

SIA VIA SMS GROUP

Unaudited interim
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
for the period from 1 January 2016 to 30 June 2016

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

SIA VIA SMS GROUP

Unaudited interim financial statement for the period from 1 January 2016 to 30 June 2016

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SIA VIA SMS GROUP

Unaudited interim financial statement for the period ended 30 June 2016

Interim Management Report

Name of the company	VIA SMS GROUP
Legal status of the company	Limited liability 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 50%
Members of the Board	Eduards Lapkovskis, from 20.10.2010 Deniss Serstjukovs, from 25.06.2012
Subsidiaries	VIA SMS SIA, 13.janvara street 3, LV-1050, Riga, Latvia (100%) VIA SMS LT UAB, A. Vivilskio g. 7, LT-03162, Vilnius, Lietuva, (100%) VIA SMS PL z.o.o., Al. Jerozolimskie 123A; 02-017, Varšava, Polija (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., Avenida Josep Tarradellas 8-10, ático 4ta Barcelona 08029, Spain (100%) CASHALOT Sp.z.o.o., Al. Jerozolimskie 123A; 02-017, Varšava, Polija (100%)
Reporting period	1 January 2016 – 30 June 2016

SIA VIA SMS GROUP

Unaudited interim financial statement for the period from 1 January 2016 to 30 June 2016

Contents

The Management Board of the Company presents its report on the unaudited interim consolidated and separate financial statements for the six months period ended 30 June 2016.

All the figures are presented in EUR (euro).

Core types of activity

The core type of activity of the Company and its subsidiaries (together the "Group") is providing consumer loans (payday and instalment loans).

Business overview

During the period from 1 January 2016 till 30 June 2016, the Company's business was successful and the Company closed the reporting period with a net turnover of EUR 7 842 382 an increase of 23.8% in comparison to the same period in 2015 and reached net profit of EUR 657 064.

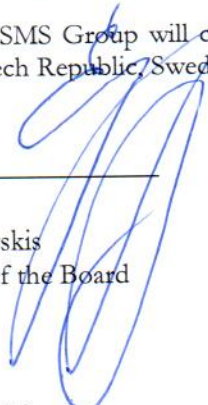
Net loan portfolio as per June 30, 2016 is EUR 11 915 811, which is 13% more than net loan portfolio as per December 31, 2015.

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

During 2016 VIA SMS Group has introduced two new products for its clients – Creditcard SAVA (for clients in Latvia) and creditline (for clients in Sweden), as well as ViaSpar (Sweden), which is part of VIA SMS Group, on 2nd March 2016 has received permission to attract deposits in amount up to 50 000 SEK in Sweden from private and legal entities.

During 2016 VIA SMS Group will continue growth and stabilize its positions in represented markets – Latvia, Poland, Czech Republic, Sweden and Spain.



E. Lapkovskis
Member of the Board



D. Šerstjukovs
Member of the Board

Riga, 31 August 2016

SIA VIA SMS GROUP

Unaudited interim financial statement for the period from 1 January 2016 to 30 June 2016

Interim Statement of Management's Responsibility

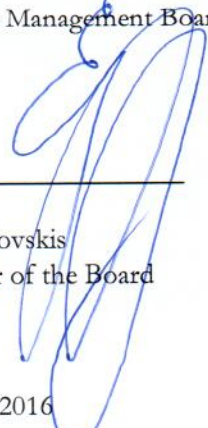
The Management Board of SIA VIA SMS Group ("the Company") is responsible for preparing the unaudited interim consolidated and separate financial statements of the Company and its subsidiaries.

The unaudited interim 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 six months period ended 30 June 2016.


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 unaudited interim consolidated and separate financial statements for six months period ended 30 June 2016, set out on pages 6 to 29. 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, 31 August 2016

SIA VIA SMS GROUP

Unaudited interim financial statement for the period from 1 January 2016 to 30 June 2016

Consolidated and Separate Income Statements

	Notes	Group		Company	
		01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR
Net turnover	4	7 842 382	6 332 484	478 581	388 634
Operating costs	5	(1 877 197)	(1 584 093)	(471 674)	(433 325)
Impairment allowances	12	(2 712 584)	(1 661 982)	-	-
Gross profit/ (loss)		3 252 601	3 086 409	6 907	(44 691)
Selling expenses (marketing)		(857 460)	(769 025)	(1 360)	-
Operating profit/ (loss)		2 395 141	2 317 384	5 547	(44 691)
Administrative expenses	6	(952 166)	(775 632)	(15 766)	(17 380)
Other operating expenses	7	(441 415)	(215 478)	(521)	(2 350)
Other operating income	8	100	102 800	51 557	180 000
Profit/ (loss) before tax		1 001 660	1 429 074	40 817	115 579
Taxes		(344 596)	(310 653)	-	-
Net profit/ (loss) for the period		657 064	1 118 421	40 817	115 579
Profit/ (loss) attributable to equity holders		657 064	1 118 421	40 817	115 579

The accompanying notes on pages 12 to 29 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 6 to 29 were approved by the Management Board on 31 August 2016 and signed on behalf of the Company by:

Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

SIA VIA SMS GROUP

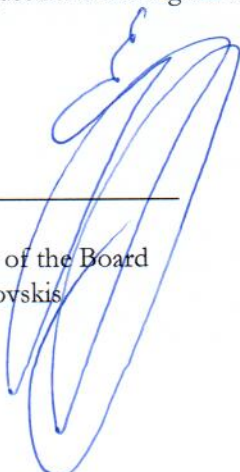
Unaudited interim financial statement for the period ended 30 June 2016


Consolidated and Separate Statements of Comprehensive Income

	Group		Company	
	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR
Net profit/ (loss) for the period	657 064	1 118 421	40 817	115 579
Foreign currency translation reserve	(16 998)	(19 574)	-	-
Total comprehensive income	640 066	1 098 847	40 817	115 579

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Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

SIA VIA SMS GROUP

Unaudited interim financial statement for the period ended 30 June 2016

Consolidated and Separate Statements of Financial Position

	Note	Group		Company	
		30.06.2016 EUR	31.12.2015 EUR	30.06.2016 EUR	31.12.2015 EUR
Non-current assets		1 886 251	676 947	3 082 495	1 710 034
Property, plant and equipment	9	67 450	66 072	-	-
Intangible assets	9	356 770	413 009	-	-
Investments in leasehold improvements	9	45 229	52 765	-	-
Investments in subsidiaries and associates	10	-	-	1 733 966	1 633 206
Bonds		1 251 000	-	1 251 000	-
Loans and trade receivables	19	97 529	76 828	97 529	76 828
Deferred tax		68 273	68 273	-	-
Current assets		14 341 940	12 909 889	7 511 544	7 857 490
Loans and trade receivables	11; 19	11 915 811	10 568 256	6 601 155	6 315 781
Bonds		-	1 005 000	-	1 005 000
Other receivables	13	1 120 320	752 700	433 642	468 532
Prepaid expenses		64 430	41 065	987	58
Cash and cash equivalents	14	1 241 379	542 868	475 760	68 119
Total assets		16 228 191	13 586 836	10 594 039	9 567 524

The accompanying notes on pages 12 to 29 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 6 to 29 were approved by the Management Board on 31 August 2016 and signed on behalf of the Company by:

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SIA VIA SMS GROUP

Unaudited interim financial statement for the period ended 30 June 2016

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

	Note	Group		Company	
		30.06.2016 EUR	31.12.2015 EUR	30.06.2016 EUR	31.12.2015 EUR
Equity		2 223 388	1 583 322	994 113	953 296
Share capital	15	803 000	803 000	803 000	803 000
Foreign currency translation reserve		27 052	44 050	-	-
Revaluation reserve	10	289 261	344 261	-	-
Retained earnings/ (accumulated loss)		1 104 075	392 011	191 113	150 296
Non-current liabilities		2 772 661	570 582	3 321 138	570 582
Bonds		1 827 000	-	1 827 000	-
Borrowings		945 661	570 582	1 494 138	570 582
Current liabilities		11 232 142	11 432 932	6 278 788	8 043 646
Bonds	16	4 647 968	6 390 720	4 647 968	6 390 720
Borrowings	16	3 857 672	2 211 866	1 628 599	1 624 000
Trade payables		1 906 996	1 793 194	152	6 032
Other liabilities		194 762	184 402	2	1 037
Corporate income tax payable		171 934	245 448	-	-
Accrued liabilities	17	181 227	277 583	2 067	21 857
Deferred income		271 583	329 708	-	-
Bank credit facility		-	11	-	-
Total liabilities		14 004 803	12 003 514	9 599 926	8 614 228
Total equity and liabilities	16	16 228 191	13 586 836	10 594 039	9 567 524

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SIA VIA SMS GROUP

Unaudited interim financial statement for the period from 1 January 2016 to 30 June 2016

Consolidated and Separate Cash Flow Statements

	Note	Group	Group	Company	Company
		01.01.2016- 30.06.2016. EUR EUR	01.01.2015- 30.06.2015. EUR EUR	01.01.2016- 30.06.2016. EUR EUR	01.01.2015- 30.06.2015. EUR EUR
Cash flows to/ from operating activities					
Profit/ (loss) before tax		1 001 660	1 429 074	40 817	115 579
Interest income		-	-	(468 073)	(388 634)
Interest expenses		491 700	420 242	436 493	398 067
Depreciation, amortization, and write-offs of property, plant and equipment and intangible assets		92 840	31 756	-	-
Dividends received		-	-	(50 000)	(180 000)
Operating profit before adjustments for current assets and current liabilities		1 586 200	1 881 072	(40 763)	(54 988)
Increase/(decrease) in loans		(1 368 256)	(301 640)	(345 791)	(59 252)
Increase/(decrease) in receivables and other assets		(1 392 645)	209 826	33 962	149 338
Interest received		-	-	505 163	499 351
Increase/(decrease) in other liabilities		2 668 399	188 444	(26 705)	26 739
Cash generated from operations		1 493 698	1 977 702	125 866	561 188
Corporate income tax (paid)		(397 644)	(190 647)	-	-
Net cash flows to/ from operating activities		1 096 054	1 787 055	125 866	561 188
Cash flows to/ from investing activities					
Purchase of property, plant and equipment and intangible assets		(32 308)	(12 220)	-	-
Income from sale of investments/(Investments in subsidiaries)		-	335 417	(100 761)	335 417
Net cash flows to/ from investing activities		(32 308)	323 197	(100 761)	335 417
Cash flows to/ from financing activities					
Bought back bonds		(246 000)	(561 647)	(246 000)	(561 647)
Received borrowings		314 000	66 000	912 373	-
Issued bonds		-	2 300 000	-	2 300 000
Repayment of borrowings		-	(2 199 000)	(4 000)	(2 199 000)
Interest paid		(433 235)	(455 434)	(329 837)	(443 027)
Dividends received		-	-	50 000	180 000
Net cash flows to/ from financing activities		(365 235)	(850 081)	382 536	(723 674)
Change in cash and cash equivalents		(698 511)	1 260 171	407 641	172 931
Cash and cash equivalents at the beginning of the period		542 868	538 418	68 119	100 959
Cash and cash equivalents at the end of the period	14	1 241 379	1 798 589	475 760	273 890

The accompanying notes on pages 12 to 29 form an integral part of the consolidated and separate financial statements.

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Member of the Board
D. Šerstjukovs

SIA VIA SMS GROUP

Unaudited interim financial statement for the period from 1 January 2016 to 30 June 2016

Consolidated and Separate Statements of Changes in Shareholder's Equity

Group	Share capital	Foreign currency translation reserve	Accumulated loss	Re-valuation reserve	Total	Minority interest	Total equity of the Group
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as of 01.01.2014.	2 846	56 129	(2 531 694)	-	(2 472 719)	(191 574)	(2 664 293)
Capital emission	800 156	-	-	-	800 156	-	800 156
Denomination to EUR	(2)	-	2	454 259	454 259	-	454 259
Change in minority interest	-	-	(183 544)	-	(183 544)	191 574	8 030
Foreign currency translation	-	21 623	-	-	21 623	-	21 623
The reporting year result	-	-	1 588 029	-	1 588 029	-	1 588 029
Balance as of 31.12.2014.	803 000	77 752	(1 127 207)	454 259	207 804	-	207 804
Correction	-	-	(2)	2	-	-	-
Revaluation reserve	-	-	-	(110 000)	(110 000)	-	(110 000)
Foreign currency translation	-	(33 702)	-	-	(33 702)	-	(33 702)
The reporting year result	-	-	1 519 220	-	1 519 220	-	1 519 220
Balance as of 31.12.2015.	803 000	44 050	392 011	344 261	1 583 322	-	1 583 322
Revaluation reserve	-	-	55 000	(55 000)	-	-	-
Foreign currency translation	-	(16 998)	-	-	(16 998)	-	(16 998)
The reporting year result	-	-	657 064	-	657 064	-	657 064
Balance as of 30.06.2016.	803 000	27 052	1 104 075	289 261	2 223 388	-	2 223 388

Company	Share capital	Accumulated Loss	Total
	EUR	EUR	EUR
Balance as of 01.01.2014.	2 846	(2 041 874)	(2 039 028)
Profit for the period	-	1 334 344	1 334 344
Capital emission	800 156	-	800 156
Denomination to EUR	(2)	2	-
Balance as of 31.12.2014	803 000	(707 528)	95 472
Profit for the period	-	857 824	857 824
Balance as of 31.12.2015	803 000	150 296	953 296
Profit for the period	-	40 817	40 817
Balance as of 30.06.2016	803 000	191 113	994 113

The accompanying notes on pages 12 to 29 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 6 to 29 were approved by the Management Board on 31 August 2016 and signed on behalf of the Company by:

Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

SIA VIA SMS GROUP

Unaudited interim financial statement for the period ended 30 June 2016

Notes to the Consolidated and Separate Financial Statements for the period ended 30 June 2016

1. General information

SIA VIA SMS GROUP is a limited liability company registered in the Republic of Latvia. The Company and its subsidiaries (“the Group”) operate in Latvia, as well as in other countries: Lithuania, the Czech Republic, Poland, Sweden and Spain. The main business of the Group is providing short-term loans.

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

Products and services

The Group offers 2 different products – payday loans and instalment loans.

Payday loans are short-term loans issued for up to 30 days with a maximum amount of EUR 500 to EUR 700 depending on the country.

Instalment loans are long-term loans for the period from 3 to 24 months with a maximum amount of EUR 1400. Instalment loans are offered in Latvia, Lithuania, and Sweden.

All loans (payday and instalment loans) are unsecured, and the only way to hedge risks is based on the assessment of customer solvency, his or her characteristics, and historical data. In order to prevent fraud, one of the main principles in credit risk assessment is the requirement of identifying the customer by making a money transfer of one cent from the customer bank account to the Group account. All the transactions – issuing and collecting of loans - are cash-free and carried out via Internet and/or SMS.

Apart of the payday loans and instalment loans, the Company also offers additional services. One of the most significant of such services is term extension, namely, the Company offers to extend the repayment term of the loan; this service is only offered as regards payday loans which accounts for 50% of the Group’s income.

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 2016 are consistent with those used in the preparation of the financial statements for the year ended 31 December 2015.

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

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

Standards and Interpretations applied in the reporting period

The following standards, amendments to the existing standards and their interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the reporting period:

- Amendment to IFRS 11 „Joint arrangements” – Participation in joint activities acquisition accounting (effective for financial years beginning on or after 1 January, 2016),
- Amendment to IAS 1 “Presentation of financial statements” – information disclosure (effective for financial years beginning on or after 1 January, 2016),
- Amendment to IAS 16 „Property, plant and equipment” and IAS 38 „Intangible assets” – Depreciation and amortization calculation methods’ clarification (effective for financial years beginning on or after 1 January, 2016),
- Amendment to IAS 16 „Property, plant and equipment” and IAS 41 „Agriculture” - Agriculture: productable biological assets (effective for financial years beginning on or after 1 January, 2016),
- Amendments to IAS 27 “Separate financial statements” – equity method in separate financial statements (effective for financial years beginning on or after 1 January, 2016),
- Different amendment to standards “Improvements of IFRS (2012-2014 cycle)” within project of annual IFRS improvement (IFRS 5, IFRS 7, IAS 19 and IAS 34) with a purpose to remove inconsistencies and clarify the wording (effective for financial years beginning on or after 1 January, 2016).
- IFRS 14 „Regulatory deferral accounts” (effective for financial years beginning on or after 1 January, 2016),
- Amendments to 10th International Financial Statements Standard „Consolidated financial statements”, IFRS 12 „Disclosure of interests in other entities” and IAS 28 „Investments in associates and joint ventures”- Investment companies: consolidation exception applicable (effective for financial years beginning on or after 1 January, 2016),
- Amendments to 10th International Financial Statements Standard „Consolidated financial statements” and IAS 28 „Investments in associates and joint ventures”- sale or transfer of assets between Investors, associated company or joint venture (effective for financial years beginning on or after 1 January, 2016),

The adoption of the amendments to the existing standards has not led to any changes in the Group’s accounting policy.

Standards and interpretations issued by IASB though not yet adopted by EU

At present, IFRS adopted by EU does not differ significantly of provisions adopted by International accounting standard board (IASB), excepting below mentioned standards, amendments and interpretations to existing standards that EU was not yet adopted for use on 31 December 2014 (indicated effective dates reflects to fully adopted IFRS):

- **IFRS 9 „Financial instruments”** (effective for financial years beginning on or after 1 January, 2018),
- **IFRS 15 „Revenue from contracts with customers”** (effective for financial years beginning on or after 1 January, 2017),
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

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.

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

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.

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.

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

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

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:

<i>Intangible assets:</i>	<i>Useful life</i>
Licenses	5 years
Programs	5 years
<i>Property, plant and equipment</i>	
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
- 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 derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

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 the Republic of Latvia.

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.

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.

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

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.

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 behavioral 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 2016 all Subsidiaries operate an automated credit decision system.
- 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.

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

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. 2016 marks the beginning of a new product, the Credit line, introduced in Sweden and brought up to speed rapidly. Smaller payments and rates will mean smaller defaults.

On 30 June 2016	Days overdue	Payday EUR	Instalment EUR	Credit Line EUR
Performing	<=0	7 469 395	777 908	756 852
	1-30	1 090 251	94 006	179 365
Past due not impaired	31-60	635 278	41 224	55 137
	61-90	581 510	42 014	14 522
Impaired	90+	3 539 817	1 023 863	6 217
Restructured	-	483 149	200 246	-
Total		13 799 400	2 179 261	1 012 093

Loans and receivables:	16 990 754
Unearned commission:	(331 757)
Impairment allowances:	轉手轉款の明瞭保証
Net loan portfolio:	11 915 811

On 31 December 2015	Days overdue	Payday EUR	Instalment EUR
Performing	<=0	7 163 218	849 657
Past due not impaired	1-30	1 043 527	215 781
	31-60	559 217	123 798
Impaired	61-90	467 523	67 081
	90+	2 732 132	753 282
Restructured	-	631 202	9 824
Total		12 596 819	2 019 423
Loans and receivables:		14 616 242	
Unearned commission:		(284 138)	
Impairment allowances :		(3 763 848)	
Net loan portfolio:		10 568 256	

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.

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

The table below shows the exposure of the loan portfolio to country risk in different countries. Portfolios of Latvia, Spain, and Sweden are gaining momentum, Czech Republic shows moderate growth, whereas Poland remains stable. Situation in Latvia is likely to change since no sale of bad debt was performed in the reporting period for this subsidiary.

	30.06.2016	31.12.2015
	EUR	EUR
Poland	5 272 071	5 526 052
Latvia	4 368 549	3 474 144
Sweden	3 513 059	2 632 430
Czech Republic	2 466 468	2 271 845
Spain	1 370 607	711 771
Total	16 990 754	14 616 242

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 year, minimum and maximum values of the interest rate according to maximum difference the rate has suffered during the statement year.

30 June 2016	CZK	PLN	SEK
Rate on the reporting date	27.13	4.4255	9.4164
Maximum difference in 2016	1%	6%	5%
Minimum value	26.32	4.19	9.12
Maximum value	27.94	4.67	9.72
31 December 2015	CZK	PLN	SEK
Rate on the reporting date	27.025	4.2615	9.135
Maximum difference in 2015	3%	6%	3%
Minimum value	26.22	4.02	8.84
Maximum value	27.84	4.5	9.44

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Financial statement for the period ended 30 June 2016

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

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 year, similar as described in the previous tables. As the portfolio in Sweden grows, so grows the risk introduced by its fluctuating national currency. This is compensated by fixed exchange rates for CZK.

Currency	Basis	30 June 2016		31 December 2015	
		Effect on result EUR	Basis	Effect on result EUR	Basis
EUR	5 739 156	-	4 185 915	-	-
PLN	4 973 652	298 419	5 231 427	294 625	-
SEK	3 352 156	160 903	2 548 728	83 702	-
CZK	2 453 953	12 515	2 205 734	66 111	-
Total	16 518 917	471 837	14 171 804	444 438	

4. Net turnover

	Group		Company	
	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR
Commission fee	5 035 217	2 881 845	-	-
Extension fee	1 844 368	2 765 951	-	-
Penalties	414 636	247 422	-	-
SMS and other income	219 758	106 400	-	-
Restructuring commission	171 890	104 964	-	-
Letters	155 651	161 091	-	-
Services provided	600	63 812	478 581	388 634
Registration fee	262	999	-	-
Total	7 842 382	6 332 484	478 581	388 634

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

5. Operating costs

	Group		Company	
	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR
Remuneration (operators and debt collectors, IT)	947 845	795 074	-	-
Interest expenses	491 700	420 242	436 493	397 893
Customer due diligence	161 588	110 906	-	-
Bank charges	55 411	28 359	18 772	1 624
SMS expenses	29 457	41 564	-	-
Debt collection expenses	29 165	78 346	-	-
License and other membership fees	21 763	22 004	-	-
Telecommunications	13 865	15 913	-	-
Other costs	126 403	71 685	16 409	33 808
Total	1 877 197	1 584 093	471 674	433 325

6. Administrative expenses

	Group		Company	
	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR
Remuneration (other)	332 710	239 831	2 651	-
Board remuneration	187 968	140 844	-	-
Lease of premises	104 497	81 385	988	552
Depreciation	92 231	31 758	-	-
Legal and professional	72 985	124 437	11 939	3 848
Utilities	23 150	26 392	185	375
Business trips	21 625	21 320	-	4 689
Accounting expenses	18 940	51 390	-	7 890
Household goods	8 927	6 615	-	26
Other	89 133	51 660	3	-
Total	952 166	775 632	15 766	17 380

SIA VIA SMS GROUP

Financial statement for the period ended 30 June 2016

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

7. Other operating expenses

	Group		Company	
	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR
Unrecoverable VAT	231 528	174 695	521	2 146
Currency exchange, net	190 592	-	-	-
Vacation pay reserve	6 411	12 970	-	-
Write-offs	5 326	17 268	-	-
Other	7 558	10 545	-	204
Total	441 415	215 478	521	2 350

8. Other operating income

	Group		Company	
	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR	01.01.2016- 30.06.2016. EUR	01.01.2015- 30.06.2015. EUR
Currency exchange, net	-	102 800	1 557	-
Dividends received	-	-	50 000	180 000
Other	100	-	-	-
Total	100	102 800	51 557	180 000

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Financial statement for the period ended 30 June 2016

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

9. Property, plant and equipment and intangible assets

	Property, plant and equipment	Group Intangible assets	Long-term investments in leased property, plant and equipment	Total
	EUR	EUR	EUR	EUR
Initial value				
1 January 2016	144 558	703 486	54 806	902 850
Acquisition cost	16 129	16 179	-	32 308
Liquidated/Written-off/Sold	(609)	-	-	(609)
30 June 2016	160 078	719 665	54 806	934 549
Depreciation				-
1 January 2016	(78 486)	(290 477)	(2 041)	(371 004)
Exchange rate fluctuations, net	(1 236)	(471)	(562)	(2 269)
Calculated depreciation	(13 310)	(71 947)	(6 974)	(92 231)
Liquidated/Written-off/Sold	404	-	-	404
30 June 2016	(92 628)	(362 895)	(9 577)	(465 100)
Carrying Amount on 1 January 2016	66 072	413 009	52 765	531 846
Carrying Amount on 30 June 2016	67 450	356 770	45 229	469 449

Depreciation of revaluation reserve is 55 000 EUR for the reporting period (55 000 EUR for the same period of 2014). Revaluation reserve remaining value as at 31 December 2015 –289 261 EUR (31 December 2015 –344 261 EUR).

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Financial statement for the period ended 30 June 2016

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

10. Investments in subsidiaries and associates

As at 30 June 2016 and 31 December 2015, the Company had the following investments in the subsidiaries:

Company	Type of activity	Carrying amount as of 30.06.2016 EUR	Carrying amount as of 31.12.2015 EUR	Company's share of equity as of 30.06.2016	Company's share of equity as of 31.12.2015
- VIA SMS SIA (Latvia)	Financial services	368 443	368 443	100 %	100 %
- VIA SMS LT UAB (Lithuania)	Financial services	2 903	2 903	100 %	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	72 672	72 672	100 %	100 %
- VIA CONTO SWEDEN AB (Sweden)	Financial services	591 670	536 936	100 %	100 %
- VIACONTO MINICREDIT S.L. (Spain)	Financial services	100 000	100 000	100 %	100 %
- CASHALOT Sp.z.o.o. (Polija)	Financial services	45 932	-	100 %	100 %
Total		1 733 872	1 633 206		

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.

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Financial statement for the period ended 30 June 2016

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

Information on subsidiaries

Title	Address	Equity		Reporting year profit	
		30.06.2016 EUR (unaudited)	31.12.2015 EUR	30.06.2016 EUR (unaudited)	31.12.2015 EUR
VIA SMS SIA	13.janvara street 3, LV-1050, Riga, Latvia	3 116 526	2 556 507	610 020	1 059 445
VIA SMS LT UAB	A. Vivulskio g. 7, Vilnius, Lithuania, LT-03162	42 092	79 587	(37 485)	69 443
VIA SMS PL z.o.o	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	672 685	490 829	202 618	633 137
VIA SMS s.r.o.	Lazarska 1719/5, 11000, Prague, Czech Republic	294 450	35 253	259 510	344 919
ViaConto Sweden AB	Holländargatan 27, 113 59, Stokholma, Sweden	(292 226)	18 332*	(16 677)	(58 264)
VIACONTO MINICREDIT S.L.)	Avenida Josep Tarradellas 8-10, ático 4ta Barcelona 08029, Spain	(488 249)	366 866*	(461 359)	(313 134)
CASHALOT Sp.z.o.o.	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	45 815	-	631	-

* The Company has signed subordinated loan agreements with ViaConto Sweden AB and VIACONTO MINICREDIT S.L. in the amount of 54,735 EUR and 580,000 EUR respectively.

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Financial statement for the period ended 30 June 2016

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

11. Loans and trade receivables

	Group		Company	
	30.06.2016 EUR	31.12.2015 EUR	30.06.2016 EUR	31.12.2015 EUR
Loans to customers	16 990 754	14 616 242	-	-
Loans to related parties	97 529	-	6 698 684	6 315 781
Unearned commission	(331 757)	(284 138)	-	-
Impairment allowance for loans to customers	(4 743 186)	(3 763 848)	-	-
Total	12 013 340	10 568 256	6 698 684	6 315 781

12. Impairment allowances

	Group		Company	
	30.06.2016 EUR	31.12.2015 EUR	30.06.2016 EUR	31.12.2015 EUR
Impairment allowances at the beginning of the period	3 763 848	3 311 320	-	43 661
Impairment allowances (loan agreements)	2 712 584	4 202 236	-	-
Currency exchange differences	(60 745)	(86 348)	-	-
Effect on profit and loss	2 651 839	4 115 888	-	-
Write-off	(5 326)	(121 064)	-	(43 661)
Receivables sold	(1 667 175)	(3 542 296)	-	-
Change for the year	979 338	452 528	-	(43 661)
Impairment allowances at the end of the period	4 743 186	3 763 848	-	-

13. Other receivables

	Group		Company	
	30.06.2016 EUR	31.12.2015 EUR	30.06.2016 EUR	31.12.2015 EUR
Other receivables from customers	114 668	5 082	484	1 303
Security deposit	36 023	36 369	20 261	3 512
Overpayment of taxes	17 521	3 060	254	13 997
Other receivables from related parties	-	-	412 643	449 720
Other receivables	952 108	708 189	-	-
Total	1 120 320	752 700	433 642	468 532

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Financial statement for the period ended 30 June 2016

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

14. Cash and cash equivalents

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	EUR	EUR	EUR	EUR
SEK	225 107	76 345	-	-
PLN	106 478	84 250	-	-
EUR	839 916	327 664	475 760	68 119
CZK	69 878	54 609	-	-
Total	1 241 379	542 868	475 760	68 119

15. Share capital

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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	EUR	EUR	EUR	EUR
Short-term liabilities	8 505 640	8 602 586	6 276 567	8 014 720
Short-term loans and deposits from customers	3 857 672	2 211 866	1 628 599	1 624 000
Bonds	4 473 000	6 300 000	4 473 000	6 300 000
Accrued interest on short-term bonds	174 968	90 720	174 968	90 720
Long-term liabilities	2 772 661	570 582	3 321 138	570 582
Long-term loan	879 000	565 000	1 466 771	565 000
Deposits from customers	39 293	-	-	-
Bonds	1 827 000	-	1 827 000	-
Accrued interest on long-term loan	27 368	5 582	27 367	5 582
Total	11 278 301	9 173 168	9 597 705	8 585 302

Interest rate	Maturity:	Group		Company	
		30.06.2016	31.12.2015	30.06.2016	31.12.2015
		EUR	EUR	EUR	EUR
4-6%	1-3 years	1 234 040	570 582	906 367	570 582
7-9%	1-3 years	1 300 210	-	554 504	-
10%	1-3 years	819 782	772 055	457 189	457 189
12-13%	1-3 years	6 757 458	6 663 720	6 512 834	6 390 720
15%	1-3 years	1 166 811	1 166 811	1 166 811	1 166 811
Total		11 278 301	9 173 168	9 597 705	8 585 302

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Financial statement for the period ended 30 June 2016

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

17. Accrued liabilities

	Group		Company	
	30.06.2016 EUR	31.12.2015 EUR	30.06.2016 EUR	31.12.2015 EUR
Accrued unused vacations	59 817	112 822	249	250
Accrued expenses	121 410	164 761	1 818	21 607
Total	181 227	277 583	2 067	21 857

18. Average number of employees

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Management	6	6	-	2
Administration	27	24	1	1
Other	71	59	-	-
Total	104	89	1	3

19. Related party disclosures

The Group's transactions with related parties:

Income	01.01.2016.- 30.06.2016. EUR	01.01.2015.- 30.06.2015. EUR
	Services provided	600
Services received	2 266	1 488
Accrued interest expenses	(44 490)	(59 803)
Total, net	(41 624)	(58 315)

Liabilities	30.06.2016 EUR	31.12.2015 EUR
	Loans	85 000
Accrued interest payable	12 529	6 828
Borrowings	(705 500)	(741 446)
Total, net	(9 153)	(664 618)

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Financial statement for the period ended 30 June 2016

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

The Company's transactions with related parties:

Income	01.01.2016.- 30.06.2016. EUR	01.01.2015.- 30.06.2015. EUR
Services provided	10 508	-
Services received	(17 835)	(33 808)
Interest income	468 073	388 634
Interest expense	(34 672)	(49 187)
Total, net	426 074	305 639
Assets	30.06.2016 EUR	31.12.2015 EUR
Loans	6 528 000	6 186 000
Accrued interest	170 684	206 610
Borrowings	(587 771)	-
Accrued interest on borrowings	(4 599)	-
Issued bonds	(476 000)	(462 000)
Accrued interest on bonds	(6 704)	(6 446)
Total, net	5 623 610	5 924 164
Debtors debts	410 105	450 204
Total, net	6 033 715	6 374 368

21. Significant events after reporting year-end

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