

SE CAPITALIA

Annual accounts for year 2018

Translation from Latvian

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Information about the company

Name of the Company	SE CAPITALIA from 23.11.2018 AS CAPITALIA till 23.11.2018
Legal status of the Company	Societas Europaea from 23.11.2018 Join-stock company till 23.11.2018
Number, place and date of registration	40003933213, Commercial register Riga, 21.07.2007
Operations as classified by NACE classification code system	64.99 Other financial services 70.22 Business and management consultancy
Address	Brīvības street 40-35,Riga, LV-1050, Latvia
Shareholders	Resident of the Republic of Latvia (17%) Non-resident of the Republic of Latvia (83%)
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 from 08.08.2018 Jānis Dubrovskis – Chairman of the Council till 05.06.2018
Names and positions of Board members	Juris Grišins – Chairman of the Board
Financial year	1 January 2018 – 31 December 2018
Subsidiaries' Name	Capitalia Finance AB, 100% till 23.11.2018
Address of the subsidiary	Ankštoji g, 5, Vilnius, Lithuania
Number, place and date of registration	302718931, Lithuania, registered in 30.01.2012
Operations as classified by NACE	64.92 Other credit granting
Branch' Name	SE Capitalia filialas Lietuvoje from 23.11.2018
Address of the branch	Olimpiečių g. 1-46, Vilnius, Lietuva
Number, place and date of registration	304914672, Lithuania, registered in 12.09.2018
Operations as classified by NACE	64.92 Other credit granting
Subsidiaries' Name	Capitalia Finance AS 100% till 23.11.2018
Address of the subsidiary	Tartu maantee 84a, Tallinn, Estonia
Number, place and date of registration	12822836, Estonia, registered in 26.03.2015
Operations as classified by NACE	64.92 Other credit granting
Branch' Name	SE Capitalia Eesti filiaal from 23.11.2018
Address of the branch	Tallinn, Kesklinna linnaosa, Tartu mnt 84a, 10112
Number, place and date of registration	14558272, Estonia, registered in 20.12.2018
Operations as classified by NACE	64.92 Other credit granting
Person responsible for accounting	Ruta Circene
Name and address of the auditor	Potapoviča un Andersone SIA Certified Auditors' Company, license No. 99. Ūdens street 12-45, Riga, LV-1007, Latvia
	Responsible Certified Auditor: Anna Temerova – Allena Certificate No. 154.

Management's report

On operating results

SE Capitalia's (the "Company") current financial year ended with profit in the amount of EUR 116 713 and turnover of EUR 688 833. The turnover result is difficult to compare to previous financial year as a result of merger with Estonian and Lithuanian daughter companies. During 2018, the Company completed the merger process with its subsidiaries in Lithuania and Estonia, establishing the European company SE Capitalia and continuing operations in the Lithuanian and Estonian markets through branch offices. In accordance to the strategy, the Company has continued to decrease its overall assets that were EUR 2,124 thousands at the end of the reporting period, while total loans under management increased and stood at EUR 5,979 thousands.

On key events

During the year of 2018 we continued our focus on attraction of new clients and cooperation partners in all of the Baltic countries. We refinanced our public bond issue that was listed in NASDAQ Baltic with a new smaller closed bond placement. During the year we concluded reorganization of the Company as a result of which operations in Lithuania and Estonia are continued through branches rather than daughter companies. This will allow for easier cross-border administration of the Company. Furthermore, we continued our increased focus on financing medium sized companies though organising loan syndicates with other investors. As a result of such strategy we have been able to significantly decrease amount of our liabilities that will ensure more stable and safe operations. In terms of accounting, the Company's annual report has been prepared in accordance with the accounting standards of the Republic of Latvia, but as far as possible complies with the recommendations of international accounting standards. Previously, the Company's annual accounts were prepared in accordance with International Accounting Standards. The annual report uses company-specific individual data as comparative data for the previous period.

On risk management

The role of the risk management in the company is to identify the key operating risks as well as develop tools to mitigate such risks and design policy that would ensure proper implementation of risk management procedures. The exposures to various risks, as well as policies on risk management are reviewed once per year by the management board of the company. Actions on controlling and minimizing risks are included in each year's strategy document of the company. Risk analysis and management of such risks is approved and supervised by revision committee of Capitalia. At the end of 2016, an independent Internal Audit Department was set up, whose role was to train and control staff in the implementation of operational procedures. Our annual financial results are audited by external sworn auditors to ensure compliance of our financial books to international accounting standards. Detailed description of risks is further presented in notes of this annual report. We are continuously improving and implementing procedure on control of suspicious transactions and identification of true beneficiaries. Procedures for identifying suspicious business partners and their beneficial owners were significantly revised and implemented in 2018 to institute the requirements of the Latvian Anti-Money Laundering Act.

On internal control procedures

The Board confirms that internal control procedures are effective and that risk management and internal controls through out the whole reporting year have been performed according to these internal control procedures.

On share capital

Following the reorganization in 2018, the Company's share capital consists of EUR 500,000 ordinary shares with a nominal value of EUR 1.

On proposed distribution of profits

The Board recommends that part of the profit for the reporting year be paid in the amount of EUR 83 356 in dividends and the rest be accumulated in the Company's capital.

On going concern

As at 31 December 2018, the Company's short-term assets exceed its short-term liabilities. Based on the above and evaluating the set strategy, the management of the company is confident that necessary liquidity can be ensured within the bounds of normal business activities. The management of the Company is certain that the company has sufficient resources to continue operations in the foreseeable future.

On future plans

In 2019 Capitalia plans to continue promotion of the existing financing products, including venture capital investments in the Baltic States.

On post balance sheet events

In the first quarter of 2019 the Company has concluded a landmark guarantee agreement with European Investment Fund for the total value of EUR 10 million that will allow to more actively compete in the issuance of small business loans (up to EUR 25,000).

Juris Grišins
Chairman of the Board

Riga, August 30, 2019

PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 EUR	2017 EUR
Net sales	1	688 833	583 568
Costs of services provided	2	(380 277)	(468 301)
Gross profit		308 556	115 267
Selling expense	3	(50 150)	(64 748)
Administrative expense	4	(362 850)	(274 246)
Other operating income	5	81 965	95 844
Other operating expense	6	(23 441)	(42 942)
Income from investments	7	164 677	80 000
Profit/ (Loss) before taxes		118 757	(90 825)
Corporative income tax	8	(2 044)	(4 322)
Current year's profit/ (loss)		116 713	(95 147)

Notes on pages from 7 to 17 are integral part of these financial statements

Juris Grišins
Chairman of the Board

Ruta Circene
Person responsible for accounting

Riga, August 30, 2019

BALANCE SHEET AS AT 31 DECEMBER 2018

	Notes	31.12.2018 EUR	31.12.2017 EUR
Assets			
Long- term investments			
Intangible assets	9	55 755	92 429
Fixed assets	10	19 839	26 151
Cost of creating fixed assets	10	13 867	2 610
Total fixed assets:		89 461	121 190
Long-term financial investments			
Participating interest in subsidiaries	11	-	52 903
Other securities and investments	12	75 000	-
Receivables from affiliated companies	13	301 462	1 616 314
Loans and receivables	14	221 544	177 164
Total long-term financial investments:		598 006	1 846 381
Total long-term investments:		687 467	1 967 571
Current assets			
Debtors			
Trade debtors, loans and receivables	14	1 262 680	1 301 684
Receivables from affiliated companies	13	-	66 896
Other debtors	15	35 158	29 611
Loans to shareholders and management	16	11 303	20 120
Total debtors:		1 309 141	1 418 311
Cash	17	128 167	27 056
Total current assets:		1 437 308	1 445 367
Total assets		2 124 775	3 412 938
Liabilities			
Shareholders' funds:			
Share capital	18	500 000	500 000
Other reserves	18	(10 679)	(10 679)
Reorganisation reserve	18	91 632	-
Prior year's accumulated losses		(251 313)	(156 166)
Current year's profit		116 713	(95 147)
Total shareholders' funds:		446 353	238 008
Creditors			
Long-term creditors			
Bonds issued	19	958 000	295 474
Other borrowings	20	28 101	60 545
Total long-term creditors:		986 101	356 019
Short-term creditors			
Bonds issued	19	523 720	2 241 933
Other borrowings	20	131 796	539 543
Trade creditors and accrued liabilities	21	5 120	7 893
Taxes	22	2 283	4 515
Deferred income	23	17 652	20 756
Accrued liabilities	24	11 750	4 271
Total short-term creditors:		692 321	2 818 911
Total creditors:		1 678 422	3 174 930
Total liabilities and shareholders' funds		2 124 775	3 412 938

Notes on pages from 7 to 17 are integral part of these financial statements

Juris Grišins
Chairman of the Board

Ruta Circene
Person responsible for accounting

Riga, August 30, 2019

Note

Accounting policies

a) General principles

The annual report is prepared in accordance with the laws of the Republic of Latvia “On Accounting” and “The Law of the Annual Accounts and Consolidated Annual Accounts” and the Regulations No. 775 of the Cabinet of Ministers of the Republic of Latvia “On Application of the Law of the Annual Accounts and Consolidated Annual Accounts”. The profit and loss account is prepared in accordance with the format set in Appendix 3 of “The Law of the Annual Accounts and Consolidated Annual Accounts” (classified in accordance with the expenditure function). In accordance with Article 5 of “The Law of the Annual Accounts and Consolidated Annual Accounts” the company is classified as a small company. The annual report is prepared in accordance with the requirements of Article 9 of “The Law of the Annual Accounts and Consolidated Annual Accounts”.

As at 31 December 2017, the Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), which is one of the requirements for listed companies.

In order to optimize the Company's administrative costs, the quotation of the bonds issued by the Company on the stock exchange was interrupted in 2018 and the accounting and valuation methods applied as at 31 December 2017 and the principles of annual reporting have been changed.

The changes have not had any impact on the previous period results and the amount of shareholders' funds as at 31 December 2017 and the related explanations are provided either in the accounting policies section of the respective item or in the corresponding section of the notes to the financial statements.

The annual report is prepared in accordance with the going concern principle.

On November 2018, the Company daughter companies were reorganized. As a result of the reorganization, the subsidiaries of the Company in Lithuania and Estonia have been added to the Company by establishing branches of the Company in Lithuania and Estonia (see also Note 11). Subsidiaries are added to the Company's financial statements from November 1, 2018.

The management of the Company believes that the Company is not obliged to prepare the consolidated annual report for the year 2018 in accordance with the requirements of the laws and regulations of the Republic of Latvia.

The financial statements are presented in the separate financial statements of the parent company Capitalia AS for the year ended 31 December 2017 and they are not directly comparable. In order to improve comparability of financial information and provide additional information, comparative consolidated financial statements as at 31 December 2017 have been used in some notes to the financial statements.

b) Information on the Company

Information requested by law on the Company has been disclosed in separate part of this annual report, on page 3.

c) Net sales

Net sales represent the total of goods and services sold during the year net of value added tax.. The Company's net turnover is comprised of interest income on loans secured by pledge or other loans.

The Company assigns part of the issued loans to third parties without repurchase obligation, providing portfolio management and payment administration services of the assigned loans. The Company recognizes interest income and related interest expense on loans disposed of under the repurchase obligation on a net basis, showing only the portion of interest income attributable to the Company in net sales.

Interest income is recognised based on accruals principle. Interest income is not recognized if there is doubt about the recoverability of the debt. Other income is recognised based on accruals principle. Fines and similar income for which there is some doubt are recognized on a cash basis.

d) Foreign currency translation

The Company maintains its accounts in euros. During the reporting period transactions in foreign currencies are recorded using euro foreign exchange reference rates that are published based on a regular daily concertation procedure between central banks of the European System of Central Banks and other central banks. At the end of the reporting year foreign currency cash balance and balances of advances and loans denominated in foreign currencies as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to the euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the profit and loss account.

e) Intangible and tangible fixed assets

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-lines basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Note (continued)

Accounting policies (continued)

e) Intangible and tangible fixed assets (continued)

Depreciation is calculated on a straight- line basis over estimated useful life of the asset as follows:

Specialized program, database	- over 5 years
Webpage	-over 3 years

Equipment is stated at cost less accumulated depreciation and any impairment in values.

Depreciation is calculated on a straight- line basis over estimated useful life of the asset as follows:

PCs	- over 3 years
Furniture	- over 5 years
Vehicles	- over 5 years

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exist and where the carrying values exceed the estimated recoverable amount, the assets or cash- generating units are written down to their recoverable amount. The recoverable amount of equipment is the higher of an asset's net selling price and its value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash- generating unit to which the asset belongs. Impairment losses are recognized in the income statement in the impairment caption.

Recoverable value of the asset which does not generate cashflows is determined based on the value of the asset part of which it is. Loss from impairment is recognised in the statement of comprehensive income.

Recognition of the fixed asset is discontinued on disposal of the asset or if future use of the asset will not generate any operating benefits. Any profit or loss arising from disposal of the asset (which is calculated as a difference between net income and net book of the asset) is recognised in the statement of comprehensive income in the reporting year.

f) Investment in subsidiaries and associated company

Investment in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) and associated company (i.e. where the Company holds not less than 20 but not more than 50 per cent of the share capital or which it otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events of changes in circumstances indicate that the carrying value may not be recoverable.

The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognized as a reduction of the costs of investment.

g) Investments in subsidiaries and associated undertakings

Investments in subsidiary undertakings and associated companies are stated at cost value that is adjusted to recoverable value in case of permanent diminution in value. Recovery of investment value is regularly (at least once a year) reviewed in accordance with management's defined valuation policy.

h) Accounts receivable

Accounts receivable comprise loans and other receivables (other debtors, advances and deposits) that are non-derivative financial assets with fixed or determinable payments. All loans and receivables are recognized when cash is advanced to borrowers and derecognized on repayments. Restructured loans are no longer considered to be past due unless the loan is past due according to the renegotiated terms. Interest income is recognized on an accrual basis in accordance with the terms of the loan agreement.

At each balance sheet date the Company evaluateates any objective evidence of the possible impairment of issued loans. If any such evidence exists, the amount of the allowances for loan impairment is assessed as the difference between the carrying amount and the recoverable amount, including amounts recoverable from collateral using management's estimates, assumptions and estimates.

Note (continued)

Accounting policies (continued)

h) Accounts receivable (continued)

When loans cannot be recovered they are written off and charged against allowances for loan impairment losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined

Provisions for loan impairment losses are reduced when the estimated recoverable value of the loan exceeds the value reflected in the balance sheet.

.In accordance with the provisioning policy developed by the Company on the basis of the limitation days for receivables, in addition to the special provisions created by individual loans separately, the following general provisions for bad and doubtful receivables have been established for the other debtors on the basis of the following basic principles (except where the recoverable value of the late debtor's debt collateral substantially exceeds the amount of the outstanding debt:

Day's late	Provision amount
0-30	0%
31-60	10%
61-90	30%
91-180	60%
181-360	80%
361+	100%

The recoverability of other debtors, advances and deposits paid is valued on individual basis if there are any indications of net book value of the asset exceeding its recoverable amount

Part of the receivables the Company ceded to third parties while continuing to provide receivables management and payment administration services. Part of the ceded receivables has been ceded without a repurchase obligation: such receivables and associated liabilities to the assignees are not reflected in the Company's balance sheet.

i) Other securities

Other securities are listed in the value of their purchases, adjusted for their values in the event of persistent impairment.

j) Finance lease

Where the property, plant and equipment are acquired under a finance lease arrangement and the Company takes over the related risks and rewards, the property, plant and equipment items are measured at the value at which they could be purchased for an immediate payment. Leasing interest is charged to the profit and loss in the period in which it arises.

k) The Company as a lessee

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any financial incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

l) Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

m) Provisions

Provisions are made in cases when the liability is clearly definable as at the balance sheet date and there is a reasonable possibility of realisation of the noted liability, although the timing and amount of the liability may vary.

n) Loans

Loans are recognised initially at the proceeds received net of transaction costs incurred. Afterwards loans are recognised at historic cost which is diminished by the amounts of principal repayment made. The difference between the cash proceeds received net of transactions costs incurred and the net amount of borrowing principal repayable is released to the profit and loss account over the term of borrowing repayment. Interest expense is recognised on accruals basis in accordance with the provisions of the loan agreement.

o) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, balances of current account with banks and short-term deposits with maturity up to 90 days

Note (continued)

Accounting policies (continued)

p) Related parties

Related parties are defined as shareholders of the Company, members of the board, their close relatives and companies in which they have a significant influence or control. The term “Related parties” corresponds with the term used in annex IAS 24 “*Related Party Disclosures*” of COMMISSION REGULATION (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

q) Payment of dividends

Dividends payable to members are recognized in the financial statements as a liability for the period in which the members approve the payment of the dividend/

r) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

s) Subsequent events

Post-period-end events that provide additional information about the Company’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

t) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Notes (continued)

(1) Net sales

	2018	2017
	EUR	EUR
Interest income and commission fees from loans	654 711	545 115
Income from fines	34 122	38 453
	<u>688 833</u>	<u>583 568</u>

Net sales by geographic markets

Latvia	435 211	427 855
The European Union, with the exception of Latvia	253 622	155 713
	<u>688 833</u>	<u>583 568</u>

A part of the issued loans the Company cedes to third parties while continuing to provide management and payment administration services of the ceded loan portfolio. Most of the ceded loans are ceded without a repurchase obligation. On 31 December 2018, the balance value of loans ceded to third parties without a repurchase obligation was EUR 4 296 978 (December 31, 2017: EUR 402 748)

(2) Costs of services provided

Interest on loans received	321 111	351 463
Provision for doubtful debts, written-off receivables	57 770	106 464
Legal services and debt collection costs	1 396	10 374
	<u>380 277</u>	<u>468 301</u>

(3) Selling expense

Advertising services and materials	14 334	15 986
Financing costs	34 819	48 762
Other selling costs	997	-
	<u>50 150</u>	<u>64 748</u>

(4) Administrative expense

Staff costs	198 491	126 905
Professional services costs	64 263	81 716
Office rent, utilities, security	21 603	14 215
Depreciation of fixed assets, low value items	50 144	37 598
Office expenses	10 743	6 298
Other costs	17 606	7 514
	<u>362 850</u>	<u>274 246</u>

(5) Other operating income

Income from management, marketing, etc. services within group	64 884	86 938
Revenue from debt repayments	13 009	
Other income	4 072	8 906
	<u>81 965</u>	<u>95 844</u>

(6) Other operating expense

Non-deductible VAT	13 903	21 045
Paid fines and penalties	1 740	16 245
Donations	-	215
Other costs	7 798	5 437
	<u>23 441</u>	<u>42 942</u>

(7) Income from investments

Dividends from subsidiaries	164 677	80 000
	<u>164 677</u>	<u>80 000</u>

Notes (continued)

(8) Corporate income tax

Corporate income tax for the reporting year is calculated in accordance with the requirements of the legislation in force during the reporting year.

The accumulated losses for corporate income tax purposes on 31 December 2018 was EUR 60 893. The deadline for utilization of the accumulated losses is 31 December 2022. Company can reduce the dividend corporate income tax calculated in 2019-2022 account overview by a sum equivalent to 15 percent of the total uncovered losses. The tax reduction sum in an account overview year cannot exceed 50 percent of the corporate income tax sum calculated for the relevant year for dividends.

(9) Intangible Assets

	Concessions, patents, licenses, trademarks and similar rights		Total
		EUR	EUR
Cost / Revalued			
31.12.2017.		136 683	136 683
31.12.2018.		136 683	136 683
Amortization			
31.12.2017.		44 254	44 254
Charge for period		36 674	36 674
31.12.2018.		80 928	80 928
Net book value as at 31.12.2017.		92 429	92 429
Net book value as at 31.12.2018.		55 755	55 755

(10) Fixed assets

	Other fixed assets and inventory		Construction in progress	Total
		EUR	EUR	EUR
Cost / Revalued				
31.12.2017.		59 092	2 610	61 702
Additions		7 589	11 257	18 846
Disposals		(542)	-	(542)
31.12.2018.		66 139	13 867	80 006
Amortization				
31.12.2017.		32 941	-	32 941
Charge for period		13 901	-	13 901
Disposals		(542)	-	(542)
31.12.2018.		46 300	-	46 300
Net book value as at 31.12.2017.		26 151	2 610	28 761
Net book value as at 31.12.2018.		19 839	13 867	33 706

Notes (continued)

(11) Participating interest in subsidiaries

	Participating interest in subsidiaries EUR
Value 31.12.2017.	52 903
Changes in value 2018 (reorganization of subsidiaries)	(52 903)
Value 31.12.2018.	-
Net book value 31.12.2017.	52 903
Net book value 31.12.2018.	-

Name	Participation shares, purchase price		Participation shares, carrying amount	
	31.12.2018	31.12.2017	Subsidiaries	31.12.2018
Subsidiaries				
Capitalia Finance AB (Lithuania), 100%	-	2 903	-	2 903
Capitalia Finance AS (Estonia), 100%	-	50 000	-	50 000

Information on subsidiaries

Name	Adress	Equity		Current year's profit (loss)	
		31.10.2018	31.12.2017	01.01.2018- 31.10.2018	2017
Capitalia Finance AB	Ankštoji g. 5, Vilnius, Lietuva	69 322	219 677	14 322	204 532
Capitalia Finance AS	Tartu maantee 84a, Tallina, Igaunija	65 682	11 152	9 530	(3 720)

On November 23, 2018 the reorganization of the Lithuanian subsidiary Capitalia Finance AB was completed. Lithuanian branch of SE Capitalia was registered on September 12, 2018 with registration number 304914672. The primary activity of the branch is issuing loans to businesses in Lithuania.

On November 23, 2018 the reorganization of the Estonian subsidiary Capitalia Finance AS was completed. Estonian Branch of SE Capitalia SE was registered on September 4, 2018 with registration number 14558272 . The primary activity of the branch is issuing loans to businesses in Estonia.

In the financial accounting of Capitalia SE, the subsidiaries were added from November 1, 2018.

(12) Other securities and investments

	31.12.2018. EUR	31.12.2017. EUR
Participation in a company's capital (0.35%, United Kingdom)	25 000	-
Bonds (50 pcs., nominal value 1000 EUR, Estonia)	50 000	-
	75 000	-

Notes (continued)

(13) Receivables from affiliated companies

	31.12.2018. EUR	31.12.2017. EUR
Receivables from affiliated companies:		
Loan to Capitalia Finance AB	-	874 964
Loan to Capitalia Finance AS	-	550 850
Loan to Capitalia Kredīti SIA	-	190 500
Loan to Sparta Capital OÜ	301 462	-
Long-term part:	301 462	1 616 314
Capitalia Finance AB services received	-	23 786
Capitalia Finance AS interest accrued on borrowings	-	11 834
Capitalia Finance AB interest accrued on borrowings	-	17 437
Capitalia Kredīti SIA interest accrued on borrowings	-	8 596
Capitalia Finance AS services received	-	3 130
Other debts	-	2 113
Short-term part:	-	66 896
Total:	301 462	1 683 210

In 2018 the Company has issued unsecured loan to Sparta Capital OÜ, at a fixed annual interest rate. Loan is to be repaid by the 30th June, 2021.

(14) Trade debtors, loans and receivables

	31.12.2018. EUR	31.12.2017. EUR (separately)	31.12.2017. EUR (consolidated)
Requirements for loans issued	320 154	177 164	462 830
Provisions for doubtful trade debtors	(98 610)	-	-
Long-term part :	221 544	177 164	462 830
Requirements for loans issued	1 415 015	1 405 053	2 884 128
Trade receivables	-	4 995	4 995
Provisions for doubtful trade debtors	(152 335)	(108 364)	(170 790)
Short-term part:	1 262 680	1 301 684	2 718 333
	1 484 224	1 478 848	3 181 163

A part of the issued loans the Company cedes to third parties, providing the management and payment administration services of the ceded loan portfolio. Most of the ceded loans are ceded without a repurchase obligation. On 31 December 2018, the balance value of loans ceded to third parties without a repurchase obligation was EUR 4 296 978 (31 December 2017: EUR 402 748) (see also note 27).

(15) Other debtors

	31.12.2018. EUR	31.12.2017. EUR
Lease security deposit	7 610	3 129
Prepaid expenses	316	583
Overpaid taxes	6 037	2
Other debtors	21 195	25 897
	35 158	29 611

(16) Short- terms loans to shareholders and management

Loan to company's management	11 303	20 120
Short-term part:	11 303	20 120

Notes (continued)

(16) Short- terms loans to shareholders and management (continued)

The Company has issued unsecured loan to the member of the board of the Company at a fixed annual interest rate. Loan is to be repaid by 21 September, 2019.

(17) Cash

	31.12.2018. EUR	31.12.2017. EUR (separately)	31.12.2017. EUR (consolidated)
Cash in the bank	128 167	27 056	233 481

On 31 December 2018, a share of EUR 457 790 of cash in the company's bank accounts is reflected in these financial statements as off-balance sheet assets (see also note 27).

(18) Share capital and reserves

As of December 31, 2018, the Company's registered and paid share capital was EUR 500,000, consisting of 250,000 ordinary dematerialized registered shares with a nominal value of EUR 1 and 250,000 dematerialized registered preferred shares with a nominal value of EUR 1.

Ordinary dematerialized registered voting shares, nominal value in EUR	250 000	50%
Dematerialized registered preferred non-voting shares, nominal value in EUR	250 000	50%
	500 000	100%

The item "Other reserves" reflects the reorganization reserve for previous years. The item " Reorganisation reserve " reflects the reorganization reserve for 2018. (see also note 11).

(19) Bonds issued

In August, 2014 the Company issued 1,000 bonds at nominal value of EUR 1,000 and at initial sales price of EUR 920. In October 2015, issued an additional 750 bonds, and in January 2017, issued an additional 1 250 bonds, which basically were realized at nominal value. Coupon rate on the bonds is 12% per annum and it is paid quarterly. The securities are due on 25th of October, 2018.

In January of 2018, 750 of the issued bonds were redeemed before the maturity. Other bonds from the First Bonds Issue were redeemed gradually until the full maturity of the said bonds.

In November, 2016 the Company made closed issue of 500 bond securities. Coupon rate on the bonds is 6% per annum and it is paid quarterly. The securities are due on 25th of October, 2019.

In July 2018 the Company made closed issue of 1 500 bonds at nominal value of EUR 1,000, which basically were realized at nominal value. Coupon rate on the bonds is 10% per annum. The securities are due on 25th of July 2021. The nominal value of issued but unrealized bonds as of July 2018 is EUR 542 000.

	31.12.2018. EUR	31.12.2017. EUR
Securities nominal value	2 000 000	3 500 000
Unrealized bonds	(542 000)	(970 000)
Impact of effective interest rate (discounting)	(7 730)	(44 002)
Accrued coupon interest payments at the period end	31 450	70 417
Accrued coupon interest payments at the period end, unrealized bonds	-	(19 008)
Long term part:	958 000	295 474
Short term part:	523 720	2 241 933
	1 481 720	2 537 407

In order to protect the investment of corporate bondholders on November 2, 2016, the Company has entered into agency agreement with the ZAB "Loze & Partners". As a result, the Company has pledged all its assets for the benefit of the bondholders' security agent ZAB "Loze & Partners". The maximum amount of the secured claim is EUR 600 000 and the pledge holder has the right to sell the pledged assets without an auction. The commercial pledge is issued until the Company has fulfilled all of its obligations to the holders of the secured bond issue.

Notes (continued)

(20) Other borrowings

	31.12.2018. EUR	31.12.2017. EUR (separately)	31.12.2017. EUR (consolidated)
Non-interest bearing loan within EU funds*	25 948	60 545	60 545
Liabilities for ceded loans with a repurchase obligation	2 153	-	-
Long term part:	28 101	60 545	60 545
Loan**	41 271	-	-
Liabilities for ceded loans with a repurchase obligation	55 928	201 947	367 143
Non-interest bearing loan within EU funds*	34 597	34 596	34 596
Loans without debtors guarantee – short term***	-	303 000	403 999
Short term part:	131 796	539 543	805 738
Total:	159 897	600 088	866 283

*In 2014 the Company signed micro-loan portfolio loan management agreement with AS "Attīstības finanšu institūcija Altum" (previously Latvian Guarantee Agency SIA). According to the agreement Latvian Guarantee Agency SIA provides state and EU financing to the small and medium businesses, providing non-interest bearing loan to SE Capitalia for purposes of issuing loans to boost competitiveness of small and medium enterprises in Latvia. In December 2017, the said cooperation agreement was amended. According to the renewed agreement, the repayment of the financing received by the Company from Altum will be made in equal instalments by September 30, 2020 and bear no interest rate.

** Short-term unsecured loan at a fixed annual interest rate.

*** Short-term loan at a fixed annual interest rate.

(21) Trade creditors and accrued liabilities

	31.12.2018. EUR	31.12.2017. EUR
Debt for goods and services received	5 120	7 655
Other creditors	-	238
	5 120	7 893

(22) Taxes and social insurance

	Liabilities 31.12.2017. EUR	Calculated 2018 EUR	(Paid)/ repaid 2018 EUR	Liabilities 31.12.2018. EUR
Corporate income tax	74	1 969	(1 741)	302
Payroll taxes for EE and LT branches	-	25 719	(25 085)	634
Value added tax	1 139	17 407	(17 199)	1 347
Social insurance contribution	3 216	48 049	(51 793)	(528)
Personal income tax	86	59 957	(60 129)	(86)
Corporate risk fee	(2)	36	(50)	(16)
Total	4 513			1 653
Including:				
Liabilities	4 515			2 283
(Overpayment)	(2)			(630)

(23) Deferred income

	31.12.2018. EUR	31.12.2017. EUR
Interest income from future payments of issued loans	17 652	20 759
	17 652	20 759

Notes (continued)

(24) Accrued liabilities

	31.12.2018.	31.12.2017.
	EUR	EUR
Accrued liabilities for holiday pay	6 162	4 271
Accrued liabilities trade creditors	5 588	-
	11 750	12 164
	11 750	12 164

(25) Average number of the Company's employees

	2018	2017
Average number of the Company's employees:	14	8
	14	8

(26) Management's remuneration

	2018	2017
	EUR	EUR
Board members' remuneration		
· salary expenses	17 767	15 895
· social insurance	4 280	3 750
· business risk charge	4	4
	22 051	19 649
Council members' remuneration:		
· salary expenses	293	870
· social insurance	71	204
· business risk charge	-	-
	364	1 074
	364	1 074

(27) Off-balance sheet assets and liabilities

A part of the issued loans the Company cedes to third parties, providing the management and payment administration services of the ceded loan portfolio. Most of the ceded loans are ceded without a repurchase obligation. Loans that are sold through cession agreements without buyback obligations and any resulting assets and liabilities towards the acquirers of the said cession contracts are not reflected in the balance sheet of the Company.

As of 31 December 2018, the Company's off-balance sheet assets are as follows:

	EUR
Other loans and other long-term debtors (long-term)	375 217
Other loans and other long-term debtors (short-term)	3 921 760
Cash *	457 790
Total Off-balance sheet assets	4 754 767
	4 754 767
Other creditors (long-term)	375 217
Other creditors (short-term)	4 379 550
Total Off-balance sheet liabilities	4 754 767
	4 754 767

* Account balance for the loans (held by syndicate of co-lenders) to be paid out or money received but not distributed to the co-lenders.

(28) Subsequent events

There are no other subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as of December 31, 2017 or should be disclosed in the Notes to these financial statements.

Juris Grišins
Chairman of the Board

Ruta Circene
Person responsible for accounting

Riga, August 30, 2019