AS VIA SMS GROUP

Unaudited

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year 2018

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

TABLE OF CONTENTS

GENERAL INFORMATION

Name of the company	**VIA SMS GROUP**
Legal status of the company	Joint-stock company
Reģistrācijas numurs, vieta un datums	40003901472 Riga, 23 February 2007
Registered office	13.janvara street 3 Riga, Latvia, LV-10510
Shareholders	SIA Financial investment 20% Deniss Šerstjukovs 31% Georgijs Krasovickis 49%
Members of the Board	Eduards Lapkovskis Deniss Serstjukovs Georgijs Krasovickis
Subsidiaries	VIA SMS SIA, 13.janvara street 3, LV-1050, Riga, Latvia (100%), LV-1050 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, Žalgirio g. 90, LT-09303, 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 2018 – 31 December 2018

MANAGEMENT REPORT

The Management Board of the Company presents its report on the consolidated and separate financial statements for the period ended on December 31, 2018.

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, instalment loans and credit lines). 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 24 854 095 that shows 24% increase in comparison to the same period in 2017. The most notable turnover increase of 52% was reached in Sweden, followed by Spain, demonstrating growth of 16%, and Czechia, where net turnover increased by 12% in comparison to the previous reporting period. Lithuanian subsidiary VIA Payments had fast and successful growth of operations in 2018, approaching a turnover of EUR 2 million and resulting in net profit of EUR 270 thousand. The Group's consolidated EBITDA for 2018 has reached EUR 5 215 724 and consolidated net profit amounted to EUR 3 031 526.

During 2018 the Group has made investments in newly established subsidiary in Romania, digital payment services provider VIA Payments and has also invested in the further development of the peer-to-peer lending platform VIAINVEST.

MANAGEMENT REPORT (CONS'D)

Consolidated net loan portfolio of the Group as at December 31, 2018 was EUR 22 439 857, which has increased by 23% in comparison to December 31, 2017. Operations in Sweden insured the most notable increase of portfolio of 68%, Latvia demonstrated growth of 36% and net loan portfolio in Spain increased by 22%.

In 2018 the main goal of VIA SMS group was strengthening its positions in existing markets and intensively developing existing product portfolio, in particular focusing on Romanian subsidiary established in 2017 and currently operating under the brand name VIACONTO.ro, as well as expanding various lending opportunities in all markets. Taking into account customer needs, the Group has restructured its lending products in Sweden and Latvia by introducing credit line that allows customers to apply for a higher amount and enjoy favorable repayment terms. After evaluating the overall market situation in Poland, the Group has decided to discontinue operations of its consumer lending brand Cashalot. VIASMS.pl still remains active and significant market player in Poland.

With a reference to the amendments to the Consumer Rights Protection Law approved by the Latvian parliament (Saeima) that stipulates limitations to the total credit costs for the consumer to 0,07% per day, VIA SMS group has released a public statement informing that it will continue to provide consumer lending services in Latvia through its subsidiary VIA SMS Ltd. after the approved amendments come into force on July 1, 2019. The Group foresees, that limiting total credit costs for the consumer may have an impact on the non-bank lending market in Latvia, but it may also result in a significant increase in the demand for consumer lending products, given that short-term loans with small amounts soon will no longer be available on the market. When developing the product portfolio, JSC VIA SMS group has taken into consideration the fast-changing legislative environment of Latvia and has thus opted to remove short-term consumer lending product from the product portfolio offered in Latvia. According to sustainable revenue and expenditure planning policy, the Group has confirmed its ability to fulfill the obligations arising from the issued bonds. VIA SMS group has also emphasized that it has contributed significantly to the diversification of risks of loan interest rates by offering its services in several EU countries. Interest rates on consumer loans in other markets will remain unchanged.

In 2018 VIA SMS group continued developing digital payment platform VIALET, a brand of Group's subsidiary VIA Payments, that has obtained an electronic money institution license. VIALET is expecting public launch in 2019.

During 2018, 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. In 2018, VIAINVEST has marked a milestone of EUR 100 million loans funded through the platform.

Development plans

In 2019 VIA SMS group will continue to strengthen its position in represented markets (Latvia, Lithuania, 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 credit line lending products in all represented markets.

GEORGIJS KRASOVICKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, February 28, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The consolidated and separate financial statements are prepared in accordance with the source documents and give a true and fair view of the Company' s and its subsidiaries' financial position operation results and cash flows for year ended 31 December 2018.

The Board confirms that appropriate accounting policies have been consequently applied and prudent and reasonable judgments and estimates have been made by the management in the preparation of the consolidated and separate financial statements for year ended 31 December 2018, set out on pages 7 to 25. 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:

GEORGIJS KRASOVICKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, February 28, 2019

CONSOLIDATED AND SEPARATE INCOME STATEMENTS

		GROUP		COMPANY	
EUR	Notes	2018	2017 (restated)	2018	2017
Net turnover	3	24 854 095	20 039 219	1 169 330	1 262 583
Operating costs	4	(5 821 100)	(4 068 244)	(1 112 619)	(1 115 046)
Impairment allowances / sale of portfolio		(7 683 260)	(7 351 572)	-	-
Gross profit		**11 349 735**	**8 619 403**	**56 711**	**147 537**
Selling expenses (marketing)		(2 186 670)	(2 346 494)	-	-
Operating profit		**9 163 065**	**6 272 909**	**56 711**	**147 537**
Administrative expenses	5	(5 576 902)	(4 380 661)	(24 335)	(42 554)
Other operating expenses	6	(641 855)	(568 227)	(151)	(8 503)
Other operating income	7	303 587	354 033	827 748	2 059 485
Profit before tax		**3 247 895**	**1 678 054**	**859 973**	**2 155 965**
Taxes		(216 369)	(393 494)	-	(30 982)
Net profit for the period		**3 031 526**	**1 284 560**	**859 973**	**2 124 983**
Minority interest (loss)		(33 526)	(4 870)	-	-
Profit attributable to equity holders		3 065 052	1 289 430	859 973	2 124 983

The accompanying notes on pages 13 to 25 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 7 to 25 were approved by the Management Board on 28 February 2019 and signed on behalf of the Company by:

GEORGIJS KRASOVICKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, February 28, 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

EUR	GROUP		COMPANY	
	2018	2017 (restated)	2018	2017
Net profit for the period	**3 065 052**	**1 289 430**	**859 973**	**2 124 983**
Depreciation of revaluation reserve	124 311	110 000	-	-
Foreign currency translation reserve	(244 590)	95 961	-	-
Total comprehensive income	**2 944 773**	**1 495 391**	**859 973**	**2 124 983**

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Riga, February 28, 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
EUR	Notes	2018	2017 (restated)	2018	2017
Non-current assets		**3 414 536**	**2 272 820**	**15 886 380**	**12 787 196**
Property, plant and equipment		386 717	132 210	-	-
Intangible assets		66 488	361 112	-	-
Investments in leasehold improvements		15 065	33 153	-	-
Investments in subsidiaries and associates	8	-	-	4 013 959	3 081 836
Bonds		2 783 823	1 481 000	2 783 823	1 481 000
Loans and trade receivables	9	37 296	37 296	9 088 598	8 224 360
Deferred tax		125 147	228 049	-	-
Current assets		**32 636 094**	**22 927 510**	**1 478 935**	**1 442 608**
Loans and trade receivables	9	22 366 422	18 124 140	1 023 016	690 423
Other receivables	10	8 564 501	2 574 559	339 662	341 556
Prepaid expenses		105 136	69 376	15 195	57 990
Cash and cash equivalents		1 600 035	2 159 435	101 062	352 639
Total assets		**36 050 630**	**25 200 330**	**17 365 315**	**14 229 804**

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Riga, February 28, 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION (CONS'D)

		GROUP		COMPANY	
EUR	Notes	2018	2017 (restated)	2018	2017
Equity		**6 802 399**	**3 277 350**	**4 229 402**	**3 369 430**
Share capital		803 000	803 000	803 000	803 000
Foreign currency translation reserve		(106 640)	137 950	-	-
Revaluation reserve		(52)	124 259	-	-
Retained earnings		6 106 091	2 212 141	3 426 402	2 566 430
Total equity attributable to the members of the Company		**6 778 738**	**3 282 352**	**4 229 402**	**3 369 430**
Minority shareholder share capital		(23 661)	5 002	-	-
Non-current liabilities		**11 095 218**	**8 029 437**	**12 645 637**	**10 685 076**
Bonds	11	6 105 000	6 105 000	6 105 000	6 105 000
Borrowings	11	4 990 218	1 924 437	6 540 637	4 580 076
Current liabilities		**18 176 674**	**13 888 541**	**490 276**	**175 298**
Bonds	11	61 011	61 011	61 011	61 011
Borrowings	11	14 278 188	10 336 360	428 038	84 802
Trade payables		2 451 097	2 235 022	53	43
Other liabilities		751 083	603 785	1 956	532
Corporate income tax payable		(131 851)	9 154	-	9 154
Accrued liabilities		692 133	423 203	3 786	12 601
Deferred income		75 013	220 006	(4 568)	7 155
Total liabilities		**29 271 892**	**21 917 978**	**13 135 913**	**10 860 374**
Total equity and liabilities		**36 050 630**	**25 200 330**	**17 365 315**	**14 229 804**

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Riga, February 28, 2019

CONSOLIDATED AND SEPARATE CASH FLOW STATEMENTS

		GROUP		COMPANY	
EUR	Notes	2018	2017 (restated)	2018	2017
Cash flows to/ from operating activities					
Profit before tax		3 247 895	1 576 016	859 973	2 155 965
Interest income		(2 948)	(15 871)	(1 191 658)	(1 260 783)
Interest expenses		1 811 971	1 467 221	1 098 382	1 027 599
Depreciation, amortization, and write-offs of property, plant and equipment and intangible assets		273 833	198 839	-	-
Vacation pay reserve		(20 015)	(3 728)	(20)	-
Dividends received		-	-	(780 000)	(2 038 324)
Operating profit before adjustments for current assets and current liabilities		**5 310 736**	**3 222 477**	**(13 323)**	**(115 543)**
Increase/(decrease) in loans		3 065 781	(3 352 932)	7 684 583	(163 129)
Increase/(decrease) in receivables and other assets		(10 141 874)	(1 730 514)	(12 679 278)	(204 390)
Interest received		-	-	956 685	-
Increase/(decrease) in other liabilities		4 490 207	6 613 606	(10 268)	(81 355)
Cash generated from operations		**2 724 849**	**4 752 637**	**(4 061 601)**	**(564 417)**
Corporate income tax (paid)		(488 955)	(1 467 370)	(17 990)	(43 347)
Net cash flows to/ from operating activities		**2 235 894**	**3 285 267**	**(4 079 591)**	**(607 764)**
Cash flows to/ from investing activities					
Purchase of property, plant and equipment and intangible assets		(231 948)	(319 492)	-	-
Investments in subsidiaries		-	-	-	(786 246)
(Issued) loans		(16 550)	55 491	-	-
Net cash flows to/ from investing activities		**(248 499)**	(264 001)	**-**	**(786 246)**
Cash flows to/ from financing activities					
Received borrowings		355 980	225 000	897 427	2 191 088
Repurchased bonds		(1 302 823)	141 839	(560 177)	141 839
Repayment of borrowings		(275 000)	(322 770)	1 863 000	(354 089)
Repaid loan		-	-	1 246 700	-
Interest paid		(1 324 953)	(2 064 021)	(398 936)	(2 370 256)
Dividends received		-	-	780 000	1 995 000
Net cash flows to/ from financing activities		**(2 546 796)**	**(2 019 952)**	**3 828 014**	**1 603 582**
Change in cash and cash equivalents		**(559 400)**	**1 001 314**	**(251 577)**	**209 572**
Cash and cash equivalents at the beginning of the period		2 159 435	1 158 121	352 639	143 067
Cash and cash equivalents at the end of the period		1 600 035	2 159 435	101 062	352 639

The accompanying notes on pages 13 to 25 form an integral part of the consolidated and separate financial statements.

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Riga, February 28, 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

GROUP					
EUR	Share capital	Foreign currency translation reserve	Retained earnings / (Ac-cumulated (restated)	Revaluation reserve	Total
Balance as of 31.12.2016.	**-**	**-**	**889 285**	**-**	**-**
Changes on initial application of IFRS 9 (see note 1)	-	-	699 586	-	-
Restated balance as of 31.12.2016.	803 000	41 989	1 588 871	234 261	2 668 121
Revalutiation reserve	-	-	110 000	-	110 000
Depreciation of revaluation reserve	-	-	-	(110 000)	(110 000)
Foreign currency translation	-	95 961	-	-	95 961
Disposal / acquisition of subsidiary	-	-	(71 572)	-	(71 572)
Result for the reporting period	-	-	1 289 429	-	1 289 429
Balance as of 31.12.2017.	**803 000**	**137 950**	**2 916 728**	**124 261**	**3 981 939**
Revalutiation reserve	-	-	124 311	-	124 311
Depreciation of revaluation reserve	-	-	-	(124 311)	(124 311)
Foreign currency translation	-	(244 590)	-	-	(244 590)
Sharesholders contributions	-	-	-	-	-
Result for the reporting period	-	-	3 065 052	-	3 065 052
Balance as of 31.12.2018.	**803 000**	**(106 640)**	**6 106 091**	**(52)**	**6 802 399**

COMPANY			
EUR	Share capital	Accumula-ted Profit/Loss	Total
Balance as of 31.12.2016.	**803 000**	**441 447**	**3 078 279**
Profit for the period	-	2 124 983	2 124 983
Balance as of 31.12.2017.	**803 000**	**2 566 430**	**5 203 262**
Profit for the period	-	859 973	859 973
Balance as of 31.12.2018.	**803 000**	**3 426 403**	**6 063 235**

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Riga, February 28, 2019

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. General information

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

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

Products and services

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

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

An installment loan is a consumer loan with a term from 3 to 24 months and a maximum amount that does not exceed 3 000 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 3 000.

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 2018 are consistent with those used in the preparation of the financial statements for year 2017 with exception of changes according to IFRS 9 standard implementation.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

Standards and Interpretations applied in the reporting period

The following new and amended IFRS and interpretations have entered into force in 2018 and have different impact on the Company's operations and these financial statements:

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
Classification and measurement. The Standard introduced new classification and measurement requirements for financial instruments as well as principles for determining impairment and hedge accounting. Standart was implemented in 2018 annual reporting, in addition Company have recalculated impairment loss for 2017 year that led to restatement in 2017 year annual reporting. The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and restatement of the amounts previously recognized in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods. The Standard introduced new classification and measurement requirements for financial instruments as well as principles for determining impairment and hedge accounting.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
The Standard is effective for annual periods beginning on or after 1 January 2018. IFRS15 sets out a five-step model that will be applied to revenues from a contract with a client (with a few exceptions), regardless of the type of transaction or sector in which the revenue was generated. Standard requirements will also apply to the recognition and measurement of profit and loss arising from the sale of non-financial assets that the company has not produced or created in the ordinary course of business (for example, the sale of fixed assets or intangible assets). Comprehensive information will be required, including total revenues, information on contract performance obligations, changes in contractual asset and liability balances between periods and key ratings and estimates. Management has assessed the impact of this standard and consider it to be immaterial.

IFRS 15 "Revenue from Contracts with Customers" (Clarifications).
The adjustments are effective for annual periods beginning on or after 1 January 2018 and their earliest application is permitted. The purpose of the refinements is to clarify the purposes of the IASB in the preparation of IFRS 15 "Revenue from customer contracts", in particular with respect to identifying accounting obligations for execution, changing the wording of the "separately identifiable" principle, considerations of the principal and trustee, including whether the company is a principal or trustee, and the principle of control and licensing, providing additional guidance on intellectual property and copyright accounting. Management has assessed that the effect of this standard is not significant.

Several new standards and interpretations have been published and become effective for financial periods beginning on 2019. January or later, or not approved for use in the EU:

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019, is not yet accepted in the EU). The Standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of the lease to be observed by both parties to the lease agreement, namely, the client ("lessee") and the supplier ("the lessor"). According to the new standard, should recognize most of their leases in their financial statements. Tenants will have to use the same accounting model for all leases with some exceptions. The inventory kept by the lessor does not change significantly. The management has not yet estimated the impact of the implementation of this standard.

IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021, not yet adopted by the EU);

IFRIC 22 "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 January 2018, not yet adopted by the EU);

IFRIC 23, "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019, is not yet adopted by the EU);

Amendments to IAS 40 "Investment Property" - reclassification of Investment Properties (effective for annual periods beginning on or after 1 January 2018) are not yet accepted by the EU.
The Group considers that adoption of the respective standards, amendments of effective standards and interpretations will not significantly affect Group's financial statement at its initial application period.

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 PL z.o.o.
- VIA SMS s.r.o.
- VIA CONTO SWEDEN AB
- VIASPAR AB
- VIACONTO MINICREDIT S.L.
- No Mas Deuda S.L.
- CASHALOT Sp.z.o.o.
- VIAINVEST SIA
- Via Payments UAB
- EEG VIA SMS R&D Services
- IFN VIACONTO MINICREDIT
- FinnQ UAB

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

3) Significant accounting assumptions and estimates

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

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

a) Loans and receivables

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

b) Impairment of financial assets

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

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

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

c) Intangible assets and property, plant and equipment

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

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

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

d) Cash and cash equivalents

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

e) Financial liabilities

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

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.

Deferred corporate income tax was included in the 2018 report based on the Group's subsidiaries' estimates when applicable according to the tax laws of that country.

New Corporate Income Tax legislation come in force in Latvia from 2018 annual year. As per new legislation no deferred income tax was calculated for Group companies – Latvian residents.

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, it's amount is based on the present value of those cash flows.

2018 is the first reporting year when the provision "Impairment loss" is calculated based on IFRS 9 "Financial Instruments" Standard rules.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

I) Accounting Policies, Changes in Accounting Estimates and Errors

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

Consolidated Income Statement for the year 2017

EUR	IAS 39		IFRS 9
		restatement	restated
Impairment allowances	(7 453 610)	102 038	(7 351 572)
Gross profit	8 517 365	102 038	8 619 403
Operating profit	6 170 872	102 038	6 272 910
Profit before tax	1 576 016	102 038	1 678 054
Net profit for the period	1 182 522	102 038	1 284 560

Consolidated Statement of Financial Position for the year 2017

EUR	IAS 39		IFRS 9
		restatement	restated
Loans and Trade Receivables	18 022 102	102 038	18 124 140
Current assets	22 825 472	102 038	22 927 510
Total assets	25 098 292	102 038	25 200 330
Retained earnings	2 110 103	102 038	2 212 141
Total equity attributable to the members of the Company	3 175 314	102 038	3 277 352
Total equity and liabilities	25 098 292	102 038	25 200 330

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

Consolidated Cash flow Statement for the year 2017

EUR	IAS 39	restatement	IFRS 9 restated
Profit before tax	1 576 016	102 038	1 678 054
Increase/(decrease) in receivables and other assets	(1 730 514)	(102 038)	(1 832 552)
Net cash flows to/ from operating activities	3 285 267	-	3 285 267
Net cash flows to/ from investing activities	(264 001)	-	(264 001)
Net cash flows to/ from financing activities	(2 019 952)	-	(2 019 952)
Change in cash and cash equivalents	1 001 314	-	1 001 314
Cash and cash equivalents at the beginning of the period	1 158 121	-	1 158 121
Cash and cash equivalents at the end of the period	2 159 435	-	2 159 435

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

3. Net turnover

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Commission fee	20 149 846	18 484 730	-	-
Client service related fees and charges	4 704 249	1 554 489	-	-
Services provided	-	-	1 169 330	1 262 583
Total	**24 854 095**	**20 039 219**	**1 169 330**	**1 262 583**

4. Operating costs

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Interest expenses	1 794 575	1 456 681	1 047 642	1 027 599
Remuneration (operators and debt collectors, IT)	1 943 194	1 230 164	-	-
Client onboarding and support expense	1 866 450	1 200 955	18 438	33 567
Other costs	216 881	180 445	46 539	53 880
Total	**5 821 100**	**4 068 245**	**1 112 619**	**1 115 046**

5. Administrative expenses

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Remuneration (other)	2 304 434	2 302 580	7 004	6 883
Accounting and advisory services	769 113	337 436	12 381	32 240
Rent and utilities	470 071	323 148	2 465	2 411
Board remuneration	359 040	382 832	-	-
Depreciation	273 833	200 158	-	-
Business trips	75 400	78 543	2 431	830
Other	1 325 011	755 964	54	190
Total	**5 576 902**	**4 380 661**	**24 335**	**42 554**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

6. Other operating expenses

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Unrecoverable VAT	484 450	428 869	131	6 905
Vacation pay reserve	20 015	-	20	-
Other	137 390	139 358	-	1 598
Total	**641 855**	**568 227**	**151**	**8 503**

7. Other operating income

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Currency exchange, net	117 979	287 635	46 511	19 644
Dividends received	-	43 324	780 000	2 038 324
Vacation pay reserve	-	3 728	-	334
Other	185 608	19 347	1 237	1 183
Total	**303 587**	**354 033**	**827 748**	**2 059 485**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

8. Investments in subsidiaries and associates

As at 31 December 2018 and 31 December 2017, the Company had the following investments in the subsidiaries:

Company	Type of activity	Carrying amount as of	Carrying amount as of	Company's share of equity as of	Company's share of equity as of
EUR / %		2018	2017	2018	2017
VIA SMS SIA (Latvia)	Financial services	368 443	368 443	100%	100%
VIA SMS R&D Services (Latvia)	Financial services	15 000	-	-	-
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	250 318	100%	100%
VIA CONTO SWEDEN AB (Sweden)	Financial services	1 160 150	847 933	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	-	-
VIAINVEST SIA (Latvia)	Financial services	350 000	10 000	100%	100%
Via Payments SIA (Lithuania)	Financial services	713 000	713 000	100%	100%
IFN VIACONTO MINICREDIT S.A. (Romania)	Financial services	193 864	193 864	95%	95%
FinnQ UAB (Latvia)	Financial services	250 000	-	100%	-
Total		**3 998 959**	**3 081 742**		

In the reporting period the Company has contributed EUR 15 000 into capital of European Economic Interest Grouping VIA SMS R&D Services, as at December 31, 2017 the Company's contribution into capital of European Economic Interest Grouping was EUR 94.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

9. Loans and trade receivables

	GROUP		COMPANY	
EUR	2018	2017 (restated)	2018	2017
Loans to related parties	37 296	37 296	9 230 855	8 224 360
Total non-current loans and trade receivables	**37 296**	**37 296**	**9 230 855**	**8 224 360**
Loans to customers	31 584 350	23 950 348	-	-
Loans to related parties	-	-	1 023 016	690 423
Impairment allowance for loans to customers	(9 217 928)	(5 826 208)	-	-
Total current loans and trade receivables	**22 366 422**	**18 124 140**	**1 023 016**	**690 423**
Total	**22 403 718**	**18 161 436**	**10 253 871**	**8 914 783**

10. Other receivables

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Other receivables from customers	1 286 345	392 928	-	-
Security deposit	27 155	24 088	254	254
Overpayment of taxes	132 067	232 697	17 479	3 135
Other receivables from related parties	3 871 941	-	296 969	336 070
Other receivables	3 246 993	1 924 846	24 960	2 097
Total	**8 564 501**	**2 574 559**	**339 662**	**341 556**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

11. Borrowings

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Short-term liabilities	**14 339 199**	**10 397 371**	**489 048**	**145 813**
Short-term loan	14 278 188	10 336 360	489 048	145 813
Accrued interest on short-term bonds	61 011	61 011	-	-
Long-term loan	**11 095 218**	**8 029 437**	**12 645 637**	**10 685 076**
Long-term loans and accrued interest	4 990 218	1 924 437	6 540 637	4 580 076
Bonds	6 105 000	6 105 000	6 105 000	6 105 000
Total	**25 434 417**	**18 426 808**	**13 134 685**	**10 830 889**

Bonds of AS VIA SMS group have been included in regulated capital market Nasdaq Riga on 5th August 2016 in the Baltic bond list with the total value of EUR 6 105 000 under the 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

12. Off balance sheet items

Off balance sheet items comprise cash and balances of VIA Payments UAB clients at Lithuanian Central Bank in amount of EUR 13 788 400.

13. 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.