

# **AS CAPITALIA**

Unaudited consolidated interim financial statements

For the period 01.01.2016 – 30.09.2016

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 classification code system	64.92 Other credit service activities 70.22 Business and management consultancy
Address	Brīvības street 40-35,Riga, LV-1050, Latvia
Names and addresses of shareholders	Resident of the Republic of Latvia (50%) Resident of the Republic of Estonia (50%)
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 March 31

### Subsidiaries

Subsidiaries' Name	Capitalia Finance UAB
Address of the subsidiary	Musninku g. 22-39, Vilnius, Lithuania
Number, place and date of registration	302718931, Lithuania, registered in 30.01.2012
Operations as classified by NACE classification code system	64.92 Other credit service activities
Subsidiaries' Name	Capitalia Finance OÜ
Address of the subsidiary	Harjumaa, Tallinn, Punane tn 16-604, 13619
Number, place and date of registration	12822836, Estonia, registered in 26.03.2015
Operations as classified by NACE classification code system	64.92 Other credit service activities
Associated company	CH1 SIA (25%) till 16.08.2016
Address of Associated company	Brīvības street 40-35,Riga, LV-1050, Latvia
Number, place and date of registration	50103700191, Latvia, registered in 14.08.2013
Operations as classified by NACE classification code system	68.10 Own real estate buying and selling

## Interim management report

In the third quarter of 2016 Capitalia group of companies increased consolidated turnover to EUR 662,061 ensuring 54% (annualized) growth of sales compared to the previous financial year. Company reported small losses while the total assets grew to EUR 2,922,577. During this reporting quarter Capitalia concentrated its efforts on growing the loan portfolio as well as initiating preparations that would allow to increase efficiency and profitability of the operations.

Unfortunately Capitalia did not manage to reach its target and report operating profit in this quarter. This is a result of two factors. Firstly, in order to continue the established growth traction we have been experimenting (and occasionally failing) with various marketing and customer attraction campaigns. Further, a number of one-time costs have been associated with establishing operations in Estonia. Apparently growth costs. Secondly, we have experienced a default of a larger client in Latvia as a result of which our losses from this one transaction can reach up to EUR 35 thousands. Despite our carefully developed credit scoring policy, in our willingness to work with larger and more recognizable clients we had (in this case) overlooked a number of important warning flags. Needless to say, after this experience we have re-evaluated our approach in decision making to avoid such costly mistakes in the future.

Thanks to our cooperation with marketplace lending platform Mintos through which we have refinanced about half of our active loan portfolio, Capitalia has managed to jump forward one large development stage. Our target in the last quarter of this year is to solidify our operations at this level. We are intensifying and re-evaluating our cooperation with debt collection companies, renewing marketing strategy and strengthening the balance sheet. With regards to our balance sheet, we have increased the share capital of the company to EUR 500 thousands and are in preparations for new rounds of issue of secured and un-secured bonds. The aim of Capitalia is to finish financial year 2016 with a profit and reach as close to EUR 1 million turnover as possible.

---

Juris Grišins  
Chairman of the board

Riga, October 19, 2016

## Summary of financial performance

Following is the summary of the key financial performance indicators of Capitalia:

	<b>01.01.-30.09.2016</b>	<b>01.01.-31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Total assets	2 922 577	2 623 208
Loan portfolio	2 229 886	1 938 899
Equity and subordinated capital	625 507	405 999
Turnover	662 061	574 568
EBITDA	250 202	271 403
Net profit	-15 219	48 586

Following are the key annualized financial performance ratios of Capitalia:

	<b>01.01.-30.09.2016</b>
Asset growth	11.41%
Equity to assets	21.40%
Turnover growth	53.63%
Return on equity	-2.43%
Net profitability	-2.31%
Gross profitability	41.45%
Losses from doubtful debts	4.44%

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

	<b>01.01.-30.09.2016</b>
	<b>EUR</b>
Latvia	2 296 010
Lithuania	1 417 432
Estonia	512 714
<b>Total</b>	<b>4 226 157</b>
<i>from which PAR60*</i>	<i>482 480</i>

\* PAR 60 indicates the total remaining principal of loans that are late to pay regular payment for more than 60 days

## Interim condensed profit and loss statement

	<b>01.01.-30.09.2016</b>	<b>01.01.-31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Interest and similar income	662 061	574 568
Interest expense	-222 229	-211 639
Impairment (provision)	-69 514	-64 891
Selling expense	-95 880	-41 354
Administrative expense	-262 608	-195 986
Other operating income	5 041	12 087
Other operating expense	-32 089	-20 076
Other interest receivable and similar income	-	-
<b>Other financial expenses</b>	<b>-1</b>	<b>-113</b>
Profit/(loss) before Income Tax	<b>-15 219</b>	<b>52 596</b>
Corporate Income tax	-	-6 032
Deferred Income	-	2 022
<b><u>Net profit/(loss) for the period</u></b>	<b>-15 219</b>	<b>48 586</b>

---

Juris Grišins  
Chairman of the board

Riga, October 28, 2016

## Interim condensed balance sheet

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Assets</b>		
<b>Long term investments</b>		
Intangible assets	84 688	48 865
Fixed assets	55 579	10 893
Participating interest in associated company	-	6 250
Receivables from affiliated companies	200 762	339 500
Loans and receivables	603 827	348 014
Loans to shareholders and management	-	43 520
Deferred tax assets	1 732	1 732
<b>Total long-term investments:</b>	<b>946 588</b>	<b>798 774</b>
<b>Current assets</b>		
Receivables from affiliated companies	-	2 500
Receivables from associated companies	-	51 278
Loans and receivables	1 626 059	1 590 885
Other debtors	24 562	33 985
Loans to shareholders and management	-	24 136
Unpaid share capital	123 510	-
Other securities and equity participation	25 691	87 691
Cash and bank	176 167	33 959
<b>Total current assets:</b>	<b>1 975 989</b>	<b>1 824 434</b>
<b><u>Total assets</u></b>	<b><u>2 922 577</u></b>	<b><u>2 623 208</u></b>

\_\_\_\_\_  
 Juris Grišins  
 Chairman of the board

Riga, October 28, 2016

## Interim condensed balance sheet

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Liabilities</b>		
<b>Shareholders' funds</b>		
Share capital	500 000	226 490
Other reserves	-10 389	-10 389
Prior years' retained earnings	-43 293	-91 532
Current year's profit / (losses)	-15 219	48 587
<b>Total shareholders' funds:</b>	<b>431 099</b>	<b>173 156</b>
<b>Creditors</b>		
<b>Long-term creditors</b>		
Bonds issued	1 652 631	1 617 576
Other borrowings	57 022	167 577
Deferred income	47 707	64 883
<b>Total long-term creditors:</b>	<b>1 757 360</b>	<b>1 850 036</b>
<b>Short-term creditors</b>		
Bonds issued	36 140	36 140
Other borrowings	606 970	488 855
Accounts payable to affiliated companies	28 116	23 360
Trade creditors and accrued liabilities	10 081	10 073
Deferred income	52 811	41 588
<b>Total short-term creditors:</b>	<b>734 118</b>	<b>600 016</b>
<b><u>Total liabilities and shareholders' funds</u></b>	<b><u>2 922 577</u></b>	<b><u>2 623 208</u></b>

\_\_\_\_\_  
 Juris Grišins  
 Chairman of the board

Riga, October 28, 2016