



New Hanza Capital, AS

Group and Company Condensed Interim Report
for the twelve month period ended 31 December 2019
(unaudited)

Contents

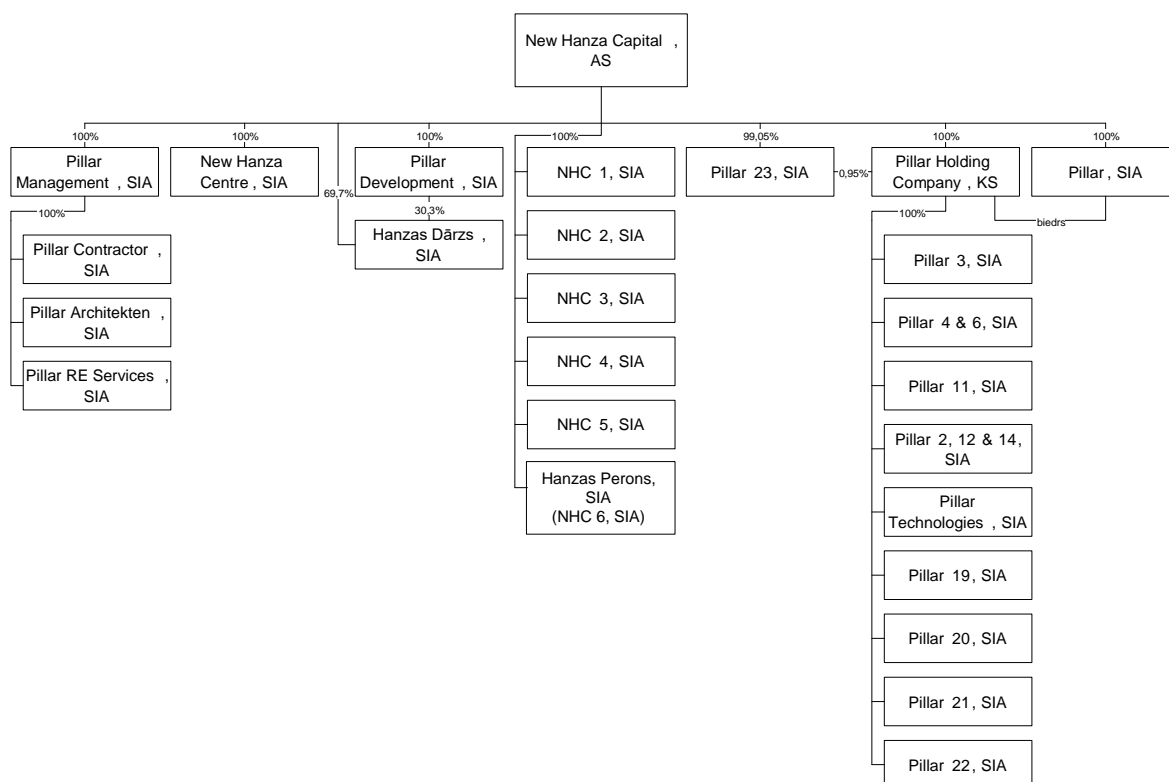
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Disclaimer

This report was prepared in Latvian and English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version of the reports shall prevail.

General information

Company name	New Hanza Capital, AS
Legal status of the company	Joint Stock Company
Registration No, place and date	50003831571, Riga, 6 June 2006
Legal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
NACE code, Type of primary activity	6420 Activities of holding companies 6820 Renting and operating of own or leased real estate
Members of the Board and their positions	<u>From 11 December 2019</u> Edgars Miļūns, Chairman of the Board Aija Hermane-Sabule, Member of the Board Arnolds Romeiko, Member of the Board Pēteris Guļāns, Member of the Board Inga Vēvere, Member of the Board
Members of the Council and their positions	<u>From 3 December 2019</u> Ernestis Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council Kaspars Bajārs, Member of the Council Ivans Marjasovs, Member of the Council
Reporting period	1 January 2019 – 31 December 2019
Group structure	



Group Management Report

New Hanza Capital, AS, (hereinafter – the Company or NHC) is a company founded in 2006. The Company has been investing in commercial properties since 2015. New Hanza Capital, AS and its subsidiaries (hereinafter – the Group) focus on acquiring cash generating commercial properties with future income potential. The business objective of the Company is to invest funds in commercial properties, sustainably increase rental income and promote long-term property value and capital growth.

The Group specializes in the acquisition of office buildings, warehouses and logistic centers. Our priority is to invest in already existing and operating commercial properties. At the same time, part of investments are intended to be made in various property construction and development projects. The investment strategy entails direct acquisition of real estate, as well as purchase of equity interest in companies holding the respective properties.

Group key financial and property performance indicators

The Group result for the reporting period amounts to a EUR 4,204,831 profit before tax. The Company closed the reporting period with a pre-tax profit of EUR 151,083. The Group and Company profit for the reporting period is in line with management expectations. Since the Group subsidiaries operating objectives are in line with the Company and the nature of their activities in the reporting period did not differ materially from that of the Company the Group management focusses on analyzing only the consolidated results of the Group. Table below summarizes Group operating indicators selected and monitored by the Group management based on industry standards.

Group profit indicators	Unit	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Income	EUR	6,167,339	3,841,838	1,643,524
Adjusted EBITDA	EUR	1,099,085	1,556,469	326,858
Profit before tax	EUR	4,204,831	1,667,174	8,115,882

Group balance sheet indicators	Unit	31.12.2019	31.12.2018	31.12.2017
Gross asset value (GAV)	EUR	196,132,943	56,079,789	52,362,834
<i>incl. Investment property</i>	EUR	100,210,298	39,108,000	35,453,295
<i>incl. construction in progress</i>	EUR	935,541	279,146	-
<i>incl. current assets</i>	EUR	66,723,676	16,308,182	16,835,146
Liabilities	EUR	47,121,270	21,458,834	19,408,593
<i>incl. current liabilities</i>	EUR	18,487,402	2,459,407	1,861,576
Net asset value (NAV)	EUR	149,011,673	34,620,955	32,954,241
Total liquidity ratio	coef.	3.61	6.63	9.04

Group financial ratios	Unit	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Adjusted EBITDA margin	%	30.68%	40.51%	19.89%
Net profit margin	%	68.16%	43.38%	482.96%
Equity ratio	coef.	0.72	0.62	0.66
Return on equity	%	4.63%	4.93%	33.09%
Return on assets	%	3.33%	3.07%	21.93%

Group investment property indicators	Unit	31.12.2019	31.12.2018	31.12.2017
Number of investment properties	pcs.	30	9	8
Investment property market value	EUR	100,210,298	39,108,000	35,453,295
Leasable area	m ²	79,827	72,992	69,768
Annual contractual rent income	EUR	3,211,519	2,890,062	2,875,981
Return on investment properties	%	3.2%	7.4%	8.1%
WALE	years	3.4	2.3	3.5
Average rent	EUR/m ² p.m.	4.4	4.3	4.2
Occupancy	%	77%	77%	85%

Explanation of indicators and ratios

Adjusted EBITDA = earnings before interest, tax, depreciation and amortization, gains and losses from investment property revaluation

Adjusted EBITDA margin = adjusted EBITDA (in a 12 month period) / revenue (in a 12 month period) * 100%

Net profit margin = net profit (in a 12 month period) / revenue (in a 12 month period) * 100%

Equity ratio = (1/2 * value of equity at the beginning of the 12 month period + 1/2 * value of equity at the end of the 12 month period) / (1/2 * value of assets at the beginning of the 12 month period + 1/2 * value of assets at the end of the 12 month period)

Return on equity (ROE) = net income (in a 12 month period) / (1/2 * value of equity at the beginning of the 12 month period + 1/2 * value of equity at the end of the 12 month period) * 100%

Return on assets (ROA) = net income (in a 12 month period) / (1/2 * value of assets at the beginning of the 12 month period + 1/2 * value of assets at the end of the 12 month period) * 100%

Total liquidity ratio = current assets at the reporting date / current liabilities at the reporting date

Return on investment properties at market value = annual rent defined in the agreements / market value of investment properties

WALE = area (m²) weighted average unexpired lease term at the given date

Weighted average rental rate = area (m²) weighted average rental rate at the given date, EUR/m² p.m.

Occupancy = occupied area (m²) of the investment properties at the given date expressed as a percentage of the total property leasable area

Key events in the twelve months of 2019

Business combinations

On 15 January 2019 the Company signed a purchase agreement with ABLV Bank, AS in liquidation regarding the purchase of 98.71% of NHC 5, SIA shares for the amount of EUR 8,287,170. On the date of signing the agreement the Company held the remaining 1.29% of NHC 5, SIA shares. This transaction was registered in the Company Register on 8 February 2019.

NHC 5, SIA line of business is renting and operating of own or leased real estate. NHC 5, SIA has two investment properties in ownership – office building on Elizabetes iela 23 and office spaces on Elizabetes iela 21A-102 with a total area of 4,324.9 square meters and 689.4 square meters respectively. The Company was acquired with the purpose to increase the Group investment property portfolio, as well as increase the Group rent income.

Loans

On 15 January 2019 the Company signed a loan agreement with ABLV Bank, AS in liquidation in the amount of EUR 5,790,000. The company used this agreement to finance NHC 5, SIA share purchase. The loan repayment is due on 15 January 2021.

Changes in Company share holders

On 16 January 2019 the Company shareholder PREMIUM FINANCE GROUP, SIA (reg. num. 40103210371) signed a sales agreement with ASG Resolution Capital, AS (reg. num. 40203155131) on the sale of Company shares in the amount of EUR 750,000 or 3% of the Company share capital. The Company registered shareholder changes in the shareholder register on 17 January 2019.

On 16 January 2019 the Company shareholder PREMIUM FINANCE GROUP, SIA (reg. num. 40103210371) signed an exchange agreement with ASG Resolution Capital, AS (reg. num. 40203155131) on the sale of Company shares in the amount of EUR 750,000 or 3% of the Company share capital. The Company registered shareholder changes in the shareholder register on 21 January 2019.

On 14 November 2019, ASG Resolution Capital, AS (reg. No. 40203155131), being the shareholder of the Company, signed a transfer agreement about the alienation of the 1,500,000 Company's shares, which is 6% of the Company's shares, owned by it in favour of Cassandra Holding Company, SIA (reg. No. 40003251208). The Company registered the change of shareholders related to this transfer in the registry of shareholders on 3 December 2019.

Increasing share capital of the Company and amendments to the Articles of Association

On extraordinary meeting of 3 December 2019 the shareholders of the Company made a decision to increase the share capital of the Company by EUR 90,317,119, by issuing new registered ordinary voting shares with EUR 1 face value of one share. The shares of the new issue are paid up by a material investment of current shareholder of the Company – ABLV Bank, AS in liquidation – in the share capital of the Company, namely the capital shares owned by the Company in the following limited liability companies: Pillar 23, SIA, Pillar Management, SIA, Pillar, SIA, Pillar Development, SIA, Hanzas Dārzs, SIA, New Hanza Centre, SIA, as well as the investment in the limited partnership Pillar Holding Company, KS owned by ABLV Bank, AS in liquidation as a limited partner. Along with the increase of share capital of the Company there were also the Articles of Association of the Company amended. Information about the new version of the Articles of Association of the Company is available at www.nh.capital.

Re-election of the Council of the Company

Upon a proposal of the biggest shareholder of the company – ABLV Bank, AS in liquidation – on 3 December 2019 at the extraordinary meeting of shareholders of the Company there were previous members of the Council of the Company dismissed and the new Council of the Company was elected, providing that the Council of the Company shall hereinafter consist of five members of the Council, of which one shall be the Chairman of the Council and one Deputy Chairman of the Council.

From 3 December 2019 and till 2 December 2024 (inclusive) Ernests Bernis, Māris Kannenieks, Edgars Pavlovičs, Ivans Marjasovs and Kaspars Bajārs are elected in the Council of the Company.

On 3 December 2019 the new Council of the Company decided to elect Ernests Bernis to be the Chairman of the Council of the Company, and Edgars Pavlovičs — Deputy Chairman of the Council of the Company.

Changes in the Board of the Company

On 11 December 2019 the Council of the Company decided to expand the Board of the Company from three to five members, and elected the new Board of the Company for a 5-year term of duties till 10 December 2024 (inclusive). The work in the Board of the Company will be continued by the Chairman of the Board Edgars Miļūns, Member of the Board Arnolds Romeiko and Member of the Board Aija Hermane-Sabule, and there are two new members of the Board elected – Inga Vēvere and Pēteris Guļāns. The new Board is registered in the Register of Enterprises on 19 December 2019.

Statement of the Management's responsibility

The Board of New Hanza Capital, AS is responsible for the preparation of the Company interim financial statements, as well as for the preparation of the interim consolidated financial statements of the Company and its subsidiaries.

The condensed interim financial statements are prepared in accordance with the source documents and present truly and fairly the financial position of the Company and the Group as at 31 December 2019 and 31 December 2018, and the results of their operations, changes in the share capital and reserves and cash flows for the twelve months of 2019 and the twelve months of 2018. Group management report presents truly an overview of Group and Company operating results. The aforementioned interim condensed financial statements are prepared on a going concern basis in conformity with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The Company management has been prudent and reasonable in its judgments and estimates in preparation of these condensed interim financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group.

On behalf of the Board:

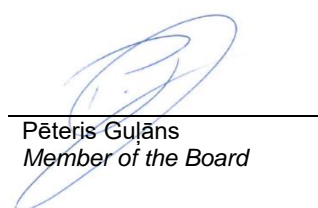


Edgars Miļūns
Chairman of the Board

6 March 2020



Arnolds Romeiko
Member of the Board



Pēteris Guļāns
Member of the Board

Group and Company Condensed Interim Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for the twelve month period ended 31 December 2019

	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2019 - 31.12.2019 EUR	NHC 01.01.2018 - 31.12.2018 EUR
Income	6,167,339	3,841,838	314,003	1,062,611
Operating expenses	(3,750,375)	(1,724,711)	(188,178)	(216,298)
Gross profit	2,416,964	2,117,127	125,825	846,313
Administrative expenses	(653,344)	(462,552)	(417,321)	(333,027)
Other operating income	90,585	67,475	-	54,905
Other operating expenses	(139,347)	(176,017)	(26,959)	(76,079)
Other interest and similar income	-	77,743	1,127,128	927,501
Other interest and similar expenses	(887,424)	(725,165)	(657,590)	(488,969)
Dividend income from subsidiaries	-	-	-	4,108,120
Income from revaluation of investment properties	3,377,397	702,417	-	(59,000)
Income from a partial loss of contributions to subsidiary share capital	-	66,146	-	-
Profit / (loss) before taxes	4,204,831	1,667,174	151,083	4,979,764
Corporate income tax for the reporting period	(998)	(460)	-	(33)
Profit / (loss) for the reporting period	4,203,833	1,666,714	151,083	4,979,731
Total amount of comprehensive income	4,203,833	1,666,714	151,083	4,979,731

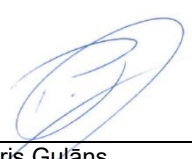
On behalf of the Board:



Edgars Miļūns
Chairman of the Board



Arnolds Romeiko
Member of the Board



Pēteris Guļāns
Member of the Board

6 March 2020

Statements of Financial Position as at 31 December 2019

	Group 31.12.2019 EUR	Group 31.12.2018 EUR	NHC 31.12.2019 EUR	NHC 31.12.2018 EUR
Assets				
Non-current assets				
Intangible assets	43,869	2,981	2,014	2,981
Property and equipment	21,388,062	59,132	66,697	59,132
Investment property	100,210,298	39,108,000	689,000	689,000
Construction in progress	935,541	279,146	-	-
Investments in subsidiaries	-	-	124,071,930	5,320,000
Investments in other companies	-	306,000	-	306,000
Financial assets at fair value through profit and loss	6,831,497	16,348	-	-
Total non-current assets	129,409,267	39,771,607	124,829,641	6,377,113
Current assets				
Trade receivables	1,017,941	67,853	1,300,462	557,052
Loans to related parties	-	-	18,445,000	18,442,000
Other assets	62,832,615	12,451,688	12,148,716	12,132,205
Cash and cash equivalents	2,873,120	3,788,641	403,227	2,267,229
Total current assets	66,723,676	16,308,182	32,297,405	33,398,486
Total assets	196,132,943	56,079,789	157,127,046	39,775,599
Liabilities				
Equity				
Share capital	135,186,885	25,000,000	135,186,885	25,000,000
Retained earnings/ accumulated (loss) of previous periods	9,620,955	7,954,241	4,616,976	(362,755)
Profit / (loss) of the reporting period	4,203,833	1,666,714	151,083	4,979,731
Total equity	149,011,673	34,620,955	139,954,944	29,616,976
Long term liabilities				
Loans	19,677,816	9,956,521	5,790,000	-
Bonds	8,956,052	8,956,052	8,956,052	8,956,052
Other liabilities	-	86,854	-	-
Total long term liabilities	28,633,868	18,999,427	14,746,052	8,956,052
Short term liabilities				
Loans	411,850	580,251	-	-
Bonds	1,145,373	1,145,372	1,145,373	1,145,372
Trade payables	1,558,792	315,005	36,375	12,593
Other loans	-	-	1,150,000	-
Other liabilities	15,025,158	356,772	15,363	14,756
Accrued liabilities	346,229	62,007	78,939	29,850
Total short term liabilities	18,487,402	2,459,407	2,426,050	1,202,571
Total liabilities	47,121,270	21,458,834	17,172,102	10,158,623
Total liabilities and equity	196,132,943	56,079,789	157,127,046	39,775,599


On behalf of the Board:



 Edgars Miļuns
 Chairman of the Board



 Arnolds Romeiko
 Member of the Board



 Pēteris Guļāns
 Member of the Board

6 March 2020


Statements of Cash Flows for the twelve months period ended 31 December 2019

	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2019 - 31.12.2019 EUR	NHC 01.01.2018 - 31.12.2018 EUR
Cash flows from operating activities				
(Loss) / profit of the reporting period before tax	4,204,831	1,667,174	151,083	4,979,764
Adjustments for:				
Depreciation of intangible assets, property and equipment	177,382	10,436	11,072	10,436
Sale expenses of intangible assets, property and equipment	-	9,405	-	9,405
Interest income	-	(77,743)	(1,127,128)	(927,501)
Interest expenses	887,424	725,165	657,590	488,969
Dividend income	-	-	-	(4,108,120)
Income from investments in associates	-	6,793	-	376,362
Changes in the value of long-term and short-term financial assets	(5,450)	(9,373)	-	
Changes in the value of investment properties	(3,377,397)	(702,417)		59,000
Profit before changes in working capital	1,886,790	1,629,440	(307,383)	888,315
(Increase) / decrease in trade receivables	(407,098)	(12,049,973)	(1,919)	(11,870,499)
Increase / (decrease) in trade payables	(1,166,199)	(474,434)	24,452	(687,360)
Interest payments received	-	33,432	397,250	327,205
Interest paid	(360,987)	(225,130)	(608,528)	(989)
Corporate income tax payments	(303)	(71,391)	(35)	-
Cash flows from operating activities	(47,797)	(11,158,056)	(496,163)	(11,343,328)
Cash flows from investing activities				
Investment property acquisition / construction expenses	(8,927,615)	(3,231,334)	-	-
Purchase of property, plant and equipment	(427,111)	(38,483)	(17,670)	(38,483)
Sale of property, plant and equipment	-	16,529	-	16,529
Acquisition of shares in related companies/ net cash paid	2,671,089	-	(8,287,170)	-
Acquisition of shares in other companies/ net cash paid	-	(306,000)	-	(306,000)
Sale of shares in associated companies/ net cash received	-	7,500	-	7,500
Dividends received	-	-	-	4,108,120
Loans issued	-	-	(3,000)	(5,934,000)
Loans repaid	-	-	-	-
Investments in financial assets	-	12,183,736	-	12,183,736
Net cash flows generated from / (used in) investing activities	(6,683,637)	8,631,948	(8,307,840)	10,037,402
Cash flows from financing activities				
Loans received	6,490,000	3,000,000	6,940,001	-
Loans repaid	(674,087)	(904,430)	-	(459,496)
Net cash flows from financing activities	5,815,913	2,095,570	6,940,001	(459,496)
Increase / (decrease) in net cash during the reporting period	(915,521)	(430,538)	(1,864,002)	(1,765,422)
Cash at the beginning of the reporting period	3,788,641	4,219,179	2,267,229	4,032,651
Cash at the end of the reporting period	2,873,120	3,788,641	403,227	2,267,229

On behalf of the Board:


Edgars Mijūns
Chairman of the Board


Arnolds Romeiko
Member of the Board


Pēteris Guļāns
Member of the Board

6 March 2020

Group Statement of Changes to the Shareholders Equity for the twelve month period ended 31 December 2019

	Paid-in share capital	Premium	Reserves	Retained earnings	Profit for the reporting period	Total share capital and reserves
1 January 2018	25,000,000		-	7,954,241	-	32,954,241
Total comprehensive income						
Total comprehensive income for the reporting period			-		1,666,714	1,666,714
31 December 2018	25,000,000		-	7,954,241	1,666,714	34,620,955
1 January 2019	25,000,000			9,620,955		34,620,955
Share issue	90,317,119					90,317,119
Share issue premium		19,869,766				19,869,766
Total comprehensive income						
Total comprehensive income for the reporting period			-		4,203,833	4,203,833
31 December 2019	115,317,119	19,869,766	-	9,620,955	4,203,833	149,011,673

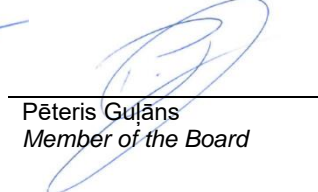
Company Statement of Changes to the Shareholders Equity for the twelve month period ended 31 December 2019

	Paid-in share capital	Premium	Reserves	Retained earnings / (uncovered loss) of previous periods	Profit for the reporting period	Total share capital and reserves
1 January 2018	25,000,000		-	(362,755)	-	24,637,245
Total comprehensive income						
Total comprehensive income for the reporting period			-		4,979,731	4,979,731
31 December 2018	25,000,000		-	(362,755)	4,979,731	29,616,976
1 January 2019	25,000,000			4,616,976		29,616,976
Share issue	90,317,119					90,317,119
Share issue premium		19,869,766				19,869,766
Total comprehensive income						
Total comprehensive income for the reporting period			-	-	151,083	151,083
31 December 2019	115,317,119	19,869,766	-	4,616,976	151,083	139,954,944

On behalf of the Board:


 Edgars Miļuns
 Chairman of the Board


 Arnolds Romeiko
 Member of the Board


 Pēteris Gulāns
 Member of the Board

6 March 2020

Events after the reporting date

Sale of the Company's subsidiaries NHC 1, SIA and NHC 3, SIA and real estate owned by them

On 10 January 2020 the Company signed share sale agreements with EfTEN Real Estate Fund III, AS, registration number in the Republic of Estonia: 12864036, about the sale of 100% of shares of the Company's subsidiary NHC 1, SIA with the office building owned by it at 3 Tehnikas Street at Riga International Airport in Mārupes Region, and 100% shares of NHC 3, SIA with the warehouse building owned by it at "Piepilsētas", Krustkalni, Ķekavas Region. The total amount of the transaction constitutes approximately EUR 15,800,000. The deal is estimated to be completed as soon as all the terms and conditions of the agreements are executed.