

SE CAPITALIA

Unaudited financial statements

For the period 01.01.2019 – 30.09.2019

Information about the company

Name of the Company	SE CAPITALIA
Legal status of the Company	European company (from 23.11.2018)
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
Shareholders (beneficiaries)	Residents of the Republic of Latvia (93%) Non-residents of the Republic of Latvia (7%)
Names and positions of Council members	Mārtiņš Krūtainis – Chairman of the Council Andrejs Strods – Deputy Chairman of the Council Peeter Piho – Chairman of the Council
Names and positions of Board members	Juris Grišins – Chairman of the Board
The reporting period	January 1 to September 30, 2019

Branches

Branch' Name	SE Capitalia Lithuania brach
Address of the subsidiary	Olimpiečių g. 1-46, Vilnius, Lithuania
Number, place and date of registration	304914672, Lithuania, registered in 12.09.2018.
Operations as classified by NACE	64.92 Other credit service activities
Branch' Name	SE Capitalia Estonia branch
Address of the subsidiary	Harjumaa, Tallinn, Tartu maantee 84a, 10112
Number, place and date of registration	14558272, Estonia, registered in 04.09.2018
Operations as classified by NACE	64.92 Other credit service activities

Interim management report

On operating results

In the third quarter of 2019 Capitalia reported turnover of EUR 956 thousand and profit of EUR 132 thousand. The results are good reflection of the result of our strategy shift that was implemented over the course of the last year and as a result of which the Company is concentrating on financing of larger businesses through co-financing with other investors.

On key events

The third quarter of the year was unexpectedly active and Capitalia financed businesses for the total amount of EUR 5.65 million (EUR 4.69 million in the previous quarter). Among the financed businesses during this period where, for example, such companies as Kleintech (IT development), Peruza (production of industrial equipment), PTC (wholesale of packaging equipment and materials) and Volas (roofing services). Furthermore, we have concluded a venture capital investment in a fast growing and ambitious Latvian venture working in education sector. We have also continued to provide loans with European Investment Fund's guarantee instrument and since launch of the program in the beginning of this year 51 companies have received the financing with this subsidy.

On plans for the next quarter

During the fourth quarter of the year we expect to focus on the growth of financing portfolio, especially expanding our presence in the Estonian market.

Juris Grišins
Chairman of the board

Riga, October 24, 2019

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 have remained about the same as in the previous quarter, which is a result of accumulating significant cash balance in our balance sheet that has been reserved for redemption of our maturing Second Bond issue. However, some adjustments in the balance sheet have been made as a result of submitting audited annual report during the last financial quarter. With regards to costs, interest expenses have decreased considerably reflecting our lower amount of total assets and borrowings. From the beginning of this year we have started booking under sales and marketing expenses all direct costs associated with acquisition and servicing of the clients (including the salaries of investment managers). Equity and other liabilities subordinated to the outstanding bond issues constituted 48% of the total assets or well above the benchmark bond covenant of 20%.

Summary of balance sheet figures

EUR	2016	2017	2018	2019, Q3
Total assets	3 984 473	3 945 083	2 124 775	2 993 330
Loan portfolio on books	3 410 747	3 181 163	1 559 224	1 939 607
Equity capital	435 276	460 941	446 353	578 534

Summary of profit and loss figures

EUR	2016	2017	2018	2019, Q3
Net sales	924 932	1 189 028	688 833	956 627
Costs of services provided	(328 933)	(377 727)	(321 111)	(140 208)
Impairment expenses	(88 928)	(184 805)	(59 166)	(103 750)
Sales and marketing expenses	(124 688)	(102 716)	(50 150)	(287 133)
Administrative costs	(359 373)	(432 254)	(362 850)	(292 413)
Net profit	(11 576)	25 665	116 713	132 181

Key operating ratios

EUR	2016	2017	2018	2019, Q3
Equity to assets	10.92%	11.68%	21.01%	19.33%
Turnover growth	60.97%	28.56%	n/a	n/a
Return on equity (ROE)	(3.74%)	5.57%	26.61%	34.39%
Net profitability	(1.23%)	0.22%	16.94%	13.82%
Annualized impairment loss	3.33%	5.30%	3.79%	2.01%

Interim profit and loss statement, September 30, 2019

	01.01.-30.09.2019	01.01.-30.09.2018
	EUR	EUR
Net sales	956 627	824 591
Costs of services provided	(243 958)	(301 467)
Gross profit	712 669	523 124
Selling expense	(287 133)	(81 804)
Administrative expense	(292 413)	(379 379)
Other operating income	8561	4 618
Other operating expense	(9 503)	(24 720)
Profit/ (Loss) before taxes	132 181	41 839
Corporative income tax	-	- 1 646
Current year's profit/ (loss)	132 181	40 193

Interim balance sheet, September 30, 2019

	30.09.2019	31.12.2018
	EUR	EUR
<u>Assets</u>		
Long term investments		
Intangible assets	56 701	55 755
Fixed assets and asset creation	21 045	33 706
Other securities and investments	129 557	75 000
Receivables from affiliated companies	302 911	301 462
Loans and receivables	188 214	221 544
Total long-term investments:	698 428	687 467
Current assets		
Trade debtors, loans and receivables	1 621 836	1 262 680
Other debtors	47 411	35 158
Loans to shareholders and management	10 086	11 303
Cash	615 569	128 167
Total current assets:	2 294 902	1 437 308
<u>Total assets</u>	2 993 330	2 124 775

Interim balance sheet, September 30, 2019

	30.09.2019 EUR	31.12.2018 EUR
<u>Liabilities</u>		
Shareholders' funds		
Share capital	500 000	500 000
Other reserves	(10 679)	(10 679)
Reorganisation reserve	91 632	91 632
Prior year's accumulated losses	(134 600)	(251 313)
Current year's profit	132 181	116 713
Total shareholders' funds:	578 534	446 353
Creditors		
Long-term creditors		
Bonds issued	1 028 000	958 000
Other borrowings	34 597	28 101
Total long-term creditors:	1 062 597	986 101
Short-term creditors		
Bonds issued	532 373	523 720
Other borrowings	786 102	131 796
Trade creditors and accrued liabilities	5 671	5 120
Taxes	5 551	2 283
Deferred income	10 401	17 652
Accrued liabilities	12 101	11 750
Total short-term creditors:	1 352 199	692 321
<u>Total liabilities and shareholders' funds</u>	<u>2 993 330</u>	<u>2 124 775</u>