue of new bonds, which was done with aim to refinance existing emission of bonds. New bond issue (ISIN LV0000802064) is included in regulated capital market Nasdaq Riga on 5th August 2016 in Baltic bond list, total value of issued bonds are EUR 6 105 000 with following conditions:

Number of bonds	6 105
Nominal value	EUR 6 105 000
Nominal value of one bond	EUR 1 000
Coupon rate per annum	12.5%
Maturity date	25 May, 2019
Coupon payment frequency	quarterly
Repayment of principal amount	at the end of the term

Notes to the Consolidated and Separate Financial Statements (cont'd)

17. Accrued liabilities

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Accrued expenses	290 987	284 999	12 472	3678
Accrued unused vacations	132 216	148 572	129	463
Total	**423 203**	**433 571**	**12 601**	**4 141**

18. Average number of employees

	Group		Company	
	31.12.2017	31.12.2015	31.12.2017	31.12.2016
Management	6	6	-	-
Administration	46	28	1	1
Other	88	74	-	-
Total	**140**	**108**	**1**	**1**

Notes to the Consolidated and Separate Financial Statements (cont'd)

19. Related party disclosures

The Group's transactions with related parties:

Income	**01.01.2017.- 31.12.2017. EUR**	**01.01.2016.- 31.12.2016. EUR**
Services provided	1 200	1 200
Interest income	15 871	14 782
Accrued interest expenses	(105 578)	(96 985)
Total, net	**(88 507)**	**(81 003)**

Liabilities	**31.12.2016 EUR**	**31.12.2016 EUR**
Loans	-	130 650
Accrued interest payable	37 296	21 610
Borrowings	(692 500)	(793 500)
Accrued interest on borrowings	(5 367)	(1 630 246)
Total, net	**(660 571)**	**(2 271 486)**

The Company's transactions with related parties:

Income	**01.01.2017.- 31.12.2017. EUR**	**01.01.2016.- 31.12.2016. EUR**
Services provided	11 894	15 390
Services received	(65 739)	(56 452)
Interest income	1 260 783	998 037
Interest expense	(69 249)	(170 658)
Total, net	**1 137 689**	**786 317**

Assets	**31.12.2017 EUR**	**31.12.2016 EUR**
Issued loans	8 187 064	7 321 230
Accrued interest on issued loans	727 719	311 481
Received loans	(3 135 080)	(1 348 826)
Accrued interest on received loans	(84 802)	(1 698 271)
Issued bonds	(413 000)	(514 000)
Accrued interest on bonds	(5 367)	(6 247)
Total, net	**5 276 534**	**4 065 367**
Debtors debts	389 389	395 852
Total, net	**5 665 923**	**4 461 219**

Notes to the Consolidated and Separate Financial Statements (cont'd)

20. Significant events after reporting period end

As of the last day of the reporting period until the date of signing these financial statements, there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of VIA SMS GROUP AS

Report on the audit of the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of VIA SMS GROUP AS (the Company) and accompanying consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 7 to 32 of the accompanying separate and consolidated annual report. Accompanying separate and consolidated financial statements comprise the separate and consolidated statements of financial position as at 31 December 2017, and the separate and consolidated income statements, the separate and consolidated statements of comprehensive income, the separate and consolidated cash flow statement and the separate and consolidated statement on changes in equity for the year ended 31 December 2017 and notes to the separate and consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, as of 31 December 2017, and of its separate and consolidated financial performance and their separate and consolidated cash flows for the year ended 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statement section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statement in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	*Audit response*
Current loans and trade receivables As stated in note 11 and 12 to the consolidated financial statements, on 31 December 2017, the Group's loans and trade receivables total 18 022 thous. EUR that comprises approximately 72% of the total assets value. As of 31 December 2017 the Group's gross loan portfolio amounted to 24 304 thous. EUR and related impairment allowance was 5 928 thous. EUR. Balance sheet value of loans and trade receivables is material to the consolidated financial statements as a whole, therefore our audit procedures performed in respect of management's assessment of recoverable amount of loans and trade receivables were significant part of our audit.	We have assessed whether the Group's accounting policies related to allowance for impairment losses are in compliance with IFRS and are properly disclosed in the consolidated financial statements. We evaluated whether models and assumptions used by the management are appropriate and accurate in all material respects.

Other matters

Separate and Consolidated Financial statements for the year ending 31 December 2017 were audited by other auditors who issued unmodified audit opinion on 21 April 2017.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- General information, as set out on page 3 of the accompanying consolidated Annual Report;
- Management Report, as set out on pages 4-5 of the accompanying consolidated Annual Report;
- Statement on Management Responsibility, as set out on page 6 of the accompanying consolidated Annual Report,
- the Statement of Corporate Governance, as published together with the audited Annual Report and available at Internet site http://www.nasdaqbaltic.com.

Our opinion on the separate and consolidated financial statement does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the separate and consolidated financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statement

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separated and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the Company and Group or business activities within the Company and Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by those charged with governance on 20 December 2017 to audit the separate and consolidated financial statements of VIA SMS GROUP AS for the year ended 31 December 2017. Our total uninterrupted period of engagement is 1 year, covering the period ending 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.[6] of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014 or other services. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Gunta Darkevica.

BDO Audit SIA
Company of Certified Auditors
Licence No 176

SABIEDRĪBA AR IEROBEŽOTU ATBILDĪBU
BDO
Audit
LATVIJAS REPUBLIKA

Gunta Darkevica
Member of the Board
Certified auditor of Latvia
Certificate No. 165

27 April 2018
Riga, Latvia