

AS CAPITALIA

Unaudited consolidated interim financial statements

For the period 01.01.2017 – 30.09.2017

Prepared in accordance with the international
financial reporting standards as adopted by EU

Information about the group

Parent Company

Name of the Company	AS CAPITALIA
Legal status of the Company	Join-stock company (from 17.03.2014)
Number, place and date of registration	40003933213, Commercial Register Riga, 21.06.2007
Operations as classified by NACE	64.92 Other credit service activities 70.22 Business and management consultancy
Address	Brīvības street 40-35,Riga, LV-1050, Latvia
Names and positions of Council members	Mārtiņš Krūtainis – Chairman of the Council Andrejs Strods – Deputy Chairman of the Council Jānis Dubrovskis – Chairman of the Council
Names and positions of Board members	Juris Grišins – Chairman of the Board
The reporting period	2016, January 1 to September 30

Subsidiaries

Subsidiaries' Name	Capitalia Finance UAB
Address of the subsidiary	Ankštoji g. 5-11, Vilnius, Lietuva
Number, place and date of registration	302718931, Lithuania, registered in 30.01.2012
Operations as classified by NACE	64.92 Other credit service activities
Subsidiaries' Name	Capitalia Finance OÜ
Address of the subsidiary	Harjumaa, Tallinn, Tartu maantee 84a, 10112
Number, place and date of registration	12822836, Estonia, registered in 26.03.2015
Operations as classified by NACE	64.92 Other credit service activities

Interim management report

On operating results

In the third quarter of 2017 Capitalia reported total revenues of EUR 687 thousands (year-to-date), which is an increase by 34% compared to the respective period in 2016. For the first 9 months of the year profit of EUR 43 thousands is reported. As summer typically is the low season in our business, the total financing issued to the businesses remained stable at around EUR 5 million.

On key events

During the third quarter of 2017 we have continued to work on update of our operating procedures. Also, we have increase our team of client managers to continue effective provision of financing to increasing range of clients. We have significantly simplified yet also extended our range of financing products as a result of which in addition to business loans and invoice financing we have started to provide venture capital and business angel investments. Such capital will be provided with co-financing of other experienced investors. In parallel, we are planning to strengthen our cooperation with the marketplace platform Mintos.com with an aim to reduce the amount of liabilities in the balance sheet of Capitalia.

On plans for the next quarter

For the following three months, the key focus of Capitalia will be to develop our crowdfunding platform capitalia.com. We have successfully completed due diligence process on a number of fast growing businesses that will be seeking financing of up to EUR 1,000,000. It is expected that the first investment project will be published in November.

Juris Grišins
Chairman of the board

Riga, October 23, 2017

Summary of financial performance

The summary of financial results portrays the development of key financial indicators of Capitalia over the last reporting periods. Company's assets and loan portfolio have slightly increased compared to figures at the end of the last year. Such rise in the result of growth of loan book in Lithuania and Estonia, while loan portfolio in Latvia has slightly decreased. Compared to the previous quarter, our loan portfolio in Estonia has contracted, which is result of us slowing activities in the market due to employee changes and training. We have also increased provision for a number of complicated collection cases. Equity and other liabilities subordinated to the outstanding bond issues constituted 43% of the total assets or well above the benchmark bond covenant of 20%.

Summary of balance sheet figures

EUR	2015	2016	2017, Q3
Total assets	2 623 207	3 984 473	4 806 898
Loan portfolio	1 938 899	3 410 747	4 031 504
Equity capital	173 156	435 276	478 238

Loan portfolio distribution by geography

EUR*	2015	2016	2017, Q3
Latvia	1 716 121	2 062 438	2 003 616
Lithuania	845 348	1 985 770	2 079 666
Estonia	0	567 932	790 483
Total	2 561 469	4 616 140	4 903 766

* Total loan portfolio managed by Capitalia, including loans that are managed by the company, but refinanced to investors of marketplace lending platform Mintos.

Summary of profit and loss figures

EUR	2015	2016	2017, Q3
Total revenue	574 568	924 909	886 874
Interest expenses	-211 639	-328 933	-383 413
Impairment expenses	-64 891	-88 928	-110 103
Sales and marketing expenses	-41 354	-124 688	-79 607
Administrative costs	-195 984	-359 165	-317 547
Net profit	48 587	-11 390	42 962

Key operating ratios

EUR	2015	2016	2017, Q3
Equity to assets	6.60%	10.92%	9.95%
Turnover growth	45.72%	60.97%	27.85%
Return on equity (ROE)	40.22%	-3.74%	11.98%
Net profitability	8.46%	-1.23%	4.84%
Annualized impairment loss	4.81%	3.33%	4.09%

Interim condensed profit and loss statement

	01.01.-30.09.2017	01.01.-30.09.2016
	EUR	EUR
Interest and similar income	886 874	662 061
Interest expense	-383 413	-222 229
Impairment (provision)	-110 103	-69 514
Selling expense	-79 607	-95 880
Administrative expense	-317 547	-262 608
Other operating income	2 941	5 041
Other operating expense	-23 951	-32 089
Other interest receivable and similar income	83 237	-
Other financial cexpense	-	-1
Profit/(loss) before Income Tax	58 431	15 219
Corporate Income tax	-15 469	-
Net profit/(loss) for the period	42 962	-15 219

Interim condensed balance sheet

	30.09.2017	31.12.2016
	EUR	EUR
<u>Assets</u>		
Long term investments		
Intangible assets	66 249	77 855
Fixed assets and asset creation	63 755	56 352
Receivables from affiliated companies	207 429	190 500
Loans and receivables	705 864	475 485
Deferred tax assets	4 248	4 248
Total long-term investments:	1 047 545	804 440
Current assets		
Receivables from affiliated companies	-	11 928
Loans and receivables	3 325 640	2 935 262
Other debtors	34 222	20 018
Loans to shareholders and management	22 000	5 000
Unpaid share capital	-	100 000
Cash and bank	377 491	107 825
Total current assets:	3 759 353	3 108 033
<u>Total assets</u>	4 806 898	3 984 473

Interim condensed balance sheet

	30.09.2017	31.12.2016
	EUR	EUR
<u>Liabilities</u>		
Shareholders' funds		
Share capital	500 000	500 000
Other reserves	-10 389	-10 389
Prior years' retained earnings	-54 335	-42 759
Current year's profit / (losses)	42 962	-11 576
Total shareholders' funds:	478 238	435 276
Creditors		
Long-term creditors		
Bonds issued	2 672 790	1 715 165
Other borrowings	-	33 959
Other creditors	-	130 000
Deferred income	24 805	41 981
Total long-term creditors:	2 697 595	1 921 105
Short-term creditors		
Bonds issued	53 483	38 491
Other borrowings	1 481 639	1 486 862
Trade creditors and accrued liabilities	35 215	32 160
Taxes	19 388	19 120
Deferred income	41 340	51 459
Total short-term creditors:	1 631 065	1 628 092
<u>Total liabilities and shareholders' funds</u>	<u>4 806 898</u>	<u>3 984 473</u>