

AS CAPITALIA

Unaudited consolidated interim financial statements

For the period 01.01.2018 – 31.03.2018

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	2018, January 1 to March 31

Subsidiaries

Subsidiaries' Name	Capitalia Finance AB
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 AS
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 first months of 2018 Capitalia reported turnover of EUR 301 thousand, which is an increase by 3% compared to the respective period in 2017. For the first 3 months of the year profit of EUR 20 thousand is reported. Thanks to successful activities in client attraction, the overall portfolio under management of the Company grew to EUR 5.5 million.

On key events

During the first quarter of 2018 we were focused on attraction of new clients with particular attention to projects that would be suitable for our co-financing platform capitalia.com. This platform has become highly popular among investors and that has ensured that on average each project has been fully financed in just 3 hours. In addition, we have secured 2 mandates for fundraising venture capital for businesses for the total amount of EUR 5 million. This is a good development in our overall strategy to focus more on the finance raising service provision.

On plans for the next quarter

For the following three months the key focus of Capitalia will be to continue implementation of the developed marketing plan. Also, we will publish a new prospectus for a closed bond issue that will be aimed at refinancing outstanding bonds that are maturing in October 25 this year. Furthermore, we will start reorganization to Societas Europaea legal structure by merging both of the daughter and mother companies.

Juris Grišins
Chairman of the board

Riga, April 25, 2018

Summary of financial performance

The summary of financial results portrays the development of key financial indicators of Capitalia over the last reporting period. The assets of the Company continued to decrease as a result of strategy to reduce overall liabilities of Capitalia. At the same time, the turnover has stayed about the same compared to the first quarter of year 2017. This is a result of decreasing portion of interest income in the turnover, as the Company concentrates on earning from commissions and fees. The portfolio under management has increased in all countries and reached EUR 5.5 million. The largest growth has been in the Lithuanian market. Equity and other liabilities subordinated to the outstanding bond issues constituted 38% of the total assets or well above the benchmark bond covenant of 20%.

Summary of balance sheet figures

EUR	2015	2016	2017	2018, Q1
Total assets	2 623 207	3 984 473	3 945 083	3 812 656
Loan portfolio	1 938 899	3 410 747	3 181 163	3 162 221
Equity capital	173 156	435 276	460 941	480 845

Loan portfolio distribution by geography

EUR*	2015	2016	2017	2018, Q1
Latvia	1 716 121	2 062 438	1 887 756	2 016 178
Lithuania	845 348	1 985 770	2 089 035	2 480 838
Estonia	0	567 932	904 690	1 003 816
Total	2 561 469	4 616 140	4 881 473	5 500 832

* 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	2018, Q1
Total revenue	574 568	924 909	1 189 028	300 920
Interest expenses	-211 639	-328 933	-377 727	-101 457
Impairment expenses	-64 891	-88 928	-184 805	-23 602
Sales and marketing expenses	-41 354	-124 688	-102 716	-22 905
Administrative costs	-195 984	-359 165	-432 254	-129 014
Net profit	48 587	-11 390	25 665	19 904

Key operating ratios

EUR	2015	2016	2017	2018, Q1
Equity to assets	6.60%	10.92%	11.68%	12.61%
Turnover growth	45.72%	60.97%	28.56%	1.2%
Return on equity (ROE)	40.22%	-3.74%	7.63%	16.9%
Net profitability	8.46%	-1.23%	2.16%	6.6%
Annualized impairment loss	4.81%	3.33%	5.60%	3.0%

Interim condensed profit and loss statement

	01.01.-31.03.2018	01.01.-31.03.2017
	EUR	EUR
Interest and similar income	300 920	293 239
Interest expense	-101 457	-87 640
Impairment (provision)	-23 602	-32 004
Selling expense	-22 905	-23 218
Administrative expense	-129 014	-103 168
Other operating income	1 140	558
Other operating expense	-5 178	-6 050
Profit/(loss) before Income Tax	19 904	41 717
Corporate Income tax	-	-9 217
Net profit/(loss) for the period	19 904	32 500

Interim condensed balance sheet

	31.03.2018	31.12.2017
	EUR	EUR
<u>Assets</u>		
Long term investments		
Intangible assets	83 260	92 429
Fixed assets and asset creation	28 321	30 917
Receivables from affiliated companies	303 500	313 500
Loans and receivables	466 560	462 830
Total long-term investments:	881 641	899 676
Current assets		
Receivables from affiliated companies	10 228	23 166
Loans and receivables	2 695 661	2 718 333
Other debtors	63 316	50 307
Loans to shareholders and management	15 202	20 120
Cash and bank	146 608	233 481
Total current assets:	2 931 015	3 045 407
<u>Total assets</u>	3 812 656	3 945 083

Interim condensed balance sheet

	31.03.2018	31.12.2017
	EUR	EUR
<u>Liabilities</u>		
Shareholders' funds		
Share capital	500 000	500 000
Other reserves	-10 389	-10 389
Prior years' retained earnings	-28 670	-54 335
Current year's profit / (losses)	19 904	25 665
Total shareholders' funds:	480 845	460 941
Creditors		
Long-term creditors		
Bonds issued	103 097	295 474
Other borrowings	25 946	60 545
Total long-term creditors:	129 043	356 019
Short-term creditors		
Bonds issued	2 253 888	2 241 933
Other borrowings	866 747	805 738
Trade creditors and accrued liabilities	24 564	22 901
Taxes	36 483	36 795
Deferred income	21 086	20 756
Total short-term creditors:	3 202 768	3 128 123
<u>Total liabilities and shareholders' funds</u>	<u>3 812 656</u>	<u>3 945 083</u>