



AS “VIA SMS group”

Reg. No: 40003901472

LEI: 213800HWW8SETV2QDD72

## Terms of the Notes Issue

Type of Security:	Notes
Nominal:	EUR 1,000
Nominal value of the issue:	EUR 10,000,000
Annual coupon rate:	10%
Maturity:	22 May 2022

Arranger:



[www.blueorangebank.com](http://www.blueorangebank.com)

3 May 2019

*These Terms of the Note Issue do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

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## Terms and abbreviations used

Agent	:	A person authorized to represent the Issuer and to perform certain tasks
Arranger	:	AS BlueOrange Bank (registration number: 40003551060, legal entity identifier: 54930080G2M7EJ097A27; legal address: Smilšu iela 6, Riga, LV-1050, Latvia)
Business Day	:	Business Day is the day when the Nasdaq CSD system is open and operational
Coupon	:	Interest on Notes calculated in accordance with the Section 4.2.7. "Coupon payments"
Custodian	:	Credit institution or investment brokerage company that has obtained the FCMC license or is entitled to do business and to keep securities in accordance with its country of registration laws
Current note	:	Debt security with ISIN LV0000802064 that was issued by the Issuer according to the Terms of the Issue, dated 24 March 2016
Current noteholders	:	Private person or legal entity that is an owner of one or more Current notes
EUR	:	Euro (single currency of the member states of the European Monetary System)
FCMC	:	Financial and Capital Market Commission
First North	:	Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga
First Settlement Date (Issue Date)	:	The date when interest on the Notes start to accrue and is 22 May 2019
Group	:	Issuer and its subsidiaries
Interest calculation period	:	The period of time between the First Settlement Date and the date of the first payment or between two Coupon payment dates
Issuer or VIA SMS group	:	AS "VIA SMS group" (registration number: 40003901472, legal entity identifier: 213800HWW8SETV2QDD72, legal address: 13. janvāra iela 3, Rīga, LV-1050, Latvia)
Legal acts	:	All legal acts including FCMC, Nasdaq Riga and Nasdaq CSD regulations, which are in force in Latvia at the time of the Notes issue, as well as prior to the maturity date of the Notes
Minimum Settlement Unit	:	The minimum amount which can be held/traded, which is equal to EUR 1 000 (one thousand euro)
Nasdaq CSD	:	Nasdaq CSD SE (registration number: 40003242879, legal address Vaļņu iela 1, Riga, LV-1050, Latvia)
Nasdaq Riga	:	AS "Nasdaq Riga" (registration number: 40003167049, legal address: Vaļņu iela 1, Riga, LV-1050, Latvia)
Nominal	:	Face value of a Note
Note	:	Debt security that is issued by the Issuer according to the Terms of the Issue
Noteholder	:	Private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Legal acts

- Potential Investor : A private person or legal entity that has, according to the terms stated in the Terms of the Issue, expressed interest or is planning to purchase for its own account one or more Notes
- Settlement Unit Multiple : Multiple that defines that the settlement quantity or nominal must be a multiple of the defined value, which is EUR 1 000 (one thousand euro)
- Terms of the Issue : This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes

## 1. Summary

Part A. Introduction and Warnings		
Element and Request for the Provision of Information		Information
A.1	Warning to investors	<ul style="list-style-type: none"> <li>This summary should be read as introduction to the Terms of the Issue;</li> <li>Any decision to invest in the securities should be based on consideration of the Terms of the Issue as a whole by the Potential Investor;</li> <li>Where a claim relating to the information contained in the Terms of the Issue is brought before a court, the plaintiff Potential Investor might, under the national legislation of the Member States, have to bear the costs of translating the Terms of the Issue before the legal proceedings are initiated; and</li> <li>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Terms of the Issue, key information in order to aid Potential Investors when considering whether to invest in such securities.</li> </ul>
Part B. Issuer and any Guarantor		
B.1	Legal name and commercial name of the Issuer	The Issuer's legal name is AS "VIA SMS group".
B.2	The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation	Country of location: Republic of Latvia. Legal form: joint-stock company, legal status — legal entity. Date and place of registration: in the Commercial Register of the Republic of Latvia on 23 February 2007 Registration number: 40003901472 Legal address: 13. janvāra iela 3, Rīga, LV-1050, Latvia. The company's country of foundation is the Republic of Latvia. The main regulatory enactments which regulate Issuer activities: <ul style="list-style-type: none"> <li>The Commercial Law of the Republic of Latvia</li> </ul>
B.3	A description of, and key factors relating to, the nature of the Issuer's current operations and its principal activities	The main area of Issuer's activity is holding management, including attracting funds for its subsidiaries, whose main activity is the issuance and recovery of unsecured loans in Latvia and other European Union countries, in which Group operates. The other core activities of the Issuer are related to accounting, bookkeeping and auditing activities, as well as tax consultancy services, provided to its subsidiaries.
B.4a	A description of the most significant recent trends affecting the Issuer and the industries in which it operates	At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any identified tendencies that have negatively affected the Issuer or the activity of the crediting industry.
B.4b	A description of any known trends affecting the Issuer and the industries in which it operates	At the moment of signing the Terms of the Issue, the Issuer is informed about the amendments to the Consumer Rights Protection Law of the Republic of Latvia approved by the Latvian parliament that will come into force on 1 June 2019 and will stipulate limitations to the total credit costs for the consumer to 0.07% per day. The Issuer informs that it will continue to provide consumer lending services in Latvia through its subsidiary SIA "VIA SMS" after the approved amendments come into force.

B.5	A description of the group and the Issuer's position within the group	The Issuer is a holding company of the Group and at the moment of signing the Terms of the Issue, the Issuer has 10 subsidiaries and 2 associated companies.																																																																																														
B.6	Main shareholders of the Issuer	<p>At the moment of signing the Terms of the Issue, the current structure of the Issuer's shareholders is as follows:</p> <table border="1" data-bbox="568 367 1359 573"> <thead> <tr> <th>Name, surname/ Legal name</th> <th>Number of shares</th> <th>% of the total number</th> </tr> </thead> <tbody> <tr> <td>Georgijs Krasovickis</td> <td>393 470</td> <td>49%</td> </tr> <tr> <td>Deniss Šerstjukovs</td> <td>248 930</td> <td>31%</td> </tr> <tr> <td>SIA "Financial investment"</td> <td>160 600</td> <td>20%</td> </tr> <tr> <td><b>Total:</b></td> <td><b>803 000</b></td> <td><b>100%</b></td> </tr> </tbody> </table> <p>Issuer's share capital is EUR 803 000 which is divided into 803 000 shares with nominal share value EUR 1.00 (one euro).</p> <p>SIA "Financial investment" (reg. no. 40103584744, legal address: Audēju iela 14-12, Riga, LV-1050) belongs to Andris Riekstiņš, citizen of Latvia, controlling 40% shares of the company, while the remaining 60% belongs to Deniss Šerstjukovs. Since Deniss Šerstjukovs is the only member of the board of SIA "Financial investment", he controls the Issuer. In total, Deniss Šerstjukovs directly controls 43% of the shares of the Issuer.</p> <p>At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.</p>	Name, surname/ Legal name	Number of shares	% of the total number	Georgijs Krasovickis	393 470	49%	Deniss Šerstjukovs	248 930	31%	SIA "Financial investment"	160 600	20%	<b>Total:</b>	<b>803 000</b>	<b>100%</b>																																																																															
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B.7	Selected historical key financial information	<p>Issuer's consolidated profit and loss statement for 2017 and 2018, EUR:</p> <table border="1" data-bbox="584 1093 1347 1514"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Group</th> </tr> <tr> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Net turnover</td> <td>25 387 460</td> <td>20 039 219</td> </tr> <tr> <td>Operating costs</td> <td>(5 326 296)</td> <td>(4 068 244)</td> </tr> <tr> <td>Impairment allowances / sale of portfolio</td> <td>(8 076 929)</td> <td>(7 351 572)</td> </tr> <tr> <td><b>Gross profit</b></td> <td><b>11 984 235</b></td> <td><b>8 619 403</b></td> </tr> <tr> <td>Selling expenses (marketing)</td> <td>(2 222 336)</td> <td>(2 346 493)</td> </tr> <tr> <td><b>Operating profit</b></td> <td><b>9 761 899</b></td> <td><b>6 272 910</b></td> </tr> <tr> <td>Administrative expenses</td> <td>(5 318 450)</td> <td>(4 380 661)</td> </tr> <tr> <td>Other operating expenses</td> <td>(1 528 759)</td> <td>(568 227)</td> </tr> <tr> <td>Other operating income</td> <td>308 879</td> <td>354 033</td> </tr> <tr> <td><b>Profit before tax</b></td> <td><b>3 223 569</b></td> <td><b>1 678 055</b></td> </tr> <tr> <td>Taxes</td> <td>(454 654)</td> <td>(393 494)</td> </tr> <tr> <td><b>Net profit for the period</b></td> <td><b>2 768 915</b></td> <td><b>1 284 561</b></td> </tr> <tr> <td>Minority interest (loss)</td> <td>(24 816)</td> <td>(4 870)</td> </tr> <tr> <td><b>Profit attributable to equity holders</b></td> <td><b>2 793 731</b></td> <td><b>1 289 431</b></td> </tr> </tbody> </table> <p>Issuer's consolidated statement of financial position as at 31.12.2017 and 31.12.2018, EUR:</p> <table border="1" data-bbox="584 1615 1347 2058"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Group</th> </tr> <tr> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td><b>Non-current assets</b></td> <td><b>746 183</b></td> <td><b>2 272 820</b></td> </tr> <tr> <td>Property, plant and equipment</td> <td>118 907</td> <td>132 210</td> </tr> <tr> <td>Intangible assets</td> <td>384 097</td> <td>361 112</td> </tr> <tr> <td>Investments in leasehold improvements</td> <td>15 065</td> <td>33 153</td> </tr> <tr> <td>Bonds</td> <td>-</td> <td>1 481 000</td> </tr> <tr> <td>Loans and trade receivables</td> <td>37 296</td> <td>37 296</td> </tr> <tr> <td>Deferred tax</td> <td>190 818</td> <td>228 049</td> </tr> <tr> <td><b>Current assets</b></td> <td><b>31 202 495</b></td> <td><b>22 927 510</b></td> </tr> <tr> <td>Bonds</td> <td>2 797 000</td> <td>-</td> </tr> <tr> <td>Loans and trade receivables</td> <td>22 983 054</td> <td>18 124 140</td> </tr> <tr> <td>Other receivables</td> <td>3 395 316</td> <td>2 574 559</td> </tr> <tr> <td>Prepaid expenses</td> <td>161 080</td> <td>69 376</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>1 866 045</td> <td>2 159 435</td> </tr> <tr> <td><b>Total assets</b></td> <td><b>31 948 678</b></td> <td><b>25 200 330</b></td> </tr> </tbody> </table>		Group		2018	2017	Net turnover	25 387 460	20 039 219	Operating costs	(5 326 296)	(4 068 244)	Impairment allowances / sale of portfolio	(8 076 929)	(7 351 572)	<b>Gross profit</b>	<b>11 984 235</b>	<b>8 619 403</b>	Selling expenses (marketing)	(2 222 336)	(2 346 493)	<b>Operating profit</b>	<b>9 761 899</b>	<b>6 272 910</b>	Administrative expenses	(5 318 450)	(4 380 661)	Other operating expenses	(1 528 759)	(568 227)	Other operating income	308 879	354 033	<b>Profit before tax</b>	<b>3 223 569</b>	<b>1 678 055</b>	Taxes	(454 654)	(393 494)	<b>Net profit for the period</b>	<b>2 768 915</b>	<b>1 284 561</b>	Minority interest (loss)	(24 816)	(4 870)	<b>Profit attributable to equity holders</b>	<b>2 793 731</b>	<b>1 289 431</b>		Group		2018	2017	<b>Non-current assets</b>	<b>746 183</b>	<b>2 272 820</b>	Property, plant and equipment	118 907	132 210	Intangible assets	384 097	361 112	Investments in leasehold improvements	15 065	33 153	Bonds	-	1 481 000	Loans and trade receivables	37 296	37 296	Deferred tax	190 818	228 049	<b>Current assets</b>	<b>31 202 495</b>	<b>22 927 510</b>	Bonds	2 797 000	-	Loans and trade receivables	22 983 054	18 124 140	Other receivables	3 395 316	2 574 559	Prepaid expenses	161 080	69 376	Cash and cash equivalents	1 866 045	2 159 435	<b>Total assets</b>	<b>31 948 678</b>	<b>25 200 330</b>
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B.9	Profit forecast or evaluation	The management of the Issuer does not want to include profit forecast or profit assessment in the Terms of the Issue.																																																												
B.10	Objections in the financial information of the audit report	The reports on the audit of the financial statement for 2017 and 2018 contained no objections.																																																												
B.11	Issuer's equity	The last audited total equity of the Issuer, as of 31 December 2018, was EUR 5 693 009.																																																												
B.12	Forecasts regarding the Issuer	There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.																																																												
B.13	A description of any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	No events related to the Issuer, which are crucial for preventing Issuer's insolvency, have been established.																																																												
B.14	Issuer's dependency	The Issuer is a holding company, and it has no significant dependence on other Group's entities.																																																												
B.15	Description of the Issuer's principal activities	The main area of Issuer's activity is holding management, including attracting funds for its subsidiaries, whose main activity is the issuance and recovery of unsecured loans in Latvia and other European Union countries, in which Group operates.																																																												

		The other core activities of the Issuer is to provide supporting services to its subsidiaries, such as finance, IT, marketing, risk assessment, legal and other services.
B.16	Control over the Issuer	Deniss Šerstjukovs controls the Issuer.
B.17	Credit ratings assigned to the Issuer or its debt securities	There is no credit rating assigned neither to the Issuer nor to the Notes issue.
B.18 – B.50		Not applicable.
<b>Part C. Securities</b>		
C.1	Type and category of securities, ISIN	Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.
C.2	Currency of the issue of securities	Currency of the Notes issue is euro (EUR).
C.3 – C.4		Not applicable.
C.5	Restrictions for free transferability of securities	The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia and the United States of America.
C.6 – C.7		Not applicable.
C.8, C.9	Rights arising from the Notes	<p>Noteholders have a right to receive Coupon and Nominal payments, exercise other rights as stipulated in the Terms of the Issue. The Coupon rate is 10% (ten per cent) per annum. The Issuer will withhold taxes according with applicable laws in the Republic of Latvia.</p> <p>Coupon (interest) payments start from 22 August 2019 and are made every quarter. The maturity date of Notes is 22 May 2022, Nominal amount is repaid as a lump sum on the maturity date.</p> <p>If the Issuer acquires the Notes on the secondary market and takes decision to cancel the purchased Notes held in the Issuer's financial instruments' custody account, therefore decreasing the size of Notes issue, the Issuer shall notify Noteholders at least 10 (ten) Business Days prior to the redemption date of Notes, with intermediation of Nasdaq CSD, or, if Notes are included in First North, via Nasdaq Riga information system.</p> <p>Within the framework of the issue of Notes it is not provided for, yet at the same time there are no restrictions set for Noteholders' right to create and/or authorize an organization/person that represents the legal interests of all Noteholders or part thereof.</p>
C.10	Interest payment of securities based on derived financial instruments	Not applicable. There is no derivative component embedded in the terms of the Notes.
C.11	Inclusion of Notes in the regulated market	The Issuer plans to list the Notes on the alternative market Nasdaq First North.
C.12	Minimum denomination of the issue	The Nominal value of one Note is EUR 1 000 (one thousand euro).
C.13 – C.22		Not applicable.

<b>Part D. Risks</b>		
D.1, D.2	Key information on the key risks that are specific to the Issuer or its industry	When making an investment in Notes, the Noteholder undertakes certain financial risks. The main risk factors that influence the Issuer are changes in regulatory enactments, macroeconomics risk, licensing risk, competition risk, credit risk, liquidity risk, dependence on service providers risk, dependence on managing employees' risk, legal proceeding and risk of other claims, technological, IT, cybersecurity and operational risk.
D.3	Key information on the key risks that specific to the securities	When investing funds in Notes, investors undertake the following risks related to debt securities: Notes repayment risk, delisting risk, liquidity risk, price risk and tax risk.
D.4 – D.6		Not applicable.
<b>Part E. Offer</b>		
E.1 – E.2a		Not applicable.
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	Funds that are raised as a result of the Notes issue will be used for the refinancing of Current notes issue and in the ordinary course of business of the Issuer.
E.3	A description of the terms and conditions of the offer	Not applicable.
E.4	A description of any interest that is material to the issue/offer including conflicting interests	AS BlueOrange Bank (the Arranger) is organizing the Notes issue and may have other business transactions with the Issuer.
E.5 – E.6		Not applicable.
E.7	Estimated expenses charged to the investor by the issuer or the offeror	All the expenses related to the acquisition and custody of Notes are borne by an investor in compliance with the price-list of a credit institution or investment service provider, through which the investor purchases and keeps Notes. The Issuer is not obliged to compensate for expenses incurred by the investor.  The investor may have additional tax payment obligations related to Notes depending on the investor's country of residence. The Issuer will deduct taxes from Coupon payments in compliance with the applicable Legal acts of the Republic of Latvia.

## 2. Risk Factors

The risks indicated in this section may reduce Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are not secured with collateral and third parties have not guaranteed Notes and Coupon payments related thereto. This section may not feature all the potential risks, which may affect the Issuer.

### 2.1. Changes in regulatory enactments

The Issuer carries out its activity in Latvia and most of the risks, which affect it, are related to the general economic situation in the country and regulatory enactments adopted by the Parliament of the Republic of Latvia or Cabinet of Ministers of the Republic of Latvia.

The Issuer operates in Latvia, as well as through subsidiaries in other European Union countries. The Issuer's largest asset is the customer loan portfolio, issued in compliance with the relevant national laws. If existing laws and regulations are amended or such laws and regulations are adopted as to limit the Issuer's ability to continue the issuance of short-term loans to individuals and recover them, which might negatively affect the business and solvency of the Issuer. The general overview of the regulatory enactments is presented in section 10.1. "General information on the Issuer" of the Terms of the Notes Issue. More particular information on legislative enactments regulating the businesses of the Issuer may be provided upon request.

### 2.2. Macroeconomics risk

The Group operates in several EU member states. The economic situation in Latvia and in other countries, where the Issuer carries out its entrepreneurial activity, is assessed as stable. Macroeconomic indicators, such as unemployment, inflation and personal income, and the credit ratings of international rating agencies indicate a positive economic development.

If the economy of any country in which Group operates experiences a rapid decline, it can adversely affect customers' ability to duly repay loans to the Issuer's subsidiary companies, which, in turn, may reduce their ability to meet obligations against the Issuer, and consequently the Issuer may not be able to meet its obligations against Noteholders. The Group's income is generated in seven countries, and there is a relatively low chance that the negative macroeconomic processes will affect all of them simultaneously.

### 2.3. Licensing Risk

In most of the countries the Issuer's companies are required to obtain a license to operate there, in accordance with procedures provided by the law enforced by the supervisory authorities of the short-term loan and payment services sector.

The short-term loan business is licensed in Sweden. The license is issued for indefinite period of time, meaning that company shall always organize its activities to correspond with the regulatory requirements in terms of equity and law requirements.

The activities of short-term loan operations are supervised by central banks of such countries as Czech Republic and Romania. It means that these businesses are licensed, and the Issuer's subsidiaries operating there shall be correspondent with equity and legislation requirements at all times. The respective licenses are issued for indefinite period of time.

Polish and Spanish markets of short-term loan operations do not require the licensing, though the respective businesses shall always be in compliance with legislation requirements of consumer laws as well as with general data protection principles and other.

The activities of the Issuer's subsidiary UAB "VIA Payments" are related to rendering of payment services and the respective business is licensed by the Bank of Lithuania. The license is issued for indefinite period of time. Considering the Bank of Lithuania constantly supervising the respective area of activities by verifying the reports of UAB "VIA Payments", the operational standards shall be high in the company.

The special permit (license) in Latvia for an indefinite period of time was issued by the Customers Rights Protection Centre. It means SIA "VIA SMS" shall always be compliant with consumer right protection laws, general data protection principles and other relevant laws.

Summarizing the respective section, the Issuer and its subsidiaries are making great effort to ensure correspondence to licensing requirements in every country of operation, therefore the probability of license losing shall be assessed as low.

Either way, non-renewal of a license will not limit the Group's right to recover issued loans.

## 2.4. Competition risk

In Latvia, Czech Republic, Sweden, Spain, Romania and Poland various kinds of online consumer loans are issued by a number of companies, whose business model is similar to the activity of the Issuer's subsidiaries. Client application processing technology enables the Issuer to grant a loan within 15 minutes, and such speed is ensured by the majority of consumer lending market players. The competitiveness of the Issuer's subsidiaries is largely dependent on advertising campaigns and marketing strategies, which ensure a more qualitative attraction of borrowers.

At the Group's level the Issuer is implementing unified standards for customer service to enhance customer loyalty and boost the desire to use the Group's services repeatedly. However, it should be taken into account that the competitors might have access to greater or cheaper financial resources that allow them to offer lending services at lower fees (interest). The Issuer's management has extensive experience in the fields of information technology, management and finance, which generally allows to quickly spot market trends, evaluate them and take decisions on operational measures in order to avoid losing the Issuer's market share.

## 2.5. Credit risk

At the Group's level a credit policy, as well as lending and recovery procedures have been approved to standardize internal processes and reduce the share of overdue loans.

The Company issues loans operating at with median decision time below 5 minutes. Consequently, that may pose a risk of human-factor imposed mistakes within the process of assessment of the client's solvency and the inability to verify information provided by the client in such a short time. This risk is mitigated through simplifying the decision process by employing automated, machine learning based credit scoring models to assess default risk associated with the particular application.

Since loans to customers are unsecured, companies of the Group are able to direct debt recovery only against the borrower, which can increase to loan recovery time. Cession agreements are ways to shorten the recovery time in case of default.

At the Group level, forward-looking loan loss reserves are made according to requirements or appropriate international financial standards to avoid the overly optimistic assessment of the financial results of the subsidiaries.

## 2.6. Liquidity risk

Despite the Issuer's track record on the capital markets and various forms of financing available, there is a possibility that these sources of financing may not be available in the amount required for the Issuer, or their conditions may be too unfavorable, which may significantly affect Issuer's ability to ensure sufficient financing for the company's growth.

The Nominal amount of Notes will be repaid as a lump sum on the maturity date, thus Issuer faces a high refinancing risk at the maturity.

Noteholders should take into account, that the Issuer has Current notes in amount of EUR 6 105 000 with 12.5% annual coupon rate. Current notes issue would be refinanced with Notes issue and mature on 25 May 2019.

## 2.7. Operational risk

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful inner processes, personnel management, systems, or external circumstances. As of 2018, the number of employees of the Issuer reached 220, therefore thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, constant investments are made within the IT system, and shareholders are directly involved in the management of the company, which allows the Issuer to reduce operational risks.

## 2.8. Technological risk

The Issuer's operating environment is very dynamic, since it is based on the information technology innovations of the latest generation, which provide rapid data exchange and ensure instant communication with the customer, providing customers with high-quality service. Considering the dynamics required for the Issuer to be able to work productively, constant technological improvements are necessary, otherwise the Issuer may face the risk of losing its position in the market, failing to keep up with the competitors' speed of technological development.

## 2.9. IT risk

The IT system of the Issuer and Group was developed by the Issuer itself, and it contains customer applications, issued and repaid loans, as well as procedures for recovering overdue loans and other data, and it allows to quickly prepare reports needed in the daily decision-making. Any errors or interruptions in the Issuer's IT system may restrict or delay the processing of customers' applications, assessing of customers' credit history and issuance of loans, consequently such IT system risk may prolong the processing time of client applications, reduce the Issuer's income and result in additional costs.

## 2.10. Dependence on service providers risk

There is a risk that the access to services the Issuer uses to assess client's solvency and to provide marketing services may be restricted or prohibited, or the costs services may be significantly increased, which may affect Issuer's activity for an indefinite period of time.

## 2.11. Dependence on managing employees' risk

In future, Issuer's duties will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. Competition for staff with the relevant skills and experience in Latvia and elsewhere in the European Union is fierce; however, part of the senior management are also shareholders who are interested in the long-term growth of the Issuer.

## 2.12. Legal proceeding and risk of other claims

The Issuer and the Group may be adversely affected by contractual claims, complaints and legal proceedings arising from relationships with partners, customers, competitors or regulatory authorities, as well as negative publicity such proceedings might cause. Any such legal proceedings, complaints, contractual claims or negative publicity may materially affect the operational activities, financial situation and business results of the Issuer and the Group's companies.

## 2.13. Cybersecurity risk

The Issuer and Group's business involves the storage and transmission of consumers' propriety information, and security breaches could lead to exposure to a risk of loss or misuse of this information, legal proceedings, and potential liability. Although the Group allocates a lot of resources to improve the system and processes, designed for the protection of computer systems, software and networks, there is a risk that these safeguards may not be able to ensure complete security of customers' personal information.

## 2.14. Risks related to Notes

### 2.14.1. Notes repayment risk

Notes are equivalent to other unsecured loans of the Issuer. In case of Issuer's insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable regulatory enactments. There are no contracts or other transaction documents, which would subordinate the claims of Noteholders to other unsecured obligations of the Issuer. The Issuer is not prohibited from pledging assets in favor of other creditors, however, at the day of approval of the respective Terms of Issue, all the assets of the group or any of its subsidiaries are free of any pledges.

### 2.14.2. Delisting risk

After Notes registration the Issuer plans to request admission to trading of the Notes on First North, which is alternative market operated by Nasdaq Riga. There is a risk, that Nasdaq Riga would not accept Notes to be admitted for trading on First North or order to delist Notes from the First North before the

maturity after the admission to trading took place, due to FCMC opinion or changes in Legal acts, including Nasdaq Riga regulations.

#### **2.14.3. Liquidity risk**

Neither the Issuer, nor any other person guarantees the minimum liquidity of Notes. Noteholders should take into account that there may be difficulties in selling Notes in the secondary market.

#### **2.14.4. Price risk**

Notes will be repaid for their Nominal Value, yet the price in the secondary market may change significantly. Neither the Issuer, nor any other person undertakes to maintain a certain price level of Notes.

#### **2.14.5. Tax risk**

Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate for the increase in taxes to Noteholders, therefore Noteholders may receive smaller payments related to Notes.

### 3. Party responsible for the Terms of the Issue

#### 3.1. Party responsible for the Terms of the Issue

AS "VIA SMS group"

Registration number: 40003901472

Legal entity identifier: 213800HWW8SETV2QDD72

Legal address: 13. janvāra iela 3, Rīga, LV-1050, Latvia

#### 3.2. Assurance of the information provided in the Terms of the Issue

The Issuer and its management board are responsible for the information contained in Terms of the Issue.

Hereby we, members of the board of AS "VIA SMS group", Georgijs Krasovickis and Eduards Lapkovskis, certify that, by paying sufficient attention to this purpose, the information included in the Terms of the Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

  
\_\_\_\_\_  
Georgijs Krasovickis  
Member of the board  
\_\_\_\_\_  
Eduards Lapkovskis  
Member of the board

## **4. Information on Notes**

### **4.1. The use of the proceeds**

Funds that are raised as a result of the Notes issue will be used for the refinancing of Current notes issue and in the ordinary course of business of the Issuer.

It is planned to attract funds in the amount of EUR 10 000 000 (ten million euro).

### **4.2. Information on the offered Notes**

#### **4.2.1. General Information**

The Notes are bearer and any person or entity that holds the Notes in his securities account has the right to receive Coupon and the Nominal payments. It is planned to issue Notes with nominal value of EUR 1 000 (one thousand euro) for one Note and total nominal value of EUR 10 000 000 (ten million euro).

Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.

#### **4.2.2. Legal acts that regulate the Notes issue**

The Notes issue is arranged in compliance with the Financial Instrument Market Law and other Legal acts of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations.

All disputes between Noteholders and the Issuer shall be settled in courts of the Republic of Latvia in accordance to the Legal acts in force. Terms of the Issue are drafted and signed in English and any translations of the Terms of the Issue into another language are unofficial and made exceptionally for the Potential Investors' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Issue in English holds the priority against an interpretation in any other language.

#### **4.2.3. Form and accounting of the Notes**

The Notes are issued in dematerialized form and will be recorded in the Latvian SSS (securities settlement system governed by Latvian law) operated by Nasdaq CSD, which will provide the maintaining function for the Notes. Investors may hold Notes through Nasdaq CSD participants participating in the Latvian SSS.

#### **4.2.4. Currency of the Notes**

Currency of the notes is EUR (euro).

#### **4.2.5. Subordination of the Notes**

The Notes rank *pari passu* with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Noteholders will be entitled to recover their investment on the same terms as other creditors in the respective claims' group according to the relevant Legal acts. There are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other unsecured liabilities of the Issuer.

The Issuer has issued unsecured Current notes (ISIN LV0000802064) in amount of EUR 6 105 000 with 12.5% annual coupon rate and maturity date 25 May 2019.

The Issuer is not prohibited from pledging assets in favor of other creditors, though at the moment of signing the respective Terms of the Issue neither AS "VIA SMS group" nor its subsidiaries have pledged any of their assets.

#### **4.2.6. Rights and restrictions connected with the Notes issue**

Any Noteholder has the right to receive Coupon and Nominal payments in accordance with the Section 4.2.7. "Coupon payments" and 4.2.8. "Procedure of Notes repayment", as well as exercise other rights fixed in the Terms of the Issue and legislation of the Republic of Latvia.

The Issuer has the rights to purchase Notes on the secondary market directly from Noteholders. Notes that are purchased by the Issuer are held in Issuer's financial instruments' custody account and the Issuer has the rights to sell purchased Notes to Potential Investors and other Noteholders.

If the Issuer acquires the Notes on the secondary market and takes decision to cancel the purchased Notes held in the Issuer's financial instruments' custody account, therefore decreasing the size of Notes issue, the Issuer shall notify Noteholders at least 10 (ten) Business Days prior to the redemption date of Notes, with intermediation of Nasdaq CSD, or, if Notes are included in First North, via Nasdaq Riga information system.

Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting in accordance with Section 5.5. "Procedure for applying of the waiver".

#### 4.2.7. Coupon payments

The Coupon rate for the Notes is 10% (ten per cent) per annum and is fixed until the maturity of the Notes.

Coupon payments are made once per quarter starting from 22 August 2019. The first Coupon payment will be made on 22 August 2019 and the last Coupon payment will be made on 22 May 2022.

The Coupon record date is the 5th (fifth) Business Day prior to the Coupon payment day. At the end of the Coupon record date Noteholders list, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Noteholders, as per Noteholders list, on each Coupon payment date for the preceding Coupon period.

The Issuer pays the Coupon through the intermediary of Nasdaq CSD and in accordance with applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon payment date is a holiday or a festive day, the Issuer will make the relevant Coupon payment on the first Business Day after the holiday or festive day.

$CPN = F * C / 4$  or  $CPN\% = C / 4$ , where

CPN – the amount of Coupon payment in EUR per Note;

F – Nominal value of one Note;

C – annual Coupon rate (%);

CPN% - the amount of Coupon payment % per Note.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

The authority performing the calculation is not required to calculate the Coupon payment, since the annual rate of the Coupon for the relevant period is fixed in advance.

#### 4.2.8. Procedure of the Notes repayment

The Nominal of one Note is EUR 1 000 (one thousand euro) and the Issuer will repay Nominal amount as a lump sum the maturity date of the Notes, which is 22 May 2022.

The Issuer will repay the Nominal amount in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal amount will be paid on the maturity date. Noteholders eligible to receive the Nominal will be fixed at the end of the Nominal record date, which is the previous Business Day before the maturity date.

If the maturity date is a holiday or a festive day, the Issuer will make the relevant Coupon payment and Nominal amount payment on the first Business Day after the holiday or festive day.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

#### 4.2.9. Early redemption (call option)

The Issuer has no right to execute early redemption (call option).

#### 4.2.10. Early redemption (put option)

Noteholders have the rights to demand early redemption of Notes (put option) in case of occurrence of the events of default in accordance with the Section 5.2. "Event of default".

#### 4.2.11. Accrued interest calculation

The first Coupon starts to accrue on 22 May 2019, which is the First Settlement Date of the Notes issue. The accrued Coupon is calculated presuming that there are 360 days in one year (day count convention - "European 30/360"). Accrued interest between Coupon payment dates shall be calculated as follows:

$AI = F * C / 360 * D$ , where

AI – accrued interest of one Note;

F – Nominal value of one Note;

C – annual Coupon rate (%);

D – the amount of days from the beginning of the Coupon accrual period according to European 30/360 day count method.

#### 4.2.12. Representation of the Noteholders

Within the framework of the issue, it is not planned, yet not prohibited to create an organization of authorized persons which would represent Noteholders. In case of the insolvency of the Issuer, every Noteholder has the right to represent his own interests in creditors' meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors in the same claims' group.

#### 4.2.13. Decisions of the Issuer on the Notes issue

On April 9, 2019, the Issuer's shareholders passed the decision (Nr. 2019/70) to issue debt securities (Notes) in the amount of up to EUR 10 000 000 (ten million euro), to authorise the management board of Issuer to sign all documents related to the debt securities issuance, registration in Nasdaq CSD the Latvian SSS and admission to trading on First North operated by Nasdaq Riga.

On April 10, 2019 the Issuer's Management Board passed the decision (Nr. 2019/80) to accept shareholders resolution regarding the issuance of debt securities (Notes) of Issuer in the amount of up to up to EUR 10 000 000 (ten million euro) and to appoint members of the board Eduards Lapkovskis and Deniss Šerstjukovs to sign all relevant documents related to the debt securities issuance and registration in Nasdaq CSD and debt securities admission to trading on First North operated by Nasdaq Riga.

#### 4.2.14. The First Settlement Date of the Notes issue

The First Settlement Date (Issue Date) of the Notes issue is 22 May 2019, on which the Coupon starts to accrue.

#### 4.2.15. Restrictions on free circulation of the Notes

The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia and the United States of America.

## 5. Special Conditions

### 5.1. Disclosure of information

Up to the maturity of Notes, the Issuer shall publish all the information required by regulatory enactments. After the inclusion of Notes on the First North, the Issuer will publish all the information in the Nasdaq Riga information system.

### 5.2. Event of default

The Issuer is in default if at least one of the following occurs and as long as it has not been rectified:

- The Issuer has violated the conditions of the Section 5.4. "Covenants";
- The Issuer has failed to make a Coupon payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has failed to make a Nominal value payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has failed to service other liabilities in the amount of over EUR 100 000 (one hundred thousand euro) for more than 5 (five) Business Days;
- Insolvency proceedings have been initiated against the Issuer;
- The Issuer has submitted an application for liquidation in the relevant state authorities in Latvia.

The Noteholder can submit a written notification to the Issuer regarding that the immediate repayment deadline has set in for the Notes owned by the relevant Noteholder, at any time after the event of default has occurred (and as long as the event of default exists). The Issuer has to pay the Nominal of Notes along with the accrued Coupon and contractual penalty, in accordance with Section 5.3. "Contractual penalty", within 5 (five) Business Days after the receipt of the notification.

### 5.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the Noteholder in question shall be entitled to require and the Issuer shall be obliged to pay contractual penalty upon the request of any Noteholder to all the Noteholders from the date (excluding), when the deadline has set in, to the actual payment date (including) in the amount of 0.05% (zero point zero five per cent) per day from the relevant outstanding amount.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

### 5.4. Covenants

From the date of issue of Notes to the date of repayment thereof, the Issuer and its subsidiary companies (if any) shall undertake the following:

- To maintain Net Debt/EBITDA (total interest bearing liabilities, excluding Notes held by the Issuer, and minus cash against profit before interest payments, tax payments, depreciation and amortization calculation) indicator not exceeding 5 to 1. Indicator should be calculated based on audited consolidated annual financial report data.
- To maintain Net Debt / Equity (total interest bearing liabilities, excluding Notes held by the Issuer, and minus cash against total equity) indicator not exceeding 6 to 1. Indicator should be calculated based on audited consolidated annual and unaudited consolidated semi-annual financial report data.
- To calculate and include the results of the above financial indicators in semi-annual and annual reports and announce if financial covenants have been breached or not.

- To include Notes on First North within one year after the issue date;
- To prepare audited financial statements in accordance with International Financial Reporting Standards (IFRS)
- Starting from 31 August 2019, publish unaudited consolidated quarterly financial statements not later than 2 calendar months after the end of the reporting period;
- To publish an audited consolidated annual report as per IFRS no later than 4 calendar months after the end of the reporting year;
- The Issuer and its subsidiaries shall continue business operations in the field of consumer lending;
- Not to commence Issuer's liquidation and not to reduce the equity capital;
- Not to close transactions with Related Persons, except if transactions are concluded for market prices and their total value shall not exceed EUR 1 000 000 (one million euro) per calendar year;
- Not to sell, present, change, rent, invest, or otherwise transfer into utilization the right to use the trademarks of the Issuer and/or its subsidiary companies, except if trademarks are sold, presented, changed, rented, invested, or otherwise transferred into utilization to the Issuer's subsidiary company, its managing company, or any companies dependent on the managing company, other enterprises or companies which have directly or indirectly acquired participation in the equity capital of the Issuer or in which the Issuer has acquired direct or indirect participation (if any);
- Not to obtain participation in other companies by investing funds, except if the Issuer or its subsidiary company acquires over 50% (fifty per cent) participation in this company by making an investment and the Issuer or its subsidiaries retains full control of a company;
- Not to change the control of the Issuer (not to sell more than 50% of shares of the Issuer), unless the change of control takes place between the current shareholders.

For the needs of this section, the term "Related Persons" shall mean any natural or legal person, which is (a) a shareholder or (b) a member of the Board or Council, or (c) an employee, or (d) a spouse of any persons referred to in (a) – (c) in relation to the Issuer.

Any of the restrictions referred to in the Section 5.4. "Covenants" may be cancelled or amended, if a written consent has been received from Noteholders which own at least 75% (seventy five per cent) of the Notes issue (excluding Notes owned by the Issuer and / or its affiliated persons). The process of receipt of the consent must be organized in accordance with the conditions of the Section 5.5. "Procedure for applying for the waiver".

### 5.5. Procedure for applying for the waiver

The Issuer has the right to ask for the consent (waiver) of Noteholders to amend the conditions included in the Terms of the Issue, or to receive a permit for activities referred to in the Section 5.4. "Covenants" (apply for the waiver).

The amendment of the Terms of the Issue may include the amendment of any conditions, which is not restricted by such characteristics of Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal payments, inclusion of Note for trade in other regulated or alternative markets, repayment deadline of Notes, and other conditions, unless they contradict regulatory enactments in force in the Republic of Latvia.

The Issuer can apply for the waiver itself or through the intermediary of an authorized person ("Agent"). To apply for the waiver, the Issuer or Issuer's Agent shall notify Noteholders with intermediation of Nasdaq CSD, or, if Notes are included in First North, via Nasdaq Riga information system, specifying at the least the following information:

- a description of the changes applied for;
- a justification of the necessity of the changes applied for;
- the date when the list of Noteholders eligible to grant the waiver (vote) will be fixed;

- the term within which a Noteholder can support or reject the offered waiver;
- instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- notification that a Noteholder willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer's Agent within the term specified in the application, which is certified by a postal seal or signature on receipt. If the Noteholder does not notify the Issuer or Issuer's Agent about the approval to grant waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;
- contact details of the Issuer and/ or the Issuer's Agent to be used for notifications (telephone number for inquiries, address for sending filled in and signed questionnaires, and list of representative offices and/ or branches of the Issuer and/ or Issuer's Agent where Noteholders can submit the questionnaires in person);
- other information including a fee to Noteholders for approving the waiver needed by Noteholders for deciding upon granting the consent or refusal to grant the waiver to the Issuer.

The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the fifth Business Day after the waiver with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Noteholders, or after the announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in First North.

The term allowed to Noteholders for deciding upon refusal to grant the waiver to the Issuer may not be shorter than fourteen calendar days after the waiver with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Noteholders, or after the announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in First North.

Noteholders shall submit signed questionnaires with their decision to the Issuer or Issuer's Agent by a deadline set in the application of the waiver. The waiver is deemed to be granted, if Noteholders owning at least 75% (seventy five per cent) of the Notes issue (excluding Notes owned by the Issuer and / or its affiliated persons) have voted for granting the waiver. The Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting and should be excluded from the total Notes issue eligible for granting the waiver.

The Issuer or Issuer's Agent shall sum up the received votes and notify Noteholders of the results of the voting within one Business Day after the deadline for submitting the questionnaires by sending relevant notification with intermediation of Nasdaq CSD to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Noteholders, or by publishing relevant announcement via Nasdaq Riga information system, if Notes are included in First North.

If the accepted changes refer to specifications of the Notes and/ or Coupon calculation method, as well as procedure of Coupon payments and/ or repayment of the Nominal, the Issuer shall inform Nasdaq CSD on the mentioned changes according to the regulation determined in the Nasdaq CSD rules.

If the Issuer offers Noteholders a fee for approving the waiver and the waiver is granted, the Issuer transfers the fee amount to the account stated by a Noteholder in the questionnaire not later than ten Business Days after the waiver comes into force.

## 6. Taxes

### 6.1. Notice

This summary is of general nature and should not be considered a legal or tax advice. This section does not contain full and complete information on all the taxes that relate to investment in the Notes. Tax rates and conditions for paying taxes may change during the life of the Notes. Prospective Noteholders should consult with their own tax advisors with respect to their particular circumstances and the effects of the Latvian or foreign tax laws to which they may be subject to.

### 6.2. Definition of residents and non-residents

An individual is considered resident of Latvia for tax purposes if his or her permanent place of residence is Latvia; or he or she stays in Latvia for more than 183 days within any 12-month period; or he or she is a citizen of Latvia and is employed abroad by the government of Latvia. If an individual does not meet any of the above-mentioned criteria, he or she is considered a non-resident for tax purposes.

Any legal entity is considered resident of Latvia for tax purposes if it is or should be established and registered in Latvia according to the Latvian legislation. Other legal entities are considered non-residents for tax purposes.

**Table 1 – Tax consequences in Latvia regarding the income derived from Notes that are issued by a legal entity registered in Latvia (not being a credit institution) effective starting from 1 January 2018**

Legal status of income beneficiary	Notes that are not in the Public Circulation		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20%	20% <sup>1</sup>	20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia. <sup>1</sup> - Capital gains from a sale of Notes are considered equivalent to an interest income and taxed at 20% rate in Latvia. Self-assessment and payment of a tax on capital gains [i.e. profits] in Latvia is performed by a beneficiary of capital gains – a resident individual filing the Annual Income Statement.
Company resident of Latvia	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	Interest (coupon) income and a capital gain from the Notes not being in the Public Circulation constitute a part of the beneficiary - Latvian company's overall income. The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (deemed dividends, non-business expenditure, bad debts provisions/write-off, loans to the related persons, transfer pricing adjustments, liquidation quota) of the beneficiary - Latvian company. The tax is assessed and paid based on the Corporate Income Tax Return filed for a taxation period (a month or year).

Individual non-resident	20% <sup>2,4</sup>	20% <sup>3,4</sup>	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.</p> <p><sup>2</sup> - The reduced 10%, 7%, 5%, 2.5% or 0% tax rate on interest (coupon) income can be applicable in Latvia only, if provisions of the Double Tax Treaty concluded between Latvia and other relevant country stipulate it.</p> <p><sup>3</sup> - A capital gain from the Notes is considered equivalent to an interest income and taxed at 20% rate. The purchaser of the Notes, if it is registered in Latvia, performs calculation and withholding of a tax on capital gain [i.e. a profit]. If no profit is derived from a sale transaction, the 20% tax is not withheld/paid. The Double Tax Treaty provisions may stipulate a tax exemption in Latvia for a capital gain derived by a non-resident individual.</p> <p><sup>4</sup> - A non-resident individual being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>
Company non-resident	exempt <sup>5,6</sup>	exempt <sup>6</sup>	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from one of the "black listed countries or territories") are tax exempt in Latvia.</p> <p><sup>5</sup> - An issuer of Notes withholds 20% tax from interest (coupon) payments, if they are made to a company non-resident registered in one of the low tax or non-tax countries or territories specified by the Cabinet Regulations of Latvia (so called "the black listed countries and territories").</p> <p><sup>6</sup> - A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: Legal acts of the Republic of Latvia

## 7. Terms of the Offering

### 7.1. Subscription to the Notes

#### 7.1.1. Subscription period

The initial offering shall commence on 3 May, 2019 and shall end on 3 March, 2022 at 17:00.

#### 7.1.2. Subscription terms

Subscription orders to the Notes can be submitted to the Arranger every Business day during normal working hours. More detailed information on the submission of the subscription orders is available by phone +371 67031222.

Subscription order can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. Business relations between Potential Investors and Custodians are regulated by contracts between them and by the applicable Legal acts.

The total Nominal value of demanded Notes should be stated in the order. Potential Investors have the right to submit several subscription orders during the offering. Subscription orders to the Notes are irrevocable. The Arranger will register all submitted subscription orders of its clients according to legal requirements and internal procedures.

The minimal subscription size is EUR 1 000 (one thousand euro) for a qualified investor and EUR 100 000 (one hundred thousand) for other Potential Investors. The maximum subscription size is EUR 10 000 000 (ten million euro). Subscription size should adhere Settlement Unit Multiple.

#### 7.1.3. Notes price

Notes purchase price can be equal to 100% (one hundred per cent) of the Nominal value or purchase price could be lower or higher than Nominal value, meaning that bonds can be sold with discount or premium, plus accrued interest as per Section 4.2.10 "Accrued interest calculation".

All subscription orders that were aggregated during the subscription period with the First Settlement Date as of 22 May 2019 will be delivered without accrued interest.

#### 7.1.4. Reduction of the Notes issue size

At any time the Issuer may decide to discontinue offering of the Notes. The total issue size is equal to the actual issue size of the Notes before such decision.

#### 7.1.5. Allocation of the Notes to investors

The Notes are allocated to investors in the amount not larger than the amount specified in the subscription form and not less than the minimum size as described in the Section 7.1.2. "Subscription terms".

The Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investor.

### 7.2. Settlement and delivery of the Notes

The First Settlement Date of Notes is 22 May 2019. All subscription orders that were aggregated during the subscription period with settlement date 22 May 2019 will be delivered without accrued interest.

The settlement date for the Notes can be any Business day which is not earlier than the second Business day and not later than the 20th Business day after subscription order is fully submitted to the Arranger.

Settlement of the Notes will be executed through the Nasdaq CSD as DVP (delivery versus payment) transactions according to the applicable Nasdaq CSD rules and Operating Manual. The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to Potential Investors' financial instrument accounts on the settlement date.

Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and Potential Investor.

### 7.3. Pre-emptive rights

None of Potential Investors has the rights of pre-emption in respect to acquisition of the Notes in the initial placement.

### 7.4. Exchange of Current notes

Current noteholders can apply for the exchange of Current notes for new Notes Issue at a ratio of 1:1, respectively one Current note with Nominal of EUR 1 000 (one thousand euro) to be exchanged with one new Note with Nominal of EUR 1 000 (one thousand euro). Issuer will announce the exchange offer on 7 May 2019, which is considered to be a start of election period, via publication on Nasdaq Riga.

The deadline for submission of exchange applications is 20 May 2019 at 17:00, which is considered to be election period end date. The exchange order should be submitted to the Arranger and to the Custodian of Current noteholder in accordance to the Nasdaq CSD rules and Operating Manual. Exchange orders are irrevocable and will be treated similarly as subscription orders in accordance with Section 7. "Subscription to the Notes".

The Issuer will receive exchange orders on 21 May 2019, which is considered to be a date when Issuer receives results from Nasdaq CSD. And exchange date or payment date will be 22 May 2019, when Notes will be delivered. Exchange date or payment date is 22 May 2019, which is also the First Settlement Date of Notes, therefore all exchange orders that were aggregated during the election period will not bear any accrued interest.

Those Current noteholders who will participate in the exchange offer will receive quarterly coupon for Current notes, since the exchange date is after the record date of Current notes.

The exchange offer is not valid after the First Settlement Date.

The minimal size for the exchange is EUR 100 000 (one hundred thousand) for Current noteholders.

## **8. Including of the Notes on the market and trading regulations**

The Issuer plans to request the admission to trading of the Notes on First North, which is alternative market operated by Nasdaq Riga, and submit Terms of the Issue and company description with Nasdaq Riga.

The Issuer has not signed any agreement with any person for Notes liquidity maintenance on the secondary market.

## **9. Additional Information**

### **9.1. Advisors involved in the Issue**

The Issuer has concluded an agreement with the Arranger to organize the Notes issue, to communicate with the Nasdaq CSD, market it to Potential Investors and conduct settlement during the subscription period. The Arranger may provide other services to the Issuer in the future and receive remuneration for it. The Arranger may invest its own funds in the Notes.

### **9.2. The external audit of the information included in the securities description**

The auditors have not verified the information included in the securities description.

### **9.3. Statements or reports included in the securities description**

The securities description does not contain any expert statements or reports.

### **9.4. Credit ratings**

There is no credit rating assigned to the Issuer or to the Notes issue.

## 10. The Issuer

### 10.1. General Information on the Issuer

The name of the company is AS "VIA SMS group".

The Issuer was registered in the Commercial Register of the Republic of Latvia on 23.02.2007 under the uniform registration number 40003901472.

The period of existence of the Issuer is not limited.

The legal and actual address of the Issuer is 13. Janvāra iela 3, LV-1050, Riga, Latvia. Legal form of the Issuer: Limited Liability Company, legal status – legal entity. The company's country of foundation is the Republic of Latvia.

The Issuer carries out its activity in accordance with the Commercial Law, Civil Law and other applicable laws and regulations of the Republic of Latvia. The Issuer's subsidiary SIA "VIA SMS" operations in the Republic of Latvia are regulated by the Consumer rights protection law, the Cabinet Regulation No. 245 of 29 March 2011, "Regulations on Special Permit (Licence) for the Provision of Consumer Lending Services" and other relevant laws. The Issuer's subsidiaries abroad are governed by the relevant national laws and regulations. The Group's companies have obtained the necessary licenses for consumer lending. The Notes Issue and its circulation on the secondary market is regulated by the Financial Instrument Market Law, Nasdaq Riga and Nasdaq CSD regulations.

### 10.2. Latest events

Table 2 – "VIA SMS group" important events since the foundation

Year	Events
2009	<ul style="list-style-type: none"> <li>Establishing of VIA SMS Group and VIASMS.lv</li> <li>VIASMS.lv issues the first loan</li> </ul>
2010	<ul style="list-style-type: none"> <li>VIASMS.lv portfolio reaches 100 000 EUR</li> <li>VIA SMS Group has issued 10 000 loans</li> <li>VIA SMS Group reaches 10 000 registered clients</li> <li>VIASMS.cz launch in the Czech Republic</li> </ul>
2011	<ul style="list-style-type: none"> <li>VIASMS.pl launch in Poland</li> <li>VIASMS.lv obtains the license issued by Consumer Rights Protection Centre</li> <li>VIA SMS Group reaches 50 000 registered clients and 50 000 issued loans</li> <li>VIA SMS Group launches an installment loan product VIACREDIT.lv</li> <li>VIACONTO.se launch in Sweden</li> <li>VIA SMS Group reaches 100 000 registered clients and more than 100 000 issued loans</li> </ul>
2012	<ul style="list-style-type: none"> <li>VIA SMS Group portfolio reaches 5 000 000 EUR</li> <li>VIA SMS Group issues more than 300 000 loans</li> <li>Number of VIA SMS Group customer registrations reach 300 000</li> <li>VIA SMS Group employs more than 100 staff around Europe;</li> <li>Total portfolio of VIA SMS Group reaches 8 000 000 EUR;</li> <li>VIA SMS Group has issued more than 500 000 loans</li> <li>Termination of the Group's business activity in the UK and the sale of claim resulting from unprofitable business in the UK due to the large amount of bad debtors</li> </ul>
2013	<ul style="list-style-type: none"> <li>Finnish subsidiary's liquidation due to the limitation of interest rates in Finland</li> <li>Redemption of the Swedish company's shares from the co-investor, as a result of which VIA SMS Group owns 100% shares and the Swedish subsidiary is 100% funded by VIA SMS Group</li> <li>Development of the Intelligent Scoring (Customer Evaluation) Model, which has been successfully introduced in Poland</li> <li>Consolidated accounts in accordance with SGS (IFRS) standards is drawn-up for the very first time</li> </ul>

	<ul style="list-style-type: none"> <li>A common methodology for the calculation of provisions for bad debtors is carried out in accordance with the requirements of IFRS</li> </ul>
2014	<ul style="list-style-type: none"> <li>A new company – limited partnership EEIG VIA SMS R&amp;D Services – is established to take over all support services (IT, financial, marketing, strategy, legal) provided by VIA SMS Group. VIA SMS Group continues to provide only the (financial) activities of a lender/borrower and is the holder of the subsidiary shares</li> <li>The implementation of the Intelligent Scoring Model in Sweden, Czech Republic, Latvia, Lithuania and Spain</li> <li>A single Transfer pricing policy for all companies of the Group is developed and implemented</li> <li>The Spanish subsidiary VIA SMS MINICREDIT S.L., of which SIA VIA SMS Group owned 35% shares, is sold to Spanish co-investors SIA SP Capital Group</li> <li>At the end of 2014 a new subsidiary - VIACONTO MINICREDIT S.L. - in Spain is established, of which SIA VIA SMS Group owns 100% shares</li> <li>VIA SMS Group issues corporate bonds in amount up to 12 000 000 EUR and lists the issue on Nasdaq Riga regulated market</li> </ul>
2015	<ul style="list-style-type: none"> <li>In April economic activity in the newly established Spanish subsidiary VIACONTO MINICREDIT S.L. is commenced</li> <li>Economic activity in the Lithuanian market is terminated, resulting in the sale of the complete VIA SMS LT UAB loan portfolio at the end of 2015</li> <li>A single Tranferta pricing policy is developed and implemented for all companies of the Group on the basis of capital raised form the issue of Bonds</li> <li>VIA SMS Group has issued 1 000 000 loans</li> </ul>
2016	<ul style="list-style-type: none"> <li>VIA SMS Group launches savings product VIASPAR in Sweden</li> <li>The payment card with credit line SAVA.card is launched in Latvia</li> <li>VIA SMS Group launches peer-to-peer lending platform VIAINVEST</li> </ul>
2017	<ul style="list-style-type: none"> <li>Peer-to-peer lending platform VIAINVEST hits 10 million EUR in funded loans</li> <li>VIA SMS Group launches consumer lending brand Cashalot in Poland</li> <li>VIA SMS Group changes the legal form to JSC</li> <li>VIA SMS Group registers subsidiary VIA Payments UAB in Lithuania and acquires electronic money institution license issued by the Lithuanian Central Bank</li> </ul>
2018	<ul style="list-style-type: none"> <li>VIA SMS Group launches VIACONTO.ro in Romania</li> </ul>
2019	<ul style="list-style-type: none"> <li>VIA SMS Group launches digital payments platform VIALET</li> <li>VIA SMS Group launches credit line VIACONTO.cz in Czech Republic</li> <li>VIACONTO.ro is upgraded and starts to offer credit lines</li> <li>VIASMS.lv has been entitled as the Bronze level taxpayer by the State Revenue Service of the Republic of Latvia</li> </ul>

### 10.3. Investments

The last audited financial statement of the Issuer is for the period ended 31 December 2018. As of that date, the Issuer has not made any significant investments and the Issuer’s management has not undertaken any obligations for the investments planned in the future.

### 10.4. Business operations of the Issuer

#### 10.4.1. The Group

AS “VIA SMS group” is an alternative financial services provider operating across 7 European markets, such as Latvia, Lithuania, Czech Republic, Poland, Sweden, Spain and Romania. The Group consists of 10 subsidiaries and 2 associates. Companies of the Group aim to provide quick and convenient lending products without collateral to private individuals, digital payment solutions, investment opportunities for individuals and legal entities, lucrative savings product available for private individuals and legal entities in Sweden.

The Group's structure is as follows:

- AS “VIA SMS group” is the Group's parent company, acting as holding company and performing activities of the head office;

- SIA "VIA SMS" (Latvia) provides short-term lending services, the Issuer owns 100% of shares;
- "VIA SMS" s.r.o. (Czech Republic) provides short-term lending services, the Issuer owns 100% of shares;
- "VIA SMS PL" Sp.z.o.o. (Poland) provides short-term lending services, the Issuer owns 100% of shares;
- "Cashalot" Sp.z.o.o. (Poland) has been providing lending services, though operations under the brand "Cashalot" have been discontinued at the end of 2018, the Issuer owns 100% of shares;
- "ViaConto Sweden" AB (Sweden) provides short-term lending services, the Issuer owns 100% of shares;
- "Via Spar" AB (Sweden) provides deposit services, 100% of shares are owned by "ViaConto Sweden" AB, hence indirectly fully controlled by the Issuer;
- "VIAConto Minicredit" S.L. (Spain) provides short-term lending services, the Issuer owns 100% of shares;
- "No Mas Deuda" S.L. (Spain) provides debt collection services, 100% of shares are owned by "VIAConto Minicredit" S.L., hence indirectly fully controlled by the Issuer;
- IFN "ViaConto Minicredit" S.A. (Romania) provides short-term lending services, the Issuer owns 100% of shares;
- UAB "VIA Payments" (Lithuania) provides digital payment solutions and payment cards, the Issuer owns 100% of shares;
- UAB "FinnQ" (Lithuania) provides financial services, the Issuer owns 100% of shares;
- SIA "Viainvest" (Latvia) provides investment services, the Issuer owns 100% of shares;

EEIG "VIA SMS R&D Services" is a limited partnership established in 2014 in order to facilitate business activities of its members and create additional value to their operations by providing supporting services to its members. In 2019, EEIG "VIA SMS R&D Services" has transferred its assets, liabilities and employees to AS "VIA SMS group", which has undertaken activities of the head office.

#### 10.4.2. Description of operating activities for companies of the Group

##### 10.4.2.1. AS "VIA SMS group" (Latvia)

VIA SMS group is a holding company and is engaged in the following activities:

- determination and execution of the Group's strategy;
- controlling subsidiaries and associates;
- investments;
- investor relations;
- attraction of financing from shareholders or third parties;
- liquidity management;
- financial intermediation;
- head office activities.

VIA SMS group has established internal policies and procedures to ensure effective and efficient control over its subsidiaries. VIA SMS group owns Customer Relationship Management (CRM) system, which is being used by its subsidiaries involved in consumer lending businesses for the loan granting processes, thus allowing to obtain instant reports on lending and marketing activities, as well as portfolio dynamics. In addition, annual and rolling budgets are being prepared and further on verified on a monthly basis through management reporting.

Consolidated net portfolio of the Group as at 31.12.2018 achieves EUR 22 983 054, consolidated net turnover for 2018 amounts to EUR 25 387 460 and consolidated net profit comes to EUR 2 768 915.

##### 10.4.2.2. SIA "VIA SMS" (Latvia)

SIA "VIA SMS" has started operations in Latvia in 2009 as the first company of the Group. SIA "VIA SMS" is operating under the brand names VIASMS.lv, VIACREDIT.lv, SAVA.card. SIA "VIA SMS" became a well-recognized service provider in Latvia, having strong reputation with emphasis on quality and convenience of services with the highest level of customer service. SIA "VIA SMS" is striving to increase its loan portfolio and continuously improve the quality of credit portfolio. Loyal customers of SIA "VIA SMS" are

being offered a line of credit with the credit card "SAVA.card", which is based on Mastercard digital solutions.

On 1 November, 2016 SIA "VIA SMS" has received a special permit (license) No. NK-2016-040 to carry out consumer lending services in the Republic of Latvia. SIA "VIA SMS" is being regulated by Consumer Rights Protection Centre (CRPC).

In terms of organizational structure, SIA "VIA SMS" is headed by the CEO, who is entitled to decide on credit policy, marketing activities, personnel and other direct operating activities. On average, in 2018, there have been 24 employees working for SIA "VIA SMS" in Customer Service Department, Debt Recovery Department and Accounting Department.

Net turnover of SIA "VIA SMS" in 2018 has reached EUR 4 420 880, which is 12% higher than in 2017. Net profit for 2018 increased by 39% and amounted to EUR 1 533 882. Net portfolio as at 31.12.2018 resulted in EUR 7 155 792.

#### **10.4.2.3. "VIA SMS" s.r.o. (Czech Republic)**

"VIA SMS" s.r.o. has been operating in Czech Republic under the brand names VIASMS.cz and VIACONTO.cz since 2011. Throughout the years the company insured steady growth providing high-quality customer service and has become well recognized brand in local consumer lending market.

A recent study of influential organization "People in Need" ranked the "VIA SMS" s.r.o. customer experience well above the rest of its direct competitors explicitly indicating appreciation of its customers and well-considered service conditions.

"VIA SMS" s.r.o. is headed by the CEO and employs 13 professionals involved in accounting, marketing, customer service and debt collection. In 2018 the company has obtained consumer credit license issued by Czech National Bank.

"VIA SMS" s.r.o. issued 19,6 thousand loans during 2018, reaching Net portfolio as at 31.12.2018 EUR 1 864 711. Net turnover for 2018 amounts to EUR 2 234 468 and net profit equals to EUR 308 803.

#### **10.4.2.4. "VIA SMS PL" Sp.z.o.o. (Poland)**

"VIA SMS PL" Sp.z.o.o. has been operating since 2011 under the brand name VIASMS.pl. Due to its high-quality customer service that provides client application processing and loan issuance within 15 minutes, as well as favorable terms of the loan, "VIA SMS PL" Sp.z.o.o. quickly gained recognition among customers. In 2012 the Company received the „Symbol 2012” distinction in the category "Friendly Loan". CRM system, provided by the Group, enhanced by the highest quality service resulted in achieving a high and stable position among companies providing consumer loans in Poland.

"VIA SMS PL" Sp.z.o.o. is headed by the CEO and employs 43 professionals involved in marketing, accounting, customer support, debt collection and IT.

"VIA SMS PL" Sp.z.o.o. is a founding member of the Association of Loan Originators, which, in addition to the self-regulatory industry, safeguards the highest standards of business and ethics.

In 2018, net turnover of "VIA SMS PL" Sp.z.o.o. has reached EUR 7 406 966, which resulted in net profit amounting to EUR 734 272. In terms of portfolio, Polish subsidiary takes one of the leading roles in the Group. Net portfolio as at 31.12.2018 equals to EUR 6 551 620.

#### **10.4.2.5. "ViaConto" Sweden AB (Sweden)**

"ViaConto" Sweden AB has started operations in 2011 as the fifth subsidiary of VIA SMS Group. "ViaConto" Sweden AB provides consumer loans under the brand VIA CONTO. In 2018 "ViaConto" Sweden AB has substantially increased loan portfolio and became the third leading company in the Group.

Instant loan application processing via CRM system provided by the Group along with prompt customer support, enables client application processing and loan issuance within 15 minutes. Quality, convenience and friendly customer experience is being highly appreciated by "ViaConto" Sweden AB clients and let www.viaconto.se to become one of the highest ranked websites among competitors.

"ViaConto" Sweden AB is led by the CEO of "ViaConto" Sweden AB and consist of 14 employees involved in accounting, customer support, debt collection.

Net portfolio of "ViaConto" Sweden AB as at 31.12.2018 amounted to EUR 5 828 047, net turnover for 2018 has reached EUR 5 965 589 and net profit came to EUR 1 139 694.

VIASPAR is a lucrative savings product available for both private individuals and companies only in Sweden. VIASPAR offers an attractive product portfolio of flexible high-yield savings and term deposit. Wide product portfolio allows to find the most suitable solution for any needs by maintaining high returns and flexible savings terms. "ViaSpar" AB is fully owned by "ViaConto Sweden" AB.

#### **10.4.2.6. "VIACONTO Minicredit" S.L. (Spain)**

Spanish subsidiary "VIACONTO Minicredit" S.L. has been established in spring of 2015. "VIACONTO Minicredit" S.L. operates under the name VIACONTO MINICREDIT. From the first day of business "VIACONTO Minicredit" S.L. began to actively and purposefully conquer its market position. Like majority of VIA SMS group subsidiaries, also "VIACONTO Minicredit" S.L. provides high quality customer service, customer application processing and loan issuance within 15 minutes.

"VIACONTO Minicredit" S.L. is managed by the CEO, who is supported by administration, customer service department and debt collection department. Average number of employees in 2018 was 9.

Operations in Spain have demonstrated stable portfolio and revenue growth since establishment. Currently management has a strong focus on improvement of customer performance in order to achieve positive EBITDA in 2019. Net portfolio as at 31.12.2018 amounted to EUR 1 574 416, net turnover for 2018 reached EUR 3 085 122.

"No Mas Deuda" S.L. is a debt collection company founded in 2017, dedicated to the extrajudicial and judicial collection of unpaid debts. A company that in two years has doubled the number of employees, and that continues to grow steadily. The company is fully owned by VIA SMS Group Spanish subsidiary "VIACONTO Minicredit" S.L., who is the exclusive recipient of services.

#### **10.4.2.7. IFN VIACONTO MINICREDIT S.A (Romania)**

"IFN VIACONTO MINICREDIT S.A" has been operating in Romanian consumer lending market since 2018 under the brand name VIACONTO.ro. From the first day of business "IFN VIACONTO MINICREDIT S.A" began to actively and purposefully conquer its market position. Different types of marketing campaigns were rapidly expanded in Romania, ensuring a swift influx of customers in a short period of time. Due to its high quality customer service that provides client application processing and loan issuance within 15 minutes, as well as favorable terms of the loan, "IFN VIACONTO MINICREDIT S.A" quickly gained recognition among customers. "IFN VIACONTO MINICREDIT S.A" is able to provide instant loan application processing, thanks to CRM system set up by VIA SMS Group.

"IFN VIACONTO MINICREDIT S.A" is headed by the CEO, who manages a team of client support and debt collection specialists. At the end of 2018 there have been 11 employees.

The turnover for the first year of operations has reached EUR 192 377 and net portfolio as at 31.12.2018 amounted to EUR 74 437. In 2019 the management will focus on portfolio growth and customer performance to achieve improvement of EBITDA.

#### 10.4.2.8. SIA "Viainvest" (Latvia)

SIA "Viainvest" operating under the brand name VIAINVEST is a peer-to-peer marketplace for private lenders to invest into loans originating from non-banking lenders – the VIA SMS Group and its subsidiaries. Portfolios of non-banking borrower claims mainly consist of consumer loan requests across Europe. Unlike traditional banking VIAINVEST offers private investors access to the non-banking lending sector through a simple process. Borrowers request funding from the VIA SMS Group, the active contract automatically is then mirrored on VIAINVEST making it available for public investment. Each investor has full control of how much he wants to invest, to whom and in which loan. VIAINVEST guarantees a transparent investment environment and full investor support at any time. Investment platform is being managed by VIA SMS group.

Currently VIAINVEST operates across EU and EEZ serving 9 490 registered investors. Total amount of loans funded through the platform has exceeded EUR 101 543 800 by the end of 2018.

SIA "Viainvest" is being led by the CEO, operated by P2P Platform Lead and supported by customer service department and IT department.

#### 10.4.2.9. UAB VIA Payments (Lithuania)

UAB "Via Payments" is an electronic money institution, licensed in Lithuania in 2017, operating under the brand name VIALET and providing a mobile payment solution for private individuals, wishing to use a payment card and related payment services, primarily targeted to the VIA SMS Group clients. While the crediting of the clients through payment card is still in the plans, currently clients have already a possibility to open a similar to bank account online use it through a mobile app. After identification, the client may top up the account via a wiretransfer of from an existing payment card and use the funds accordingly: make payments and use the VIALET payment card. Client has also an overview of the account, extended security controls for the card and so on. VIA Payments stores client funds at the Lithuanian central bank. Currently VIALET operates in Latvia and Spain, expecting to grow across EU. VIA Payments operates as an individual company, whose decisions are taken under the supervision of the supervisory board and management board by its CEO, Artjoms Grivkovs, assisted by Customer Service, IT, Compliance and Operational departments (25 people in total).

The company has already reached a break even and is profitable. Net turnover in 2018 has reached EUR 2 055 385 and net profit resulted in EUR 185 046.

#### 10.4.3. Services

The Group offers three types of loans to its customers - private individuals – short-term loans (7 to 30 days), installment loans (from 3 to 12 months) and credit lines (open ended agreement) that can be issued separately or linked to credit card SAVA.card (in Latvia). Loans are issued only in the official currency of the country of operations. Loan terms and amounts are adapted to each country's customer ability to pay, demand, level of competition and regulatory enactments. By filling in an on-line application, the customer can choose any amount without decimals and a maturity within set limits, allowing the customer to borrow only the amount that is needed.

##### Latvia

There are three types of loans offered in Latvia - installment loans with a maturity of 3 to 12 months and amount up to EUR 3 000, as well as credit lines with an open ended agreement and loan amount up to EUR 3 000 available separately or within the credit card SAVA.card and flexible loan with convenient repayment method - return the entire loan amount after 30 days or pay only the minimum monthly payments.

##### Czech Republic

The Company started its activities in Czech Republic in January 2011, and offers both short-term loans with a term from 1 to 30 days with the amount up to CZK 30 000 and credit line with an open-ended agreement and the amount up to CZK 60 000. Lending fee does not apply for the first loan, but for all repeated loans it comes into force.

### Poland

Since April 2011 private individuals in Poland are offered only short-term loans from 1 to 30 days with amount up to PLN 4 000. The first loan is issued without applying a lending fee. The loan repayment period can be extended for seven, fourteen or thirty days, applying a fee for the extension of the loan repayment period, which depends on the loan amount.

### Sweden

The Group started to issue loans in Sweden in October 2011. There are two types of loans offered in Sweden - installment loans with a maturity of 3 to 12 months and amount up to SEK 20 000, as well as credit lines with an open-ended agreement and loan amount up to SEK 20 000. The first loan is issued without applying a lending fee, which is applicable for all repeated loans.

### Spain

Since April 2015 the Group's subsidiary issues short-term loans with a maturity of 7 to 30 days, and the amounts available to customers range from EUR 50 to 600. Long-term loans are not available in this market. The first loan is issued without applying lending fee. The loan repayment period can be extended for seven, fourteen or thirty days, applying a fee for the extension of the loan repayment period, which depends on the loan amount.

### Romania

Since 2018 Group's subsidiary issues credit lines with an open-ended agreement and loan amount up to RON 4 000. In Romania lending fee applies to all loans: new and repeated.

## 10.4.4. Marketing

VIA SMS group is actively promoting lending services in all countries of operations. Advertising is mainly carried out online with an aim to push target audience to visit the Company's website. Digital advertising is carried out using paid Google services and local affiliate services. As an addition, VIA SMS group also uses traditional advertising services as television, radio and outdoors. As an example, SIA VIA SMS is one of the leaders in a market saturated with heavy competition. This shows a correct choice of strategy, which has ensured SIA VIA SMS with constant flow of customers, who continue to embrace services provided by the company, which, in turn, points to the constant quality the company has been able to offer to its customers.

The main factor that enables the company to work efficiently and generate profit is the operating environment. Despite the legislative restrictions limiting consumer lending business, the operating environment is suitable for such business in all countries of operations. To profit in a consumer lending sector saturated with competition VIA SMS group aims to constantly remind customers or potential customers of oneself by continuous marketing activities. Similarly, the Group strives to ensure impeccable service and product quality, offers competitive prices and takes care of the Group's image and reputation, as the economic activity of the Group directly depends on the visibility of its brand in society.

## 10.4.5. Customers

Customers of the Group are individuals aged 20 to 70. Since the beginning of operation of the Group's first company in Latvia in 2009, the number of registered customers has grown rapidly.

**Table 3 – Number of Group's registered clients**

Year	Number of registered customers
2009	167
2010	20 918
2011	104 658
2012	177 943
2013	177 617
2014	124 876
2015	148 496
2016	146 682

2017	175 991
2018	185 920

The table above demonstrates that the number of customers has been constantly growing throughout all the years of VIA SMS group operations.

For the daily analysis of data, including evaluation of the results of marketing activities, the management of the Group's subsidiaries has access to information regarding clients' age, education, income, living area, which allows to assess and forecast the potential return of each group of customers, taking into account historical data of loan repayment discipline.

#### 10.4.6. Description of the loan portfolio

The Group's loan portfolio has been evolving since 2009. Considering the nature of issued loan types, loans are issued repeatedly. With increasing market saturation and changes in customer demand, the Group is adapting loan types, terms and other conditions to the needs of each market, and can also decide on the termination of provision of a certain product, if it is unable to provide sufficient profitability. Subsidiaries in Latvia, Poland and Sweden ensured 85% of total net portfolio in 2018. Latvia was the first market, where the Group started its activities, Poland is the largest among those, where the Group is currently presented, and introduction of a new product in Sweden resulted in notable portfolio growth.

**Table 4 – Number and amount of loans issued by the Group**

Year of issue	Issued loans, pcs.	Issued loans, EUR
2009	33	4 155
2010	16 774	2 110 551
2011	113 861	17 136 001
2012	227 209	36 872 985
2013	248 530	40 944 325
2014	227 964	44 335 864
2015	248 635	54 370 490
2016	252 670	75 064 477
2017	278 554	97 471 400
2018	248 604	91 268 669

Group has issued the largest amount of loans in Latvia and Poland. This can be explained by the fact that Latvia was the first country where the Group started its activities, and Poland is the largest market where the Group currently operates.

**Table 5 – Number and amount of loans issued per country from 2009 to 2018**

Country	Issued loans, pcs.	Issued loans, EUR
Poland	782 752	215 982 454
Latvia	626 860	127 871 540
Sweden	144 014	54 299 213
Czechia	160 688	34 727 640
Spain	81 447	18 108 347
Lithuania	72 235	12 129 814
Romania	2 495	330 369

**Table 6 – Group's loan portfolio by country from 2016 to 2018, EUR**

Country	2016	2017	2018
Poland	5 724 022	7 554 413	6 925 916
Latvia	4 688 531	5 825 135	8 078 591
Sweden	5 036 106	4 766 476	8 392 323

Spain	2 459 608	2 433 760	4 131 561
Czech Republic	2 839 336	3 723 909	4 050 810
Romania	-	-	195 615
<b>Total:</b>	<b>20 747 603</b>	<b>24 303 693</b>	<b>31 774 816</b>

#### 10.4.7. Procedure for issuing loans

The Group's companies operate a uniform credit policy and procedure of underwriting and issuing of loans. The customer can apply for a loan (a single payment loan, an instalment loan, a credit line) online. The client provides personal data, information family status, income and expenditure, as well as information on other liabilities. Before receiving the first loan the client must confirm their identity by electronic signature, transferring EUR 0.01 from their bank accounts or via INSTANTOR (a service, which allows consumers to identify themselves and by logging into their online bank). In case client's identity has been verified through INSTANTOR, the Group's companies gain access to the client's bank account statement for up to the last 12 months.

Following the application and depending on the market, external data providers such as credit bureaus, state revenue service, state social security service, digital identity analysis companies, provide valuable data that is use further in the underwriting decisions by a set of by a number of automated and semi-automated credit, fraud and identity-related scoring models, backed up by a set of policy rules. If there are any doubt regarding the veracity or compliance with local requirements to loan issuing companies, or the assessed level of credit risk increases the tolerance levels, the loan is automatically denied.

When required by requirements or by underwriting procedures, the applications have been transferred to the Service Specialist. Upon receiving the client's request for loan, Client Service Specialist assesses the results of automated risk assessment. If necessary, the Service Specialist conducts an in-depth analysis, which consists of several stages, allowing to assess the client's ability to repay the loan and payments related thereto. The Service Specialist pays special attention to evaluate and validate the client's income and expenditure and whether there are enough funds left after the client has met his/her obligations. If there is non-compliance with the company-set maximum loan payment share against the client's income, the loan is denied. Upon verification of the client's financial data and a positive outcome, the loan is transferred to the client's bank account. The target time between the receipt of the client's application and the transferring of the money to the client's bank account is 15 minutes, whereas median time needed for underwriting is below 5 minutes.

#### 10.4.8. Loan Repayment Procedure

The client is able to repay the loan prematurely at any time without any additional fees or interest payments. One day before and on the date of repayment of the loan a text message is sent to the client with a reminder and information on the option to repay or extend the repayment date for a period not exceeding the original term. If in doubt of the client's ability to repay the loan, the Service Specialist offers the client a repayment schedule, where the total amount is divided into several instalments.

#### 10.4.9. Procedure for Recovering Loans

In situations where clients have started to delay repayment of the loan, the Group's company that issued the loan initiates active communication with the client. The client is initially reminded to meet his/her obligations by phone the next day after the maturity of the loan, after another day - via a text message and e-mail, and so on a number of times. The first stage of the reminder procedure ends with a registered letter to the client with a warning of recovery of the loan through a collection agency. If, during the following days, the client still has not met his/her obligations or agreed to a repayment schedule (if the Company has offered one), the case is handed over to a collection agency. For each day of delay a penalty is calculated, and for each letter of warning - a commission fee. All communication with the client is registered in the Company's IT system.

Table 7 – Group's gross loan portfolio by number of delayed from 2017 to 2018, EUR

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	-
<b>Total:</b>		<b>16 828 766</b>	<b>1 151 581</b>	<b>13 796 824</b>
Loans and receivables:				31 777 171
Unearned commission:				(23 108)
Impairment allowances:				(8 771 009)
Net loan portfolio:				22 983 054

  

On 31 December 2017	Days overdue	Payday EUR	Instalment EUR	Credit Line EUR
Performing	<=0	9 201 955	413 057	2 871 767
	1-30	1 635 359	55 145	676 120
Past due not	31-60	913 572	23 645	270 119
	61-90	893 016	29 571	195 407
	90+	4 849 497	911 980	174 158
Restructured	-	765 551	423 774	-
<b>Total:</b>		<b>18 258 950</b>	<b>1 857 172</b>	<b>4 187 571</b>
Loans and receivables:				24 303 693
Unearned commission:				(353 345)
Impairment allowances:				(5 826 208)
Net loan portfolio:				18 124 140

VIA SMS group performs continuous credit policy monitoring. Due to careful monitoring, VIA SMS group is able to operatively and dully make changes in its credit policy, which has ensured a good quality of the loan portfolio of VIA SMS group with a lower number of accounts receivables and a greater number of active clients.

#### 10.4.10. Competitors

The consumer lending industry has gained huge popularity within the short period of time, as customers value quick and easy lending procedure and flexible repayment terms. Clients are able to receive a loan anywhere, anytime, since it requires only sending a text message or filling out an online application. Within a few years the industry has conquered a significant market share, to some extent - from the banking sector, the structure of which today is more conservative and bureaucratic, thus banks are incapable of providing the customer service speed needed to become a non-bank consumer lender.

The biggest advantages of the Company's products are speed and convenience. Registration is available online 24 hours a day and, when the loan request has been submitted, the client receives the requested amount in his/her bank account within 15 minutes. Despite the fact that the online lending industry is regarded as a new and previously non-existent industry, it has experienced a very rapid spread throughout the EU territory. This certainly has an impact on the market, where corrections are brought by the large saturation of competitors, as well as national legislators who implement different laws and regulations, monitor and limit the activity of creditors with the help of various conditions.

In the last five years the short-term market has experienced a large increase of market participants. This large competition saturation has led to a very rapid dumping, resulting in a situation, where, in order to sell the product and obtain or retain a strong position in the market, it is necessary to engage in interest-

free lending to attract consumers. To carry out short-term lending activities, some countries require special licenses, and a minimum amount of share equity is set, which greatly exceeds minimum amounts of equity set for other companies operating in other types of business sectors. Similarly, amendments are made to national civil laws to limit, control and supervise the activity of the short-term lending companies. Due to the rapid development of the short-term lending industry, it can be seen that the overall knowledge of the sector increases, which prohibits businesses from attracting customers with simple slogans about interest-free loans. To attract clients, participants of the short-term loan market implement very aggressive and expensive marketing campaigns under which customers are offered a variety of desirable things, including payment for registration on the website, a chance to visit public events specially organised for the customers, and other bonuses to attract clients. When the level of wealth of people of a specific area increases, the demand for short-term loans decreases, which leads to the conclusion that a short-term loan is a product, which is targeted at people with lower levels of income, as well as a product which experiences the greatest demand during economic downturn.

Latvian market was the first where VIA SMS Group has established its subsidiary. The Group's biggest rival in Latvia is AS 4Finance, which has conquered the biggest share of the Latvian short-term loan market with its brands SMS Credit and Vivus. AS 4Finance can successfully operate in the market, because it was the first undertaking in Latvia to start short-term lending, and, since the beginning of activity, AS 4Finance has been constantly attracting new customers and retaining the trust of existing customers by providing high-quality customer service, maintaining a very aggressive marketing strategy and establishing one of the leading brands in Latvia. In the Latvian market there is also another strong competitor operating within the consumer lending – SIA Creamfinance Latvia operating under brand names CreditOn, CreamCredit and LadyLoan.

AS 4Finance is also a strong competitor in the Polish market where it operates subsidiary under the brand name Vivus. The business strategy and operating model of AS 4Finance is equivalent to the one AS 4Finance applies in the Latvian market. In Poland, companies Ekspreskasa and SMS Kredyt, the pioneers of short-term lending in the Polish market, are also operating very successfully and steady.

In Sweden consumption, also known as "new lending" loans represent the largest share of new lending, and it is also these loans that are growing the fastest. The increase has been particularly large over the past four years. It corresponds to an average annual percentage growth of 17 per cent. Lendify - largest peer to peer lending platform in Sweden contributes to this growth significantly, doubling their volumes every year. Klarna, took advantage of e-commerce growth and are most known for factoring product.

The micro loan sector in Spain has grown a lot and fast in Spain, but not all companies have been able to withstand the tough competition of the business. The most important companies are VIVUS (4Finance Group), Ferratum Bank, Money Man (ID Finance), and Viaconto Minicredit (VIASMS Group), Contante (Cream Finance Group), TWINERO and Préstamo10.

In spite of the pressure from the Romanian government, which is strictly regulating the non-banking financial market, the non-banking financial institutions sector in Romania has got a very big potential and is growing for the last 5 years. The biggest companies operating on the market are very stable and has got a large portfolio. Companies such as Vivacredit, Ferratum, Extra Finance, Credius, Mozipo and Provident.

VIA SMS s.r.o. has been operating in the Czech Republic under the brand names VIASMS.cz and VIACONTO.cz since 2011. Throughout the years the company insured steady growth providing high-quality customer service and has become well recognized brand in local consumer lending market. Within the Czech Republic major competitors there are Zaplo, CreditOn, Cool Credit and Pujcka7. Mostly they use affiliate partners, online branding and occasionally TV advertising campaigns. In spite of some recent over saturation indicators in Czech Republic consumer credit market, its total volume continues to increase on year-to-year basis.

Since VIA SMS Group subsidiaries are not the first players in the market but hold a strong and steady position among the leaders as the third - fifth player in the market, VIA SMS Group has no prevailing effect on the pricing structure and profitability in the markets of operations.

#### 10.4.11. Legal Framework of the sector

The Issuer's management regularly monitors the changes in the laws and regulations in each of the Group's countries of operation, and, if necessary, adjusts the loan conditions, including the procedure of issuance and recovery, advertising and other aspects, so that the Group's operation would comply with the legal requirements.

##### 10.4.11.1. General Information

On 23 April 2008 Directive 2008/48/EC of the European Parliament and of the Council on credit agreements for consumers and repealing Council Directive 87/102/EEC (hereinafter referred to as the Directive) was issued and approved, introducing a new and economically more suitable framework for consumer lending. Consequently, all European Union Member States, including Latvia, Poland, Czech Republic, Sweden, Spain and Romania – shall provide the implementation of the requirements of the Directive into national laws and regulations, and shall act in accordance with the Directive. The Directive shall not apply to credit agreements involving amounts less than EUR 200 or more than EUR 75 000.

In general, according to the above Directive, the same advertising restrictions apply to all countries of the Group's activity, the same requirements regarding pre-contractual information, the obligation to assess the creditworthiness of the consumer, established consumer right of withdrawal, and listed information to be included in credit agreements. With respect to the European Union's requirements regarding processing of personal data, non-banking creditors in all countries mentioned hereinafter shall meet the requirements regarding processing of personal data.

##### a) Advertisement restriction

When advertising credits, full financial information shall be indicated, without being misleading. Any advertising concerning credit agreements which indicates an interest rate or any figures relating to the cost of the credit to the consumer shall include, inter alia, the following:

- o the borrowing rate;
- o the total amount of credit;
- o the annual percentage rate of charge (Member States may decide that the annual percentage rate of charge need not be provided).

##### b) Pre-contractual information

Before the consumer is bound by any credit agreement or offer, the creditor and, where applicable, the credit intermediary shall, on the basis of the credit terms and conditions offered by the creditor and, if applicable, the preferences expressed and information supplied by the consumer, provide the consumer with the information needed to compare different loan offers in order to take an informed decision on whether to conclude a credit agreement.

##### c) Obligation to assess the creditworthiness of the consumer

Prior to entering into a consumer credit contract, the creditor shall evaluate the consumer's creditworthiness on the basis of sufficient information obtained from the consumer and, where necessary, on the basis of data from the databases established for processing of personal data. The respective information include data on consumer's income and liabilities total.

##### d) Right of withdrawal

The consumer shall have a period of 14 calendar days in which to withdraw from the credit agreement without giving any reason, paying any penalty, interest or compensation for losses.

##### e) Information to be included in credit agreements

In order to enable the consumer to know his rights and obligations under the credit agreement, it should contain all necessary information in a clear and concise manner. This information inter alia should include:

- the type of credit;
- the duration of the credit agreement;
- the total amount of credit and the conditions governing the drawdown;
- the amount, number and frequency of payments to be made by the consumer;

- the annual percentage rate of charge and the total amount payable by the consumer, calculated at the time the credit agreement is concluded, etc.

Regardless of the common regulations to be implemented in the national legislation under the EU Directive, each Member State has the right to impose additional provisions, provided that they comply with the Directive.

#### 10.4.11.2. Information on the Legal Framework in Some Countries

Latvia - Consumer lending in Latvia is governed by Consumer Rights Protection Law and Cabinet Regulations No. 691 of 25 October, 2016 "Regulations regarding consumer credit" and other relevant laws. For non-banking lending companies to do their business in Latvia, they must obtain a special permit (license) from the Consumer Rights Protection Centre, which is the supervisory body of non-banking creditors.

To obtain the license, the creditors must meet certain criteria, for example, developed internal procedures for consumer lending service provision, which govern the issuance and monitoring of loans, developed consumer complaint handling procedures and the order in which the consumer's ability to repay the loan will be assessed as well as the company shall operate in compliance with personal data protection laws. The license fee on first year when the license is obtained is EUR 71 140. Re-registration thereof for non-bank creditors costs EUR 14 225 annually.

On 4 October, 2018 the parliament of Latvia adopted in the third reading amendments to the Consumer Rights Protection Law, part of which entered into force on 1 January, 2019 and the other significant part is expected to enter into force on 1 July 2019.

The amendments, which became effective on 1 January, 2019, foresee that creditworthiness of every loan to be issued shall be verified by creditor in external data basis, such as data basis maintained by the State Social Security Agency or State Revenue Service containing information on borrower's income. The other obligation of the creditor applicable as of 1 January, 2019, is to exchange the data with credit information bureaus on borrower's liabilities. Both measures are focused on the right way to determine the amount of the loan to be issued to the consumer in order to balance the consumer's income and liabilities with the ability to repay the loan.

The amendments, which will become into the effect on 1 July, 2019 foresee to set a limit of the total costs of loans issued to consumers. According to amendments, the applicable maximum interest rate is 0.07% per day from the first day the loan was issued. The other changes foresee there will be stricter advertising rules as of the 1 July, 2019. In the result of advertising restrictions, any advertising with respect to loans issuing will be prohibited, except situations when the advertising is carried out in the webpage of the creditor or by directly approaching the borrower through email if the consumer has previously provided explicit consent for such channel of communication. However, brand commercials will be allowed, except the imposed prohibition to advertise the brand of the creditor in radio or television projects financed from the state or municipal budget.

These changes will have a certain impact on the operation of SIA "VIA SMS", although it will still be profitable and capable of earning. To minimize the effects of the legislative changes, SIA "VIA SMS" already in the middle of the year of 2018 introduced a new type of loan - 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 increasing the loan portfolio of the company.

For the sake of clarity, new legislation initiatives of the Consumer Rights Protection Law have been filed with the parliament of Latvia, which have already been adopted by Saeima in the first reading. According to initiatives, the edition of the law, which will become effective on 1 July, 2019, contains some provisions which are hard to supervise from the Consumer Rights Protection Center perspective, therefore it is not exclude that some clarifications of the law will be adopted this year still.

Non-banking creditors in Poland are not required to obtain a license, but since 2015 they are required to register with a common credit institution register. Also, these companies shall be compliant with

personal data protection laws which are closely monitored from the side of the appropriate authorities. The supervisory body in Poland in relation to consumer rights protection is the Competition and Consumer Protection Office.

The legislation framework has not changed in Poland as of 2015, when the Polish parliament adopted legislative amendments to the Consumer Credit Act, which entered into force on 11 March 2016. The adopted amendments to the Act included the breakdown of the interest payment and non-interest payment into instalments, determining that the maximum interest rate per annum shall not exceed 8.5%, whereas the non-interest rate per annum shall be calculated as 25% per loan, regardless of the term plus 30% per annum from the principal amount of loan.

However, some legislation initiatives of the Consumer Credit Act have had a public consultation, which foresee to decrease interest and non-interest limits in non-banking consumer credits and to establish the obligation of the creditor for more detailed examination of consumer's income and expenses.

These changes, if adopted, will have a certain impact on the operation of "VIA SMS PL" Z.o.o., although it will still be profitable and capable of earning. Overall, legislative changes in Poland will have an immaterial impact on the Group's operating results.

Czech Republic - The Consumer lending sector is governed by Consumer Credit Act No. 43-2013, which came into force on 25 February 2013 (Zákon č. 43/2013 Sb. - Novela zákona o spotřebitelském úvěru (zákona č. 145/2010 Sb.)). This Act stipulates that a lending body shall make sure the consumer is capable of repaying the loan. If this is not carried out, the loan agreement will be deemed null and void.

The Act also determines the maximum amount of the administrative penalty for non-compliance with the Consumer Credit Act – CZK 20 000 000. It also establishes a prohibition for creditors to use phone numbers with a premium rate the caller is charged when calling.

Non-banking creditors in Czech Republic are required to obtain a special license issued by Czech National Bank, therefore the company VIA SMS S.r.o. is being supervised from the perspective of company's equity ratios and good governance principles. The Czech National Bank supervises 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.

Spain - the issuance of loans to consumers in Spain is governed by Consumer Credit Act No. 16/2011 (Ley 16/2011, de 24 de junio, de contratos de crédito al consumo), which entered into force on 24 June 2011 and was issued with the aim to incorporate the requirements of the Directive regarding loan advertising, consumer awareness etc. into the national legislation.

Non-bank creditors in Spain are not required to obtain a special license, however, they must comply with consumer rights protection laws as well as shall arrange its operations to be in line with personal data protection principles. The supervision for observance of those requirements are ensured by the local courts of Spain.

Sweden - 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 Consumer Credit Act stipulated that during the period from 1 July 2014 to 1 January 2015 non-banking creditors in Sweden should have fail the requested documents and information to obtain a license from the Financial Inspection (Finansinspektionen). 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.

In order to comply with the amendments 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 do to drop of interest rate by increase of the total loan portfolio of the company.

Romania - As of June 2010, the consumer lending sector in Romania is governed by Emergency Ordinance No.50/2010 ref. loan agreements for consumers (modified and completed by Emergency Ordinance No.52/2016). The supervisory bodies in Romania for this sector are the National Bank of Romania (BNR) and the Consumer Protection Agency (ANPC), which both monitor the compliance of the creditor with the above-mentioned legislative act, verify the compliance of the management and the shareholders, as well as determine the actual beneficiaries.

The respective legislative act along with the BNR own settlements in the relevant finance and banking fields stipulate that non-banking creditors in Romania should have obtain a licence from the National Bank (admission to General Registry). The NBFi company for instance also has to comply with specific requirements of the Special Registry of BNR in case certain figures/volumes and level of APR are reached and thus qualifies it to that named admission.

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.

In order to comply with the respective amendments and regulations in the matter and also for business yield and efficiency purposes wise, IFN ViaConto RO 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 interest rates by increase of the gaining the loan portfolio of the company.

#### 10.4.12. Management of the Issuer and the Group

The management of the Issuer and the Group consists of the following team:

**Eduards Lapkovskis**, Member of the Board since 2010

- main responsibilities - management and development of operations in Latvia, Czechia, Poland and Spain,
- proven experience in banking and finance,
- BSc in International Business Management and MSc in Information Systems Management (in process).

**Deniss Šerstjukovs**, Member of the Board from 2007 to 2009, and since 2012

- main responsibilities - management of operations in Sweden and Romania, and development of operations on new markets,
- previous experience gained within the private sector and government institutions,
- BSc in Economics.

**Georgijs Krasovickis**, Member of the Board since 2017

- main responsibilities – management of operations in Lithuania,
- strong background in various finance business projects, an extensive leadership,
- MA in Economics and Finance,

**Viktorija Ratačova**, Chief Financial Officer since 2018

- main responsibilities – management of the Group's finances, budgeting, controlling, cash-flow management, record-keeping, financial and management reporting, development of internal policies and procedures,
- more than 15 years of professional experience in corporate finance, accounting and audit,
- a certified member of ACCA, ACAMS and ICA,
- MBA in International Finance and Banking.

#### **10.4.13. Employees**

Since VIA SMS Group founding in 2009 the company has expanded its operations to 7 countries and has grown into one of the leading European consumer lenders. The company headquarters are located in Riga, Latvia, and company operations are supported by 190 employees around the world.

A unified personnel policy has been implemented within the Group, based on a very thoughtful personnel selection. Most of the Group's employees are with prior experience in the financial field, as well as in customer service. Each employee hired to work for a lending company of the Group is trained to get acquainted with the operation of the IT service software, customer service standards, legal knowledge necessary for daily activities, and other types of knowledge and skills to ensure that recruits have been prepared in accordance with the implemented customer service standards. A large share of the success the company has achieved during its operation can be attributed to a carefully selected team, which ensures the highest level of customer service, always promotes new ideas for the company's development and improvement, also, through a variety of team-building activities, the team is always motivated to work and be loyal towards the company, helping to raise the everyday quality of work.

#### **10.4.14. IT systems**

VIA SMS group as a FinTech company is driven by IT innovations and uses its own unique research and development resources to support business in terms of IT. All the companies within the Group uses in-house developed systems, which are based on carefully analysed business requirements and customized according to the needs of each specific subsidiary. All the IT systems are developed with idea not to set any limitations to the business and provide as much as it's possible to support even most ambitious business ideas. IT portfolio contain wide variety of systems starting from internally used applications to support everyday work and moving on to the complicated systems which support full loan product lifecycle. The most important system developed by internal IT team is Core system which includes loan application processing, customer identification and verification, definition of the loan tariffs, decision making, incoming and outgoing payment processing and various integrations with external services. However, IT team is always eager to learn about new technologies and try to apply it in real life to help business, optimal balance between latest technologies and stability and security is kept.

#### **10.4.15. Development plans**

In 2019 VIA SMS Group will continue to grow its portfolio and strengthen its position in represented markets (Latvia, Lithuania, Sweden, Czech Republic, Poland, Spain, and Romania) with a particular focus on improvement of customer performance, providing excellent customer care and quality of provided services. In order to maintain stable position in represented markets as well as ensure competitive advantage in changing market environment, VIA SMS group is planning to implement credit line lending product with market-specific adjustments in all countries of operations, as well as react on growing customer demand and offer instalment loans across all represented countries. Another goal of VIA SMS Group is to foster the development and brand awareness of the digital payments platform VIALET by ensuring easy and affordable payments services within the European Union. VIALET development plans include growing customer base, boosting the amount of opened personal accounts and issued Mastercard credit cards. The aim of VIALET is to provide easy-to-understand financial management tool and ensure high quality of customer service, as it aligns with the overall values within VIA SMS group.

#### **10.4.16. Conflicts of interest and activity of members of administration and supervision bodies outside the Issuer**

The Issuer's management bodies are the Shareholders' meeting, Council and the Board. The address of all members of the Council and Board is 13. Janvāra iela 3, LV-1050, Riga, Latvia. The Issuer's Council consists of three members Andris Riekstins, Normunds Vigulis and Anna Lisenko. The Board consists of three members - Eduards Lapkovskis, Deniss Šerstjukovs and Georgijs Krasovickis.

The Issuer shall be represented by two members of the Board acting together.

Issuer's members of the Council take different positions in other business companies, yet they do not have significant influence on the Issuer.

The persons referred to in this section may have conflicts of interests against the Issuer, its creditors, and its represented interests as participants or other duties. In order to eliminate possible conflicts of interests and reduce the consequences of these conflicts, the Issuer complies with all the restrictions provided for by the regulatory enactments of the Republic of Latvia in relation to transactions with shareholders, members of the Council and the Board.

#### 10.4.17. Shareholders of the Issuer

At the moment of signing the Terms of the Issue, the current structure of the Issuer's shareholders is as follows:

**Table 8 – Issuer's shareholders' structure**

Name, surname/ Legal name	Number of shares	% of the total number
Georgijs Krasovickis	393,470	49%
Deniss Šerstjukovs	248,930	31%
SIA "Financial investment"	160,600	20%
<b>Total:</b>	<b>803,000</b>	<b>100%</b>

Issuer's share capital is EUR 803,000, which is divided into 803,000 shares with nominal share value EUR 1.00 (one euro).

SIA "Financial investment" (reg. no. 40103584744, legal address: Audēju iela 14-12, Riga, LV-1050) belongs to Andris Riekstiņš, citizen of Latvia, controlling 40% shares of the company, while the remaining 60% belongs to Deniss Šerstjukovs. Since Deniss Šerstjukovs is the only member of the board of SIA "Financial investment", he controls the Issuer. In total Deniss Šerstjukovs directly controls 43% of the shares of the Issuer.

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.

The Issuer's shareholders have made investments in other companies. The Issuer's relationships with related persons are disclosed in its financial statements. Other companies of Issuer's shareholders have no significant influence on the Issuer.

#### 10.4.18. Management practice

The Issuer complies with the company management principles in force in Latvia and internationally accepted practice in relation to corporate management. In order to ensure that cooperation partners and clients understand their work and to promote confidence in their long-term economic potential, the Issuer pays great attention to ensuring the transparency of business, personnel training, improving the quality of services, and provision of high-quality services. The Issuer operates in compliance with the requirements of the public and always endeavors to achieve the best results in its work. The Issuers Council consisting of three members performs the functions of the audit committee and reports directly to the shareholders of the Issuer. The Issuer plans to continue improving its management practice in accordance with Nasdaq Riga Corporate Management Principles and recommendations, as well as internationally accepted practice.

#### 10.4.19. Information about tendencies

The Issuer has no information at its disposal regarding the tendencies, insecurity factors, claims, obligations, or events, except for those referred to in the Terms of Notes Issue, which may significantly affect Issuer's perspectives in the current financial year.

#### 10.4.20. Profit forecast

The management of the Issuer does not want to include profit forecast or profit assessment in the Terms of the Notes Issue.

## 11. Legal proceedings and arbitration

At the moment of signing the Terms of the Issue, the Issuer are not involved in any government interventions, lawsuits or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer, are taking place.

## 12. Substantial changes in financial situation of the Issuer

As of the publication of the last audited financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

## 13. Important agreements

The Issuer has no knowledge of any important agreements that could have been concluded between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to investors regarding the securities to be issued.

## 14. Documents available to the public

All interested persons have a possibility of getting acquainted with the following documents:

- Issuer's registration document and articles of association;
- Issuer's financial statements for previous years, starting from the financial statement for 2012/2013;
- Terms of the Notes Issue

at the Issuer's office at 13.janvāra iela 3, LV-1050, Riga, Latvia, or requesting an electronic copy by e-mail [info@viasmsgroup.com](mailto:info@viasmsgroup.com).

After the Notes will be included in First North operated by Nasdaq Riga, Terms of the Issue and company description will be available to the public.

## 15. Financial information

The information included in this section of the Terms of the Notes Issue has been obtained from the financial statements for 2018, which have been audited and approved at the meeting of the Board and prepared in accordance with International Financial Reporting Standards (IFRS).

### 15.1. Auditor

The last audited financial statement of the Issuer is for the period ended 31 December 2018. The verification of the said statement was carried out by the Issuer's financial auditor of the last audited annual report is BDO Assurance SIA, (license No. 182).

The full financial statement of the Issuer for 2018 and 2017 with an audit report is available in the annex of the Terms of the Notes Issue. Auditors have not verified the information included in the Terms of the Notes Issue.

### 15.2. Consolidated and separate financial information

The Issuer's consolidated and separate profit or loss statement and balance sheet have been taken from the audited financial statements for 2018.

**Table 9 – Issuer's consolidated and separate profit and loss statement for 2017 and 2018, EUR**

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

**Table 10 – Issuer’s consolidated and separate statement of financial position as at 31.12.2017 and 31.12.2018, EUR**

	Group		Issuer	
	2018	2017	2018	2017
<b>Non-current assets</b>	<b>746 183</b>	<b>2 272 820</b>	<b>13 808 171</b>	<b>12 787 196</b>
Property, plant and equipment	118 907	132 210	-	-
Intangible assets	384 097	361 112	-	-
Investments in leasehold improvements	15 065	33 153	-	-
Investments in subsidiaries and associates	-	-	6 917 816	3 081 836
Bonds	-	1 481 000	-	1 481 000
Loans and trade receivables	37 296	37 296	6 890 355	8 224 360
Deferred tax	190 818	228 049	-	-
<b>Current assets</b>	<b>31 202 495</b>	<b>22 927 510</b>	<b>3 490 499</b>	<b>1 442 608</b>
Bonds	2 797 000	-	2 797 000	-
Loans and trade receivables	22 983 054	18 124 140	247 176	690 423
Other receivables	3 395 316	2 574 559	341 179	341 556
Prepaid expenses	161 080	69 376	3 542	57 990
Cash and cash equivalents	1 866 045	2 159 435	101 602	352 639
<b>Total assets</b>	<b>31 948 678</b>	<b>25 200 330</b>	<b>17 285 493</b>	<b>14 229 804</b>
<b>Equity</b>	<b>5 693 009</b>	<b>3 277 352</b>	<b>4 107 356</b>	<b>3 369 430</b>
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
<b>Total equity attributable to the members of the Company</b>	<b>5 673 195</b>	<b>3 282 354</b>	<b>4 107 356</b>	<b>3 369 430</b>
Minority shareholder share capital	(19 814)	5 002	-	-
<b>Non-current liabilities</b>	<b>1 810 110</b>	<b>8 029 437</b>	<b>12 651 487</b>	<b>10 685 076</b>
Bonds	-	6 105 000	-	6 105 000
Borrowings	1 810 110	1 924 437	6 546 487	4 580 076
<b>Current liabilities</b>	<b>24 465 374</b>	<b>13 888 541</b>	<b>6 644 827</b>	<b>175 298</b>
Bonds	6 211 262	61 011	6 211 262	61 011
Borrowings	13 949 560	10 336 360	369 502	84 802
Trade payables	2 553 215	2 235 022	25 327	43
Other liabilities	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
<b>Total liabilities</b>	<b>26 275 484</b>	<b>21 917 978</b>	<b>13 179 672</b>	<b>10 860 374</b>
<b>Total equity and liabilities</b>	<b>31 948 678</b>	<b>25 200 330</b>	<b>17 285 493</b>	<b>14 229 804</b>

## 16. Annexes

Annex A – AS "VIA SMS group" audited financial statement for 2018

Annex B – AS "VIA SMS group" audited financial statement for 2017