

SE CAPITALIA

Unaudited financial statements

For the period 01.01.2020 – 31.03.2020

Information about the company

Name of the Company	SE CAPITALIA
Legal status of the Company	European company
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 March 31, 2020

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, Estonia
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 first quarter of 2020 Capitalia reported turnover of EUR 266 thousand and losses of EUR 11 thousand. Typically during the first quarter of the year relatively small number of new financing deals are issued, while activity picks up in March and April. This year the start of the active financing season has been overshadowed by pandemic situation, as a result of which our income from issuance commissions has decreased compared to the first quarter of the last year. Around 15% of our active clients have extended the repayment term of issued loans due to impact on their business from the restrictions during the pandemic. On these loans we have allocated provisions in the amount of 10% from the outstanding principal. All of these clients, apart from one, have made payments on the current interest.

On key events

In the first quarter of the year Capitalia issued new financing in the amount of EUR 3.77 million (EUR 5.65 million in the previous quarter). Among the financed businesses during this period where, for example, such companies as Ginmika (production of canalization lids), Longo (used car retail) and Kepp (production of industrial crystals). However, the most important events of the quarter were related to announcement of pandemic crisis situation in all of the Baltic countries. As a result of this we have been unfortunately forced to release our entire sales team of 3 people as well as one administrative employee. Compensation for the termination of these contracts also has impacted our financial results. Since March we have practically halted use of Mintos loan marketplace platform for re-sale of already issued loans. This is due to significant drop in the activity of the investors in the Mintos marketplace. As a result, all of the new loans are financed within our own investor network using the functionality of Capitalia's co-financing platform.

On plans for the next quarter

Despite the fact that we are continuing financing of businesses we expect that our portfolio of loans under management will decrease by 10-20% over the next quarter. This is due to expected early loan repayments and regular amortization of the issued loans. According to initial estimates, we believe that our issued financing volumes over the next quarter will decrease by 50% relative to results of the same quarter last year. In addition to financing new loans and factoring contracts, we are actively seeking interesting equity investments as well as other income opportunities, including provision of restructuring and finance raising advisory services.

Juris Grišins
Chairman of the board

Riga, April 23, 2020

Summary of financial performance

The summary of financial results portrays the development of key financial indicators of Capitalia over the last reporting period. Total assets and loan portfolio on the books have remained almost unchanged compared to the previous reporting period. Equity capital reached EUR 551 thousand while losses were reported at EUR 11 thousand. The losses were not significantly impacted by the provisions of loans that were restructured due to impact of pandemic restrictions since such reserves were offset by a number of successful recoveries of loans in difficulties. The base income of Capitalia is generated by management fees of the financed loan portfolio, followed by income from issuance commissions and interest. As a result of pandemic we believe that the turnover of Capitalia might decrease by about 20% over the next quarter. The first quarter of 2020 ended with very high cash reserve balance that was accumulated to avoid any potential liquidity risks. Over the course of the next quarter the cash reserves will be used to repay the remaining short term liabilities as well as invest in new financing deals. Equity and other liabilities subordinated to the outstanding bond issues constituted 35% of the total assets or well above the benchmark bond covenant of 20%.

Summary of balance sheet figures

EUR	2017	2018	2019	2020, Q1
Total assets	3 945 083	2 124 775	2 392 540	2 602 379
Loan portfolio on books	3 181 163	1 559 224	1 454 345	1 676 439
Equity capital	460 941	446 353	562 610	551 266

Summary of profit and loss figures

EUR	2017	2018	2019	2020, Q1
Net sales	1 189 028	688 833	1 251 040	266 975
Costs of services provided	(377 727)	(321 111)	(330 085)	(47 428)
Impairment expenses	(184 805)	(59 166)	(76 227)	3 138
Sales and marketing expenses	(102 716)	(50 150)	(394 526)	(120 749)
Administrative costs	(432 254)	(362 850)	(382 376)	(115 580)
Net profit	25 665	116 713	148 152	(11 344)

Key operating ratios

EUR	2017	2018	2019	2020, Q1
Equity to assets	11.68%	21.01%	23.52%	21.18%
Turnover growth	28.56%	n/a	n/a	n/a
Return on equity (ROE)	5.57%	26.61%	26.33%	(8.15)%
Net profitability	0.22%	16.94%	10.99%	(4.25)%
Annualized impairment loss	5.30%	3.79%	5.24%	(0.52)%

Interim profit and loss statement, January 1, 2020 - March 31, 2020

	01.01.-31.03.2020	01.01.-31.03.2019
	EUR	EUR
Net sales	266 975	296 226
Costs of services provided	(47 428)	(68 804)
Gross profit	219 547	227 422
Selling expense	(120 749)	(80 622)
Administrative expense	(115 580)	(95 513)
Other operating income	9 022	432
Other operating expense	(3 584)	(10 783)
Other financial income	-	13 550
Profit/(loss) before taxes	(11 344)	54 486
Corporative income tax	-	-
Profit/(loss) after taxes	(11 344)	54 486
Extraordinary dividends	-	-
Current year's profit/(loss)	(11 344)	54 486

Interim balance sheet, March 31, 2020

	31.03.2020	31.12.2019
	EUR	EUR
<u>Assets</u>		
Long term investments		
Intangible assets	23 848	40 930
Fixed assets and asset creation	39 880	38 838
Other securities and investments	227 416	149 619
Loans and receivables	99 838	89 869
Total long-term investments:	393 982	319 256
Current assets		
Trade debtors, loans and receivables	1 349 185	1 214 857
Other debtors	85 183	87 685
Receivables from affiliated companies	137 279	199 499
Loans to shareholders and management	33 002	27 644
Cash	603 748	543 599
Total current assets:	2 208 397	2 073 284
<u>Total assets</u>	2 602 379	2 392 540

Interim balance sheet, March 31, 2020

	31.03.2020 EUR	31.12.2019 EUR
<u>Liabilities</u>		
Shareholders' funds		
Share capital	500 000	500 000
Other reserves	(10 679)	(10 679)
Reorganisation reserve	100 315	100 315
Prior year's accumulated losses	(27 026)	(134 600)
Current year's profit	(11 344)	107 574
Total shareholders' funds:	551 266	562 610
Creditors		
Long-term creditors		
Bonds issued	1 660 000	1 558 000
Total long-term creditors:	1 660 000	1 558 000
Short-term creditors		
Bonds issued	37 300	35 126
Other borrowings and liabilities	319 966	189 044
Trade creditors and accrued liabilities	4 387	6 161
Taxes	12 605	14 148
Deferred income	657	863
Accrued liabilities	16 198	26 588
Total short-term creditors:	391 113	271 930
<u>Total liabilities and shareholders' funds</u>	<u>2 602 379</u>	<u>2 392 540</u>