AS VIA SMS GROUP

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year 2018

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

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GENERAL INFORMATION

Name of the company	**VIA SMS GROUP**
Legal status of the company	Joint-stock company
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 Šerstjukovs Georgijs Krasovickis
Subsidiaries	VIA SMS SIA, 13.janvara street 3, LV-1050, Riga, Latvia, (100%) 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, Bucharest, Romania (95%) since 13 July 2017 FinnQ UAB, Žalgirio g. 90, LT-09303, Vilnius, Lithuania, (100%), since 20 July 2018
Reporting period	1 January 2018 – 31 December 2018
Auditor	BDO ASSURANCE SIA License No.182

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 25 387 460 that shows 27% increase in comparison to the same period in 2017. The most notable turnover increase of 51% was reached in Sweden, followed by Spain, demonstrating growth of 15%, 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 185 thousand. The Group's consolidated EBITDA for 2018 has reached EUR 4 893 084 and consolidated net profit amounted to EUR 2 768 915.

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 22 983 054, which has increased by 27% in comparison to December 31, 2017. Operations in Sweden achieved the most notable increase of portfolio of 73%, Latvia demonstrated growth of 39% and net loan portfolio in Spain increased by 29%.

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 Romania, IFNs have to be registered at the supervisory authority, National Bank and meets some conditions and thresholds also registered in its Special Register, more strictly regulated. On 1 January, 2019 amendments to BNR settlements and regulations entered into force, which foresaw the indebtedness rate of the consumers must not be higher than the reference rate of 40% of their incomes and thus oblige the banks and NBFIs to be even more responsible when granting loans to consumers. On 13 March, 2019 Constitutional Court declared as non-constitutional a draft law proposed by Parliament to cap APR (DAE) for consumer loans at maximum limit of 50%, thus being returned to the legislative body that should amend it as compliant to Constitution provisions.

As of 1 July 2014, the consumer lending sector in Sweden is governed by Consumer Credit Act No. 2014:275 (Lag (2014:275) om viss verksamhet med konsumentkrediter). The supervisory bodies in Sweden are the Consumer Protection Agency (Konsumentverket) and the Financial Inspection (Finansinspektionen), which monitor the compliance of the creditor with the Consumer Credit Act, verify the compliance of the management and the shareholders, as well as determine the actual beneficiaries. The company successfully obtained the license in 15 December, 2015.

On 1 September, 2018 amendments of Swedish Consumer Credit Act entered into force, which foresaw the high-cost credits must not have a nominal interest rate nor a penalty interest rate which per annum exceeds the reference rate 40 basis points. Regulation created more responsible market. Swedish Consumer Agency is preparing a regulation regarding how the information in section 7b of the Consumer Credit Act (2010: 1846) should look and how it should be submitted. The regulation establishes special information containing risks of indebtedness and where the consumer can seek for support in budget and debt issues. The hope is that the regulation will enter into force on 1 June 2019.
ViaConto Sweden AB introduced a new product - a line of credit, which allows the customers to borrow money for a longer period at a lower interest rate and a lower monthly payment, hence compensating the decrease of revenue due to drop of interest rate by increase of the total loan portfolio of the company. This transition has attracted new consumer credit audiences as well as improved monthly issued loans count.

Taking into account responsible business practice and planning policy, the Company confirms that its ability to fulfil its obligations arising from bonds issue(-s) 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.

MANAGEMENT REPORT (CONS'D)

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.

EDUARDS LAPKOVSKIS________________
Member of the Board

________________**DENISS ŠERSTJUKOVS**
Member of the Board

Riga, May 2, 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 8 to 38. 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:

EDUARDS LAPKOVSKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, May 2, 2019

CONSOLIDATED AND SEPARATE INCOME STATEMENTS

EUR	Notes	GROUP 2018	GROUP 2017 (restated)	COMPANY 2018	COMPANY 2017
Net turnover	4	25 387 460	20 039 219	1 163 305	1 262 583
Operating costs	5	(5 326 296)	(4 068 244)	(1 148 022)	(1 115 046)
Impairment allowances / sale of portfolio		(8 076 929)	(7 351 572)	-	-
Gross profit		**11 984 235**	**8 619 403**	**15 283**	**147 537**
Selling expenses (marketing)		(2 222 336)	(2 346 493)	(26 000)	-
Operating profit		**9 761 899**	**6 272 910**	**(10 717)**	**147 537**
Administrative expenses	6	(5 318 450)	(4 380 661)	(56 555)	(42 554)
Other operating expenses	7	(1 528 759)	(568 227)	(5 731)	(8 503)
Other operating income	8	308 879	354 033	810 929	2 059 485
Profit before tax		**3 223 569**	**1 678 055**	**737 926**	**2 155 965**
Taxes	9	(454 654)	(393 494)	-	(30 982)
Net profit for the period		**2 768 915**	**1 284 561**	**737 926**	**2 124 983**
Minority interest (loss)		(24 816)	(4 870)	-	-
Profit attributable to equity holders		2 793 731	1 289 431	737 926	2 124 983

The accompanying notes on pages 14 to 38 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 8 to 38 were approved by the Management Board on 2 May 2019 and signed on behalf of the Company by:

EDUARDS LAPKOVSKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, May 2, 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
EUR	2018	2017 (restated)	2018	2017
Net profit for the period	**2 793 731**	**1 289 431**	**737 926**	**2 124 983**
Depreciation of revaluation reserve	124 313	110 000	-	-
Foreign currency translation reserve	(159 988)	95 961	-	-
Total comprehensive income	**2 758 056**	**1 495 392**	**737 926**	**2 124 983**

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Member of the Board

Riga, May 2, 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
EUR	Notes	2018	2017 (restated)	2018	2017
Non-current assets		**746 183**	**2 272 820**	**13 808 171**	**12 787 196**
Property, plant and equipment	10	118 907	132 210	-	-
Intangible assets	10	384 097	361 112	-	-
Investments in leasehold improvements	10	15 065	33 153	-	-
Investments in subsidiaries and associates	11	-	-	6 917 816	3 081 836
Bonds		-	1 481 000	-	1 481 000
Loans and trade receivables	13	37 296	37 296	6 890 355	8 224 360
Deferred tax		190 818	228 049	-	-
Current assets		**31 202 495**	**22 927 510**	**3 490 499**	**1 442 608**
Bonds		2 797 000	-	2 797 000	-
Loans and trade receivables	12;13	22 983 054	18 124 140	247 176	690 423
Other receivables	14	3 395 316	2 574 559	341 179	341 556
Prepaid expenses		161 080	69 376	3 542	57 990
Cash and cash equivalents	15	1 866 045	2 159 435	101 602	352 639
Total assets		**31 948 678**	**25 200 330**	**17 298 670**	**14 229 804**

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Riga, May 2, 2019

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

		GROUP		COMPANY	
EUR	Notes	2018	2017 (restated)	2018	2017
Equity		**5 693 009**	**3 277 352**	**4 107 356**	**3 369 430**
Share capital		803 000	803 000	803 000	803 000
Foreign currency translation reserve		(22 038)	137 950	-	-
Revaluation reserve		(52)	124 261	-	-
Retained earnings		4 912 099	2 212 141	3 304 356	2 566 430
Total equity attributable to the members of the Company		**5 673 195**	**3 282 354**	**4 107 356**	**3 369 430**
Minority shareholder share capital		(19 814)	5 002	-	-
Non-current liabilities		**1 810 110**	**8 029 437**	**6 546 487**	**10 685 076**
Borrowings	18	1 810 110	1 924 437	6 546 487	4 580 076
Bonds	18	-	6 105 000	-	6 105 000
Current liabilities		**24 465 374**	**13 888 541**	**6 644 827**	**175 298**
Bonds	18	6 211 262	61 011	6 211 262	61 011
Borrowings	18	13 949 560	10 336 360	369 502	84 802
Trade payables		2 553 215	2 235 022	25 327	43
Other liabilities	16	619 092	603 785	31 513	532
Corporate income tax payable		56 129	9 154	-	9 154
Accrued liabilities		834 010	423 203	153	12 601
Deferred income		242 106	220 006	7 070	7 155
Total liabilities		**26 275 484**	**21 917 978**	**13 191 314**	**10 860 374**
Total equity and liabilities		**31 948 678**	**25 200 332**	**17 298 670**	**14 229 804**

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Member of the Board

Riga, May 2, 2019

CONSOLIDATED AND SEPARATE CASH FLOW STATEMENTS

EUR	Notes	GROUP 2018	GROUP 2017 (restated)	COMPANY 2018	COMPANY 2017
Cash flows to/ from operating activities					
Profit before tax		3 223 569	1 678 055	737 926	2 155 965
Interest income		(2 948)	(15 871)	(1 161 505)	(1 260 783)
Interest expenses		1 613 326	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		20 100	(3 728)	-	-
Dividends received		-	-	(1 407 875)	(2 038 324)
Operating profit before adjustments for current assets and current liabilities		**5 127 880**	**3 324 515**	**(733 072)**	**(115 543)**
Increase/(decrease) in loans		6 022 747	(3 352 932)	706 111	(163 129)
Increase/(decrease) in receivables and other assets		(5 316 273)	(1 832 552)	527 795	(204 390)
Interest received		-	-	-	-
Increase/(decrease) in other liabilities		(3 006 943)	6 613 606	-	(81 355)
Cash generated from operations		**2 827 411**	**4 752 637**	**500 834**	**(564 417)**
Corporate income tax (paid)		(488 955)	(1 467 370)	(17 990)	(43 347)
Net cash flows to/ from operating activities		**2 338 456**	**3 285 267**	**482 844**	**(607 764)**
Cash flows to/ from investing activities					
Purchase of property, plant and equipment and intangible assets		(231 948)	(319 492)	-	-
Investments in subsidiaries		-	-	(267 416)	(786 246)
(Issued) loans		(16 550)	55 491	(1 363 545)	-
Net cash flows to/ from investing activities		**(248 499)**	**(264 001)**	**(1 630 961)**	**(786 246)**
Cash flows to/ from financing activities					
Received borrowings		355 980	225 000	2 371 176	2 191 088
Repurchased bonds		(1 302 823)	141 839	(1 302 823)	141 839
Repayment of borrowings		(275 000)	(322 770)	(363 500)	(354 089)
Repaid loan		-	-	-	-
Interest paid		(1 161 505)	(2 064 021)	(587 773)	(2 370 256)
Dividends received		-	-	780 000	1 995 000
Net cash flows to/ from financing activities		**(2 383 348)**	**(2 019 952)**	**897 080**	**1 603 582**
Change in cash and cash equivalents		**(293 390)**	**1 001 314**	**(251 037)**	**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		1 866 045	2 159 435	101 602	352 639

The accompanying notes on pages 14 to 38 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 8 to 38 were approved by the Management Board on 2 May 2019 and signed on behalf of the Company by:

EDUARDS LAPKOVSKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, May 2, 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

GROUP

EUR	Share capital	Foreign currency translation reserve	Retained earnings / (Accumulated loss) (restated)	Revaluation reserve	Total
Balance as of 31.12.2016.	**-**	**-**	**889 285**	**-**	**-**
Changes on initial application of IFRS 9 (see note 1)	-	-	(223 088)	-	-
Restated balance as of 31.12.2016.	803 000	41 989	666 197	234 261	1 745 447
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	-	-	1 289 430	-	1 289 430
Balance as of 31.12.2017.	**803 000**	**137 950**	**1 994 055**	**124 261**	**3 059 266**
Revalutiation reserve	-	-	124 313	-	124 313
Depreciation of revaluation reserve	-	-	-	(124 313)	(124 313)
Foreign currency translation	-	(159 988)	-	-	(159 988)
Sharesholders contributions	-	-	-	-	-
Result for the reporting period	-	-	2 793 731	-	2 793 731
Balance as of 31.12.2018.	**803 000**	**(22 038)**	**4 912 099**	**(52)**	**5 693 009**

COMPANY

EUR	Share capital	Accumulated Profit/Loss	Total
Balance as of 31.12.2016.	**803 000**	**441 447**	**1 244 447**
Profit for the period	-	2 124 983	2 124 983
Balance as of 31.12.2017.	**803 000**	**2 566 430**	**3 369 430**
Profit for the period	-	737 926	737 926
Balance as of 31.12.2018.	**803 000**	**3 304 356**	**4 107 356**

The accompanying notes on pages 14 to 38 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 8 to 38 were approved by the Management 2 May 2019 and signed on behalf of the Company by:

EDUARDS LAPKOVSKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, May 2, 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, Lithuania 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. Standard was implemented in 2018 annual reporting, in addition Company have recalculated impairment loss for 2017 year that led to restatement of annual report for financial year of 2017. 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);

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.

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

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.

Points below describe future assumptions as well as causes of subjective calculations known to the date of the financial report that may cause changes in the amount of assets and liabilities in the following financial year:

- The Company reviews the estimated useful lives of fixed assets at the end of each reporting period. Management makes estimates and uses assumptions about the useful lives of fixed assets. These assumptions may change and therefore the calculations may change.
- The Company reviews the value of both fixed and intangible assets whenever there are indicators that their balance sheet value may not be recoverable. Impairment losses are recognized as the difference between the asset's balance sheet value and its recoverable amount. The recoverable amount is the highest of the asset's value minus selling and usage costs. The Company believes that taking into account expected service sales, there is no need for significant asset value adjustments due to impairment.
- Based on estimates, the Company's management makes provisions for impairment of loans and accrued interest. The Company's management believes that provisions for recovering amounts receivable in the financial statements correctly reflect the present value of expected cash flows from these receivables and that these estimates are based on all currently available information.
- The Company's management makes provisions for possible future payment liabilities with the highest caution, even in cases where the legal validity of such liabilities is disputed or there are legal disputes about the amount of such liabilities.

Estimates and assumptions are reviewed and updated on the regular basis. Changes in accounting estimates are applied in the period in which the related estimates are revised if the change affects only the respective period, or in the period of review and in subsequent periods, if the change affects both current and future periods.

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

a) Loans and receivables measured at amortised cost

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 collectability.

For a financial asset to be measured at amortised cost it should both be held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment. The impairment allowance (expected credit loss) for financial assets is measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Group in accordance with contract and the cash flows that the Group expects to receive discounted at the effective interest rate of a financial asset.

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.

Expected credit losses are recognized based on the stage in which the exposure is allocated at the reporting date. 12-month expected credit losses are recognized for loans and receivables, where credit risk has not increased since initial recognition. Lifetime expected credit losses are recognized for loans and receivables whose credit risk has increased significantly since initial recognition and for which have defaulted (main criteria for default event – 90 days overdue payments).

Expected credit losses are assessed collectively at loan portfolio level using EAD x PD x LGD approach, where EAD stands for exposure at default, PD – probability of default, and LGD – loss given default. These parameters are defined based on historic data and internally developed statistics models. These are adjusted in order to account for forward looking information. PD is assessed on specific date based on loan segments. Statistic models use historic data and involve assessment of both quantitative and qualitative factors. Main criteria are statistics of delayed payments. LGD represents likely loss if a loan has defaulted. These parameters are assessed using statistical data on cash receipts from counterparties in default situations.

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

c) Intangible assets and property, plant and equipment

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

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

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

d) Cash and cash equivalents

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

e) Financial liabilities

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

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

f) De-recognition of financial assets and financial liabilities

A financial asset is derecognized where:

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

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

g) Revenue recognition

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

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

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

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

h) Taxes

Current corporate income tax is calculated in accordance with tax legislation of 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, its 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.

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.

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

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.

l) Accounting policies - definition of related parties

Related parties are considered to be members of the Company, Members of the Board, their close family members and companies in which such persons have control or significant influence. The term "related parties" corresponds to the Annex to Regulation (EC) No 1126/2008 of the European Commission of 3 November 2008 adopting several international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council 24 IAS Disclosure of Related Parties.

m) Accounting Policies, Changes in Accounting Estimates and Errors

The Group adopted IFRS 9 and IFRS 15 with a transition date of 1 January 2018. The Group has chosen not to restate comparatives on adoption of IFRS 15 and, therefore, are not reflected in the restated prior years financial statements. 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. As a result of the adoption of IFRS 9, prior year financial statements were restated. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

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

Consolidated Income Statement for the year 2017

GROUP					
EUR	31 December 2017 as originally presented	IFRS 15	31 December 2017 as restated	IFRS 9	1 January 2018 as restated
Impairment allowances	(7 453 610)	-	(7 453 610)	102 038	(7 351 572)
Gross profit	8 517 365	-	8 517 365	102 038	8 619 403
Operating profit	6 170 872	-	6 170 872	102 038	6 272 910
Profit before tax	1 576 016	-	1 576 016	102 038	1 678 054
Net profit for the period	1 182 522	-	1 182 522	102 038	1 284 560

Consolidated Statement of Financial Position for the year 2017

GROUP					
EUR	31 December 2017 as originally presented	IFRS 15	31 December 2017 as restated	IFRS 9	1 January 2018 as restated
Loans and Trade Receivables	18 022 102	-	18 022 102	102 038	18 124 140
Current assets	22 825 472	-	22 825 472	102 038	22 927 510
Total assets	**25 098 292**	**-**	**25 098 292**	**102 038**	**25 200 330**
Retained earnings	2 110 103	-	2 110 103	102 038	2 212 141
Total equity attributable to the members of the Company	3 180 316	-	3 180 316	102 038	3 282 354
Total equity and liabilities	**25 098 292**	**-**	**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

	GROUP				
EUR	31 December 2017 as originally presented	IFRS 15	31 December 2017 as restated	IFRS 9	1 January 2018 as restated
Profit before tax	1 576 016	-	1 576 016	102 038	1 678 054
Increase/(decrease) in receivables and other assets	(1 730 514)	-	(1 730 514)	(102 038)	(1 832 552)
Net cash flows to/ from operating activities	3 285 267	-	3 285 267	-	3 285 267
Net cash flows to/ from investing activities	(264 001)	-	(264 001)	-	(264 001)
Net cash flows to/ from financing activities	(2 019 952)	-	(2 019 952)	-	(2 019 952)
Change in cash and cash equivalents	1 001 314	-	1 001 314	-	1 001 314
Cash and cash equivalents at the beginning of the period	1 158 121	-	1 158 121	-	1 158 121
Cash and cash equivalents at the end of the period	2 159 435	-	2 159 435	-	2 159 435

Geographical split on effects from first adoption of IFRS 9

	GROUP					
EUR	Latvia	Poland	Czech Republic	Sweden	Spain	Total
Accounting Value in accordance with IAS 39 on 31.12.2016	634 240	438 993	1 601 606	1 621 277	1 426 674	**5 722 790**
Expected credit losses	(111 769)	141 936	(147 264)	263 371	52 711	**198 986**
Currency exchange effect	-	-	-	-	-	**24 102**
Accounting value in accordance with IFRS 9 on 01.01.2017	**522 471**	**580 930**	**1 454 342**	**1 884 648**	**1 479 385**	**5 945 878**

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, web session data. Mitigations are the restriction of granting of the loans and reduction of issued amounts for customers with estimated risk higher than the Group's risk appetite.
- 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 to repay the debt. Extensions and restructuring (renegotiation) both extend the repayment date simultaneously with generating extra cash flow from the portfolio.
- In 2018 all Subsidiaries operate an automated credit decision system.
- Loan loss allowances are an adequate way to mitigate the risk of losses to be incurred in the course of loan repayment transactions. Loan loss allowances are based on the loan statistical repayment history of borrowers.
- In 2018 the Group run a consultancy project to formally finalize aligning its loan loss provision calculation procedures to IFRS9, which appeared not to have a great effect on the size of the reserves, thus confirming the Group's conservative approach to making reserves in the past.

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

On 31 December 2018	Days overdue	Payday EUR	Instalment EUR	Credit Line EUR
Performing	<=0	6 551 768	240 781	8 021 666
	1-30	1 417 671	27 956	1 814 357
	31-60	918 581	5 962	917 161
Past due not	61-90	759 251	4 342	718 550
	90+	6 157 363	552 516	2 325 090
Restructured	-	1 024 132	320 024	-
	Total	**16 828 766**	**1 151 581**	**13 796 824**
		Loans and receivables:		31 777 171
		Unearned commission:		(23 108)
		Impairment allowances:		(8 771 009)
		Net loan portfolio:		22 983 054

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

31 December 2018	Days overdue	Impairment allowances: EUR
Performing	<=0	738 135
	1-30	209 286
	31-60	128 556
Past due not	61-90	118 210
	90+	7 107 889
Restructured	-	468 933
	Total:	**8 771 009**

On 31 December 2018	Days overdue	Payday EUR	Instalment EUR	Credit Line EUR
Performing	<=0	9 201 955	413 057	2 871 767
	1-30	1 635 359	55 145	676 120
	31-60	913 572	23 645	270 119
Past due not	61-90	893 016	29 571	195 407
	90+	4 849 497	911 980	174 158
Restructured	-	765 551	423 774	-
	Total	**18 258 950**	**1 857 172**	**4 187 571**
		Loans and receivables:		24 303 693
		Unearned commission:		(353 345)
		Impairment allowances:		(5 826 208)
		Net loan portfolio:		18 124 140

31 December 2017	Days overdue	Impairment allowances: EUR
Performing	<=0	799 387
	1-30	178 761
	31-60	88 337
Past due not	61-90	87 411
	90+	4 321 269
Restructured	-	351 044
	Total:	**5 826 208**

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

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.

In 2018 following two legislation changes were announced that: interest rate cap in Sweden from September 2018, limiting the annual percent rate, and planned changes of the interest cap in Latvia from July 2019.

Interest rate cap in Sweden was mitigated by moving some of the costs associated with administration of loans to commissions, which allows to still serve the higher-risk underbanked individuals by providing them with lower loan amounts, and to develop the segment of lower-risk borrowers, whose final total costs associated with credit were reduced dramatically. 2019 will show whether this strategy appears to be successful and materialized in increase of performance in terms of portfolio growth and revenues of the Swedish subsidiary.

The table below shows the exposure of the loan portfolio to country risk in different countries. Sweden, Latvia and Spain portfolios are growing the fastest. Poland show moderate decline. Romanian market is being developed with caution.

Credit portfolio exposure by countries

EUR	2018	2017
Poland	6 906 362	7 554 413
Latvia	8 078 591	5 825 135
Sweden	8 414 242	4 766 476
Spain	4 131 539	2 433 760
Czech Republic	4 050 839	3 723 909
Romania	195 598	-
Total	**31 777 171**	**24 303 693**

Currency risk

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

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

31 December 2018	CZK	PLN	SEK	RON
Rate on the reporting date	25.73	4.3	10.28	4.66
Maximum difference in 2018	2.70%	3.80%	6.70%	0.70%
Minimum value	25.03	4.14	9.59	4.63
Maximum value	26.42	4.46	10.96	4.7

31 December 2017	CZK	PLN	SEK	RON
Rate on the reporting date	25.54	4.17	9.85	-
Maximum difference in 2017	6.90%	3.80%	4.40%	-
Minimum value	23.78	4.01	9.42	-
Maximum value	27.3	4.33	10.28	-

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 of Sweden grows, so grows the risk introduced by its fluctuating national currency, in 2018 SEK poses the biggest effect on the result among all currencies. The Czech koruna is much more stable in 2018 than in 2017.

Currency/EUR	Basis	Effect on result	Basis	Effect on result
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
EUR	12 210 130	-	8 258 895	-
PLN	6 652 150	254 212	7 277 055	277 358
SEK	7 887 230	527 012	4 565 444	201 033
CZK	3 944 199	106 640	3 483 633	240 276
RON	194 205	1 393	-	-
Total	**30 887 914**	**889 257**	**23 585 027**	**718 667**

Liquidity risk

Liquidity risk is the risk that there will be not enough funds to issue loans to borrowers. Bank statements of each subsidiary are assessed every week by the management of the Group and by subsidiary managers on a daily basis.

Group loans are mostly financed through own subsidiary, VIAINVEST, where the loans are being financed after being issued, and bought back in case of default, so the liquidity risk is closely linked with group's credit risk and the reputation of VIAINVEST.

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

31 December 2018		GROUP		
EUR	**1 year**	**1-5 years**	**5+ years**	**Total**
Long-term loans and trade receivables	37 296	-	-	37 296
Loans and trade receivables	22 983 054	-	-	22 983 054
Other receivables	3 395 316	-	-	3 395 316
Total:	**26 415 666**	**-**	**-**	**26 415 666**
Borrowings	-	1 810 110	-	1 810 110
Bonds	6 211 262	-	-	6 211 262
Borrowings	13 949 560	-	-	13 949 560
Trade payables	2 553 215	-	-	2 553 215
Other liabilities	675 221	-	-	675 221
Total:	**23 389 258**	**1 810 110**	**-**	**25 199 368**

31 December 2018		COMPANY		
EUR	**1 year**	**1-5 years**	**5+ years**	**Total**
Long-term loans and trade receivables	37 296	-	-	37 296
Loans and trade receivables	22 983 054	-	-	22 983 054
Other receivables	3 395 316	-	-	3 395 316
Total:	**26 415 666**	**-**	**-**	**26 415 666**
Borrowings	-	1 810 110	-	1 810 110
Bonds	6 211 262	-	-	6 211 262
Borrowings	-	13 949 560	-	13 949 560
Trade payables	2 553 215	-	-	2 553 215
Other liabilities	26 415 666	-	-	26 415 666
Total:	**35 180 143**	**15 759 670**	**-**	**50 939 813**

Interest rate risk

The Group and the Company are exposed to limited interest rate risk as contractual terms for all financial assets and liabilities include fixed interest rate. The weighted average borrowing rate of the Group in 2018 remains stable compared to 2017 and amounts to 11.6% per annum (11.7% in 2017).

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

4. Net turnover

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Commission fee	16 613 288	13 687 671	-	-
Extension fee	4 210 854	4 797 059	-	-
Online banking fees	2 055 385	-	-	-
SMS and other income	547 470	428 561	-	-
Penalties	865 812	824 604	-	-
Restructuring commission	932 482	143 376	-	-
Letters	157 490	153 619	-	-
Registration fee	2 879	2 529	-	-
Services provided	1 800	1 800	1 163 305	1 262 583
Total	**25 387 460**	**20 039 219**	**1 163 305**	**1 262 583**

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Latvia	4 116 121	4 011 922	50 374	52 716
Lithuania	2 055 498	-	608	-
Poland	7 738 285	7 740 587	374 633	653 788
Czech Republic	2 234 468	1 968 949	-	7 597
Sweden	5 965 589	3 618 473	368 742	233 878
Romania	192 377	19 604	37 202	-
Spain	3 085 122	2 679 684	331 746	314 604
Total:	**25 387 460**	**20 039 219**	**1 163 305**	**1 262 583**

5. Operating costs

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Interest expenses	1 613 326	1 456 681	1 085 506	1 027 599
Remuneration (operators and debt collectors, IT)	1 307 034	1 230 164	-	-
Client onboarding and support expense	1 760 027	1 200 954	-	33 567
Other costs	645 909	180 445	62 516	53 880
Total	**5 326 296**	**4 068 244**	**1 148 022**	**1 115 046**

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

6. Administrative expenses

		0		0
0	GROUP	0	COMPANY	0
EUR	2 018	2 017	2 018	2 017
Remuneration (other)	2 477 284	2 302 580	7 004	6 883
Accounting and advisory services	785 604	337 436	33 481	32 240
Rent and utilities	399 294	323 148	2 465	2 411
Board remuneration	776 433	382 832	-	-
Depreciation	229 712	200 158	-	-
Business trips	87 527	78 543	13 551	830
Other costs	**562 596**	**755 964**	**54**	**190**

7. Other operating expenses

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Unrecoverable VAT	799 125	428 869	5 711	6 905
Vacation pay reserve	20 100	-	20	-
Currency exchange, net	110 730	-	-	-
Other costs	598 804	139 358	-	1 598
Total	1 528 759	568 227	5 731	8 503

8. Other operating income

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Currency exchange, net	12 479	287 634	29 692	19 644
Dividends received	-	43 324	780 000	2 038 324
Vacation pay reserve	-	3 728	-	334
Other income	296 400	19 347	1 237	1 183
Total	**308 879**	**354 033**	**810 929**	**2 059 485**

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

9. Tax expense

a) Corporate income tax for the current year

	GROUP	
EUR	2018	2017
Calculated tax for the period	421 556	525 343
Deffered tax for the period	33 098	(131 849)
Total	**454 654**	**393 494**

b) Comparison of effective corporate tax rate

The reported corporate income tax expense for 2017 and 2018 differs from the amount calculated by applying the statutory tax rate to the Company's pre-tax profit as shown in the table below:

	GROUP	
	2018	2017
Profit/Loss for the year	2 768 915	1 284 561
Income tax expense	421 556	525 343
Profit/ (Loss) before income taxes	3 223 569	1 678 055
Tax using the Company's domestic tax rate	481 439	473 060
Expenses not deductable for tax purposes	153 890	136 367
Tax losses used in current year	(213 772)	(84 083)
Deffered tax for the period	33 098	(131 849)
Total tax expense	**454 654**	**393 494**

c) Corporate income tax rates by countries:

	GROUP	
	2018	2017
Latvia	20%	15%
Poland	19%	19%
Chech Republic	19%	19%
Romania	16%	16%
Spain	25%	25%
Sweden	22%	22%

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

10. Property, plant and equipment and intangible assets

	GROUP			
EUR	Property, plant and equipment	Intangible assets	Long-term investments in leased property, plant and equipment	Total
Initial value				
01 January 2018	**323 030**	**848 178**	**66 410**	**1 237 618**
Acquisition cost	58 468	145 721	-	204 189
Reveluation	-	288 089	-	288 089
Disposed	(16 668)	(269 264)	-	(285 932)
31 December 2018	**364 830**	**1 012 724**	**66 410**	**1 443 964**
Depreciation				
01 January 2018	**(190 820)**	**(487 066)**	**(33 256)**	**(711 142)**
Exchange rate fluctuations, net	(160)	(1 722)	(356)	(2 238)
Reveluation	-	-	-	-
Calculated depreciation	(72 924)	(140 122)	(17 733)	(230 778)
Disposed	17 980	283	-	18 263
31 December 2018	**(245 924)**	**(628 627)**	**(51 345)**	**(925 896)**
Carrying Amount on 1 January 2018	**132 210**	**361 112**	**33 153**	**526 476**
Carrying Amount on 31 December 2018	**118 906**	**384 097**	**15 065**	**518 068**

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

11. 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 / %		31.12.2018	31.12.2017	31.12.2018	31.12.2017
VIA SMS SIA (Latvia)	Financial services	368 443	368 443	100%	100%
VIA SMS PL z.o.o. (Poland)	Financial services	552 252	552 252	100%	100%
VIA SMS s.r.o. (Czech Republic)	Financial services	250 318	250 318	100%	100%
VIA CONTO SWEDEN AB (Sweden)	Financial services	1 182 775	847 933	100%	100%
VIACONTO MINICREDIT S.L. (Spain)	Financial services	2 996 232	100 000	100%	100%
CASHALOT Sp.z.o.o. (Poland)	Financial services	45 932	45 932	1.00	1.00
VIAINVEST SIA (Latvia)	Financial services	350 000	10 000	100%	100%
Via Payments UAB (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 (Lithuania)	Financial services	250 000	-	100%	-
Total		**6 917 816**	**3 081 836**		

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)

Net profit or loss generated by subsidiaries in 2018 and net assets value as at 31.12.2018. are presented in the table below:

	Grupa		Company	
Company	Net profit/ Loss	Net Assets	Net profit/ Loss	Net Assets
EUR	2018	31.12.2018	2017	31.12.207
VIA SMS SIA (Latvia)	1 547 816	3 478 616	1 104 630	2 710 801
VIA SMS R&D Services (Latvia)	-	473 209	-	115 103
VIA SMS PL z.o.o. (Poland)	734 272	1 074 371	715 419	933 533
VIA SMS s.r.o. (Czech Republic)	374 019	1 767 831	371 793	1 184 318
VIA CONTO SWEDEN AB (Sweden)	1 139 694	1 397 336	34 553	1 123 549
VIACONTO MINICREDIT S.L. (Spain)	(513 316)	210 743	(675 791)	2 695 010
CASHALOT z.o.o. (Poland)	(300 444)	(162 936)	96 943	138 936
VIAINVEST SIA (Latvia)	(44 180)	29 363	(227 674)	(266 457)
Via Payments UAB (Lithuania)	185 046	658 898	(93 859)	619 141
IFN VIACONTO MINICREDIT S.A. (Romania)	(630 313)	(561 377)	(95 494)	67 709
FinnQ UAB (Lithuania)	(30 026)	219 974	-	-

12. Impairment allowances

	GROUP		COMPANY	
EUR	2018	2017 (restated)	2018	2017
Impairment allowances at the beginning of the period	**5 826 208**	**5 626 887**	**-**	**-**
Impairment allowances (loan agreements)	8 076 929	7 728 130	-	-
Currency exchange differences	189	51 016	-	-
Write-off	(141 156)	(51 810)	-	-
Receivables sold	(4 991 161)	(7 528 015)	-	-
Impairment allowances at the end of the period	**8 771 009**	**5 826 208**	**-**	**-**

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

13. Loans and trade receivables

	GROUP		COMPANY	
EUR	2018	2017 (restated)	2018	2017
Loans to related parties	37 296	37 296	6 890 355	8 224 360
Total non-current loans and trade receivables	**37 296**	**37 296**	**6 890 355**	**8 224 360**
Loans to customers	31 754 063	23 950 348	-	-
Loans to related parties	-	-	247 176	690 423
Impairment allowance for loans to customers	(8 771 009)	(5 826 208)	-	-
Total current loans and trade receivables	**22 983 054**	**18 124 140**	**247 176**	**690 423**
Total	**23 020 350**	**18 161 436**	**7 137 531**	**8 914 783**

14. Other receivables

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Other receivables from customers	383 439	392 928	-	-
Security deposit	26 537	24 088	254	254
Overpayment of taxes	159 341	232 697	15 998	3 135
Other receivables from related parties	38 473	-	302 063	336 070
Other receivables	2 787 526	1 924 846	22 864	2 097
Total	**3 395 316**	**2 574 559**	**341 179**	**341 556**

15. Cash and cash equivalents

	GROUP		COMPANY	
EUR	31.12.2018	21.12.2017	31.12.2018	21.12.2017
EUR	1 009 615	1 529 401	67 454	352 550
PLN	245 564	395 184	-	-
SEK	247 088	57 687	-	89
RON	293 515	15 910	34 148	-
CZK	70 263	161 253	-	-
Kopā	**1 866 045**	**2 159 435**	**101 602**	**352 639**

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

16. Other liabilities

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Other creditors	353 730	423 499	31 513	532
VAT tax liability	153 178	109 056	-	-
Overpay from customers	112 184	71 230	-	-
Total	**619 092**	**603 785**	**31 513**	**532**

17. 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.

18. Borrowings

	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Short-term liabilities	**20 160 822**	**10 397 371**	**6 580 764**	**145 813**
Short-term loan	13 949 560	10 336 360	369 502	84 802
Short-term bonds and accrued interest	6 211 262	61 011	6 211 262	61 011
Long-term loan	**1 810 110**	**8 029 437**	**6 546 487**	**10 685 076**
Long-term loans and accrued interest	1 810 110	1 924 437	6 546 487	4 580 076
Bonds	-	6 105 000	-	6 105 000
Total	**21 970 932**	**18 426 808**	**13 127 251**	**10 830 889**

Short-term loans from investors

EUR	Invested on 31.12.2018	Average % rate in 2018	Invested on 31.12.2017	Average % rate in 2017
VIAINVEST (Poland)	6 302 323	10.8%	3 702 320	10.0%
VIAINVEST (Latvia)	1 961 261	11.6%	1 913 610	12.0%
VIAINVEST (Spain)	950 615	10.0%	984 072	11.7%
VIAINVEST (Czech Republic)	906 490	12.0%	877 394	12.0%
VIASPAR (Sweden)	3 828 874	7.5%	2 858 965	7.2%
Kopā	**13 949 563**		**10 336 360**	

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

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	on maturity date

As of 31.12.2018, the Group owns the redeemed AS VIA SMS group bonds in the amount of 2 797 000 EUR, which are included in the balance sheet under Bonds (Assets) .

19. Tax expense

	GROUP		COMPANY	
EUR	2018	2017 (restated)	2018	2017
CIT liability	111 717	(9 154)	(10 836)	9 155
VAT liability	(153 178)	(109 056)	(5 155)	(815)
Other Tax overpay/liability	(8 505)	247 279	(7)	(2 320)
Total:	**(49 966)**	**129 069**	**(15 998)**	**6 020**

20. Return on capital

	GROUP		COMPANY	
EUR	2018	2017 (koriģēts)	2018	2017
Total liabilities	**26 275 484**	**21 917 978**	**13 191 314**	**10 860 374**
Cash and cash equivalents	1 866 045	2 159 435	101 602	352 639
Liabilities, neto	24 409 439	19 758 543	13 089 712	10 507 735
Equity	**5 688 146**	**3 277 350**	**4 107 356**	**3 369 430**
Debt to equity ratio	4.62	6.69	3.21	3.22
Net debt to equity ratio	4.29	6.03	3.19	3.12

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

21. Average number of employees

	GROUP		COMPANY	
	2018	2017	2018	2017
Management	16	6	0	0
Administration	47	46	1	1
Other	125	88	0	0
Total	**188**	**140**	**1**	**1**

22. Related party disclosures

Income/expense	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Services provided	1 800	1 200	3 036	11 894
Services received	-	-	-	(65 739)
Interest income	53 719	15 871	1 161 505	1 260 783
Interest expense	-	(105 578)	(55 667)	(69 249)
Total, net	**55 519**	**(88 507)**	**1 108 874**	**1 137 689**

Assets	GROUP		COMPANY	
EUR	2018	2017	2018	2017
Issued loans	1 810 110	-	6 869 743	8 187 064
Accrued interests on issued loans	-	(5 367)	293 994	727 719
Received loans	-	(692 500)	(6 335 507)	(3 135 080)
Accrued interests on received loans	-	37 296	(580 483)	(84 802)
Issued bonds	-	-	-	(413 000)
Accrued interests on Bonds	(106 262)	-	(106 262)	(5 367)
Total, net	**1 703 848**	**(660 571)**	**141 485**	**5 276 534**

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

23. Audit expense

Audit fees in relation to the Company's annual report for 2018 are EUR 33 000, for the Group's – EUR 151 183, (for 2017: 8 886 EUR and 118 941 EUR, respectively). During the reporting period, an organization affiliated to the sworn auditor's company has provided non-audit services to the Company's subsidiary within financial product development process.

24. Off balance sheet items

Off balance sheet items comprise cash and balances of VIA Payments UAB clients at Lithuanian Central Bank in the amount of EUR 13 791 152.

25. 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.

EDUARDS LAPKOVSKIS
Member of the Board

DENISS ŠERSTJUKOVS
Member of the Board

Riga, May 2, 2019

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Translation from Latvian original

Independent Auditor's Report

To the shareholders of AS "VIA SMS group"

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of AS "VIA SMS group" ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 8 to 38 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2018;
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity for the year then ended;
- the separate and consolidated statement of cash flows for the year then ended;
- notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2018, and of its separate and consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

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

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

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

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report:

Impairment of the loans to customers (the Company and the Group)

Key audit matter	The Company and the Group are providing unsecured loans to private customers in Latvia which involved an increased credit risk. Total amount of the Group's unsecured loans comprised EUR 31,754 thousand and loan loss allowance for these loans comprised EUR 8,771 thousand as at 31 December 2018 (further information is provided in the note 13 of the accompanying separate and consolidated financial statements). We considered impairment in the value of loans and associated estimates for the loan loss allowance as a key audit matter as loan portfolio net value represents 71.9% of the Group's total assets as at 31 December 2018 and potential loan loss impact on the financial performance of the Company and the Group.
Our audit response	Our main audit procedures were as follows: • We assessed whether the Group's accounting policies in relation to the impairment of loans to customers are in compliance with IFRS requirements especially the IFRS 9 which become effective on 1 January 2018. • We tested internal controls applied within processes related to the loan approval and issuance as well as control over delayed payments and debt collection. This also included testing of general IT controls related to the automated loan issuance and re-payment control processes as well as data gathering and processing for the calculation of loan loss allowance. • We tested the logic and accuracy of expected credit loss calculation models developed by the Group with a particular focus on the assessment of probability of default and loss given default ratios. • We tested completeness and accuracy of data used for the calculation of loan loss allowance.

Other matter

AS "VIA SMS group" separate and consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who issued an unmodified opinion on 27 April 2018 on these financial statements.

Reporting on Other Information

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

- general information as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages from 4 to 6 of the accompanying Annual Report,
- the Statement of Management Responsibility, as set out on page 7 of the accompanying Annual Report,
- the Statement of Corporate Governance available on the web-site www.nasdaqbaltic.com.

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

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.[2], third paragraph of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.[2], third paragraph of the Financial Instruments Market Law.

The Group does not prepare the Non-financial Statement.

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

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

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

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

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

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

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 9 November 2018 to audit the separate and consolidated financial statements of AS "VIA SMS group" for the year ended 31 December 2018. Our total uninterrupted period of engagement is one year, covering the period ending 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Council of the Company and the Group who executes Audit Committee function;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and the Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited Company and the Group in conducting the audit.

Mārtiņš Zutis is the responsible engagement partner and Modrīte Johansone is the responsible certified auditor on the audit resulting in this independent auditor's report.

"BDO ASSURANCE" SIA
Licence No 182

Mārtiņš Zutis
Director
on behalf of SIA "BDO ASSURANCE"

Modrīte Johansone
Member of the Board
Certified auditor
Certificate No 135

Riga, Latvia
2 May 2019