

AS VIA SMS GROUP

Unaudited interim
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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

AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

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SIA VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

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, from 20.10.2010 Deniss Serstjukovs, from 25.06.2012 Georgijs Krasovickis, from 25.08.2016
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

AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

Interim Management Report

The Management Board of the Company presents its report on the unaudited interim 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 installment 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 20 122 313 that shows 21,6% 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 2 779 456 and has ensured the net profit of EUR 831 134.

The decrease in net profit in 2017 is associated with VIA SMS Group investments in the establishment of new companies and subsidiaries, as well as expanding the product portfolio. In 2017 the Group has established a 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).

AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

Interim Management Report

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 installment loan product and payment cards with credit line in all represented markets.



E. Lapkovskis
Member of the Board

Riga, February 28, 2018



D. Šerstjukovs
Member of the Board

AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

Interim Statement of Management's Responsibility

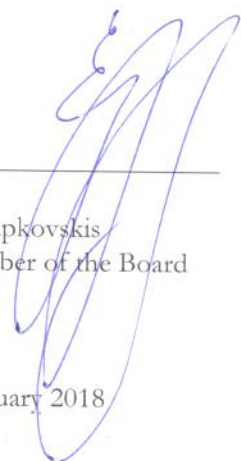
The Management Board of SIA VIA SMS Group ("the Company") is responsible for preparing the unaudited interim consolidated and separate financial statements of the Company and its subsidiaries.

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 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 unaudited interim consolidated and separate financial statements for year ended 31 December 2017, set out on pages 7 to 26. 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, 28 February 2018

AS VIA SMS GROUP


Unaudited interim financial statement for the year ended 31 December 2017

Consolidated and Separate Income Statements


	Notes	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
Net turnover	4	20 122 313	16 545 403	1 262 588	1 013 495
Operating costs	5	(4 067 882)	(2 893 165)	(1 115 047)	(849 398)
Impairment allowances	12	(7 728 130)	(6 114 590)	-	-
Gross profit/ (loss)		8 326 301	7 537 648	147 541	164 097
Selling expenses (marketing)		(2 347 016)	(1 763 207)	-	(1 360)
Operating profit/ (loss)		5 979 285	5 774 441	147 541	162 737
Administrative expenses	6	(4 335 699)	(3 252 337)	(42 554)	(39 284)
Other operating expenses	7	(553 531)	(887 645)	(9 584)	(10 828)
Other operating income	8	320 507	30 250	2 059 486	200 132
Profit/ (loss) before tax		1 410 562	1 664 709	2 154 889	312 757
Taxes		(579 428)	(555 260)	(87 508)	(21 606)
Net profit/ (loss) for the period		831 134	1 109 449	2 067 381	291 151
Profit / (loss) attributable to minority shareholders		(4 407)	-	-	-
Profit/ (loss) attributable to equity holders		835 541	1 109 449	2 067 381	291 151

The accompanying notes on pages 13 to 26 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 26 were approved by the Management Board on 28 February 2017 and signed on behalf of the Company by:



 Member of the Board
 E. Lapkovskis



 Member of the Board
 D. Šerstjukovs

AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

Consolidated and Separate Statements of Comprehensive 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
Net profit/ (loss) for the period	831 134	1 109 449	2 067 381	291 151
Depreciation of revaluation reserve	110 000	110 000	-	-
Foreign currency translation reserve	105 260	(2 662)	-	-
Total comprehensive income	1 046 394	1 216 787	2 067 381	291 151

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AS VIA SMS GROUP


Unaudited interim financial statement for the year ended 31 December 2017

Consolidated and Separate Statements of Financial Position

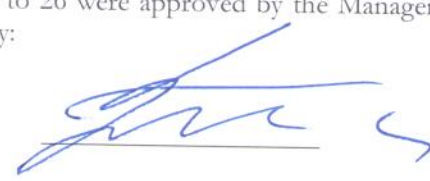
	Note	Group		Company	
		31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	31.12.2016 EUR
Non-current assets		2 183 821	2 392 824	12 787 196	10 911 245
Property, plant and equipment		136 099	74 396	-	-
Intangible assets		391 112	293 155	-	-
Investments in leasehold improvements		33 153	38 271	-	-
Investments in subsidiaries and associates	9	-	-	3 081 836	1 953 336
Bonds		1 481 000	1 615 000	1 481 000	1 615 000
Loans and trade receivables	10	37 296	152 260	8 224 360	7 342 840
Deferred tax		105 161	219 742	-	69
Current assets		23 399 253	17 385 263	1 441 798	836 278
Loans and trade receivables	10; 11	18 022 102	14 669 170	690 428	289 871
Other receivables	12	3 148 391	1 484 719	340 842	402 499
Prepaid expenses		69 342	73 253	57 889	841
Cash and cash equivalents	13	2 159 415	1 158 121	352 639	143 067
Total assets		25 583 075	19 778 087	14 228 994	11 747 523

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AS VIA SMS GROUP


Unaudited interim financial statement for the year ended 31 December 2017

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


		Group		Company	
		31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	31.12.2016 EUR
Equity	Note	3 528 820	2 657 702	3 311 828	1 244 447
Share capital	15	803 000	803 000	803 000	803 000
Foreign currency translation reserve		147 249	41 989	-	-
Revaluation reserve	9	124 261	234 261	-	-
Retained earnings		2 448 845	1 578 452	2 508 828	441 447
Total equity attributable to the members of the Company		3 523 355	2 657 702	3 311 828	1 244 447
Minority shareholder share capital		5 465	-	-	-
Non-current liabilities		8 042 437	7 650 139	10 685 076	8 720 401
Bonds		6 105 000	6 105 000	6 105 000	6 105 000
Borrowings		1 937 437	1 545 139	4 580 076	2 615 401
Current liabilities		14 011 818	9 470 246	232 090	1 782 675
Bonds	16	72 462	58 354	72 462	58 354
Borrowings	16	10 325 421	6 154 635	73 351	1 698 271
Trade payables		2 360 002	2 022 437	43	217
Other liabilities		571 270	391 676	711	17
Corporate income tax payable		65 767	223 333	65 767	21 675
Accrued liabilities	17	402 342	433 571	12 601	4 141
Deferred income		214 554	186 240	7 155	-
Total liabilities		22 054 255	17 120 385	10 917 166	10 503 076
Total equity and liabilities		25 583 075	19 778 087	14 228 994	11 747 523

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AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

Consolidated and Separate Cash Flow Statements

Cash flows to/ from operating activities	Note	Group	Group	Company	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
Profit/ (loss) before tax		1 410 562	1 664 709	2 154 889	312 757
Interest income		(15 871)	(14 782)	(1 260 788)	(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		203 338	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		3 061 552	2 752 599	(116 624)	(142 515)
Increase/(decrease) in loans		(3 352 932)	(4 088 414)	(298 930)	282 018
Increase/(decrease) in receivables and other assets		(1 469 840)	(915 676)	(3 043 679)	(2 954)
Interest received		-	-	828 140	824 117
Increase/(decrease) in other liabilities		6 605 283	1 354 478	3 034 780	(229 208)
Cash generated from operations		4 844 033	(897 013)	403 687	731 458
Corporate income tax (paid)		(1 467 370)	(624 277)	(43 347)	-
Net cash flows to/ from operating activities		3 376 663	(1 521 290)	360 340	-
Cash flows to/ from investing activities					
Purchase of property, plant and equipment and intangible assets		(357 880)	(61 516)	-	-
Income from sale of investments/(Investments in subsidiaries)		-	-	(786 246)	(56 026)
(Issued) loans		55 491	(73 150)	(785 981)	(1 348 200)
Net cash flows to/ from investing activities		(302 389)	(134 666)	(1 572 227)	(1 404 226)
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		(373 983)	(1 218 527)	(354 088)	(10 200)
Interest paid		(2 065 836)	(780 126)	(2 552 380)	(648 408)
Dividends received		-	-	1 995 000	200 000
Net cash flows to/ from financing activities		(2 072 980)	2 271 209	1 421 459	747 716
Change in cash and cash equivalents		1 001 294	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	13	2 159 415	1 158 121	352 639	143 067

The accompanying notes on pages 13 to 26 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 26 were approved by the Management Board on 28 February 2018 and signed on behalf of the Company by:

Member of the Board
E. Lapkovskis

Member of the Board
D. Šerstjukovs

AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

Consolidated and Separate Statements of Changes in Shareholder's Equity

Group	Share capital	Foreign currency translation reserve	Retained earnings/(Accumulated Loss)	Revaluation reserve	Total
	EUR	EUR	EUR	EUR	EUR
Balance as of 01.01.2015.	803 000	77 752	(1 127 207)	454 259	207 804
Correction	-	-	(2)	2	-
Revaluation reserve	-	-	-	(110 000)	(110 000)
Depreciation of revaluation reserve	-	-	110 000	-	110 000
Foreign currency translation	-	(33 702)	-	-	(33 702)
The reporting year result	-	-	1 376 212	-	1 376 212
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	-	(2 662)	-	-	(2 662)
The reporting year result	-	-	1 109 449	-	1 109 449
Balance as of 31.12.2016.	803 000	41 388	1 578 452	234 261	2 657 101
Revaluation reserve	-	-	(110 000)	-	(110 000)
Depreciation of revaluation reserve	-	-	-	110 000	110 000
Foreign currency translation	-	105 260	-	-	105 260
Disposal of subsidiary	-	-	-	(69 683)	(69 683)
The reporting year result	-	-	-	835 541	835 541
Balance as of 31.12.2017.	803 000	147 249	124 261	2 454 310	3 528 820

Company	Share capital	Accumulated Profit/Loss	Total
	EUR	EUR	EUR
Balance as of 01.01.2015	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	-	291 151	291 151
Balance as of 31.12.2016	803 000	441 447	1 244 447
Profit for the period	-	2 067 381	2 067 381
Balance as of 31.12.2017	803 000	2 508 828	3 311 828

The accompanying notes on pages 13 to 26 form an integral part of the consolidated and separate financial statements.

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Member of the Board
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Member of the Board
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AS VIA SMS GROUP

Unaudited interim financial statement for the year ended 31 December 2017

Notes to the Consolidated and Separate Financial Statements

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: 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

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.

AS VIA SMS GROUP

Financial statement for the year ended 31 December 2017

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:

- **IFRS 15 „Revenue from contracts with customers”** (effective for financial years beginning on or after 1 January, 2017);
- **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 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 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019).

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.

AS VIA SMS GROUP

Financial statement for the year ended 31 December 2017

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

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 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".

AS VIA SMS GROUP

Financial statement for the year ended 31 December 2017

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

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 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.

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

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.

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.

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Financial statement for the year ended 31 December 2017

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 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 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
Past due not	31-60	913 572	23 645	270 119
Impaired	61-90	893 016	29 571	195 407
Impaired	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

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Financial statement for the year ended 31 December 2017

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:			(5 928)
	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.

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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.

Currency	Basis	31 December 2017		31 December 2016	
		Effect on result EUR	Basis	Effect on result EUR	Basis
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.

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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	13 717 415	9 622 372	1 260 788	998 037
Extension fee	4 797 059	4 965 562	-	-
Penalties	824 609	949 672	-	-
SMS and other income	450 202	509 213	-	-
Restructuring commission	175 080	248 406	-	-
Letters	153 619	246 962	-	-
Registration fee	2 529	1 816	-	-
Services provided	1 800	1 400	1 800	15 458
Total	20 122 313	16 545 403	1 262 588	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
Remuneration (operators and debt collectors, IT)	1 467 221	998 281	1 027 599	-
Interest expenses	1 141 609	878 543	-	742 765
Customer due diligence	302 365	348 187	-	-
Bank charges	145 946	116 722	33 567	50 180
SMS expenses	91 463	91 335	-	-
Debt collection expenses	249 504	111 982	-	-
License and other membership fees	46 661	32 353	-	-
Telecommunications	46 158	28 841	-	-
Other costs	576 955	286 921	53 881	56 453
Total	4 067 882	2 893 165	1 115 047	849 398

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Financial statement for the year ended 31 December 2017

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)	2 305 395	1 788 987	6 883	5 712
Board remuneration	380 621	379 452	-	-
Legal and professional services	206 803	219 989	23 279	27 708
Lease of premises	292 580	216 356	1 993	1 953
Depreciation	200 136	186 050	-	3 566
Accounting expenses	125 492	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	682 596	212 560	190	6
Total	4 335 699	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	420 087	500 662	7 986	4 385
Currency exchange, net	-	264 121	-	6 060
Vacation pay reserve	-	38 066	-	-
Donations	75 000	50 000	-	-
Other	58 444	34 796	1 598	383
Total	553 531	887 645	9 584	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	254 109	-	19642	-
Income from sale of fixed assets, net	-	-	-	-
Dividends received	43 324	-	2 038 324	200 000
Other	23 074	30 250	1 520	132
Total	320 507	30 250	2 059 486	200 2

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Financial statement for the year ended 31 December 2017

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

9. 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	Financial services	193 864	-	95%	-
- VIACONTO MINICREDIT S.A. (Romania)					
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.

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

Information on subsidiaries

Title	Address	Equity		Reporting period profit	
		31.12.2017 EUR (unaudited)	31.12.2016 EUR	31.12.2017 EUR (unaudited)	31.12.2016 EUR
VIA SMS SIA	13.janvara street 3, LV-1050, Riga, Latvia	2 725 383	3 601 171	1 119 211	1 244 664
VIA SMS PL z.o.o	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	1 455 544	885 222	516 606	443 638
VIA SMS s.r.o.	Lazarska 1719/5, 11000, Prague, Czech Republic	1 062 977	564 573	238 918	529 306
ViaConto Sweden AB	Holländargatan 27, 113 59, Stokholma, Sweden		8 588*		(218 494)
ViaSpar Finans AB*	Holländargatan 27, 113 59, Stokholm, Sweden		1 045 299		12
VIACONTO MINICREDIT S.L.)	Josep Tarradellas 8-10, ático 3 ^a Barcelona 08029, Spain	(1 500 664)	565 048	(675 791)	198 182
CASHALOT Sp.z.o.o.	Al. Jerozolimskie 123A; 02-017, Warsaw, Poland	131 894	39 590	89 901	(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	618 535	-	(94 465)	-
IFN VIACONTO MINICREDIT S.A.	IFN VIACONTO MINICREDIT S.A., Calea MOSILOR 21 Bucuresti se ct 3, Romania	76 794	-	(88 142)	-

* The Company ViaSpar Finans AB is a subsidiary of ViaConto Sweden AB (100%).

10. Loans and trade receivables

	Group		Company	
	31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	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	-	-	690 428	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	690 428	289 871
Total	18 059 398	14 821 430	8 914 788	7 632 711

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

11. 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	6 114 590	-	-
Currency exchange differences	51 037	36 296	-	-
Effect on profit and loss	7 779 167	6 150 886	-	-
Write-off	(51 810)	(59 617)	-	-
Receivables sold	(7 528 015)	(4 126 192)	-	-
Change for the reporting period	199 342	1 965 077	-	-
Impairment allowances at the end of the period	5 928 267	5 728 925	-	-

12. Other receivables

	Group		Company	
	31.12.2017 EUR	31.12.2016 EUR	31.12.2017 EUR	31.12.2016 EUR
Other receivables from customers	393 012	282 630	-	-
Security deposit	173 975	12 757	2 320	6 290
Overpayment of taxes	104 796	103	336 171	395 713
Other receivables from related parties	24 088	22 649	254	254
Other receivables	2 452 520	1 166 580	2 097	242
Total	3 148 391	1 484 719	340 842	402 499

13. 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	15 889	-	-	-
CZK	161 254	192 726	-	-
Total	2 159 415	1 158 121	352 639	143 067

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Financial statement for the year ended 31 December 2017

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

14. 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.

15. Borrowings

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Short-term liabilities	10 397 883	6 212 989	145 813	1 756 625
Short-term loan	10 325 421	6 154 635	73 351	1 698 271
Accrued interest on short-term bonds	72 462	58 354	72 462	58 354
Long-term loan	8 042 437	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	492 441	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	18 440 320	13 863 128	10 830 889	10 477 026

16. Accrued liabilities

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Accrued expenses	270 348	284 999	12 472	3678
Accrued unused vacations	131 994	148 572	129	463
Total	402 342	433 571	12 601	4 141

17. 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.
