



## **New Hanza Capital, AS**

Group and Company Condensed Interim Report  
for the nine month period ended 30 September 2019  
(unaudited)

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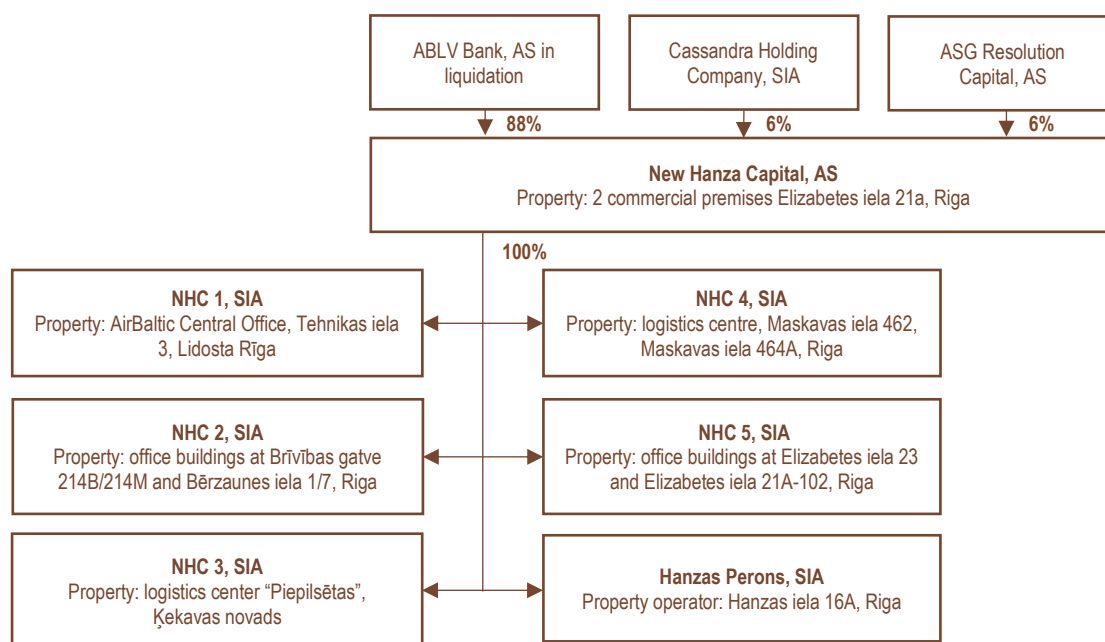
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### Disclaimer

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	6820 Renting and operating of own or leased real estate 7010 Activities of head offices
Members of the Board and their positions	<u>From 20 March 2018</u> Edgars Miļūns, Chairman of the Board Aija Hermane-Sabule, Member of the Board Arnolds Romeiko, Member of the Board
Members of the Council and their positions	<u>From 19 March 2018</u> Ernests Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council
Reporting period	1 January 2019 – 30 September 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 417,841 thousand profit before tax. The Company closed the reporting period with a pre-tax profit of EUR 225,599. 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.

<b>Group profit and cash flow indicators</b>	<b>Unit</b>	<b>01.01.2019 - 30.09.2019</b>	<b>01.01.2018 - 30.09.2018</b>	<b>01.01.2017 - 30.09.2017</b>
Income	EUR	2,883,982	2,851,614	893,666
Adjusted EBITDA	EUR	1,099,085	1,188,360	332,211
Profit before tax	EUR	417,841	813,430	210,878

<b>Group balance sheet indicators</b>	<b>Unit</b>	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Gross asset value (GAV)	EUR	63,197,784	56,079,789	52,362,834
<i>incl. Investment property</i>	EUR	48,266,367	39,108,000	35,453,295
<i>incl. construction in progress</i>	EUR	924,595	279,146	-
<i>incl. current assets</i>	EUR	13,402,397	16,308,182	16,835,146
Liabilities	EUR	28,159,007	21,458,834	19,408,593
<i>incl. current liabilities</i>	EUR	3,589,723	2,459,407	1,861,576
Net asset value (NAV)	EUR	35,038,777	34,620,955	32,954,241
Total liquidity ratio	coef.	3.73	6.63	9.04

<b>Group financial ratios</b>	<b>Unit</b>	<b>01.10.2018 - 30.09.2019</b>	<b>01.10.2017 - 30.09.2018</b>	<b>01.10.2016 - 30.09.2017</b>
Adjusted EBITDA margin	%	37.87%	32.85%	15.67%
Net profit margin	%	32.82%	238.16%	4.32%
Equity ratio	coef.	0.58	0.66	0.74
Return on equity	%	3.70%	29.12%	0.24%
Return on assets	%	2.14%	19.20%	0.18%

<b>Group investment property indicators</b>	<b>Unit</b>	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Number of investment properties	pcs.	11	9	8
Investment property market value	EUR	48,266,367	39,108,000	35,453,295
Leasable area	m <sup>2</sup>	77,406	72,992	69,768
Annual contractual rent fee	EUR	3,084,848	2,890,062	2,875,981
Return on investment properties	%	6.4%	7.4%	8.1%
WALE	years	3.56	2.33	3.48
Average rent	EUR/m <sup>2</sup> p.m.	4.34	4.31	4.24
Occupancy	%	76%	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 (m<sup>2</sup>) weighted average unexpired lease term at the given date

**Weighted average rental rate** = area (m<sup>2</sup>) weighted average rental rate at the given date, EUR/m<sup>2</sup> p.m.

**Occupancy** = occupied area (m<sup>2</sup>) of the investment properties at the given date expressed as a percentage of the total property leasable area

## Key events in the first nine 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 share holder 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 share holder 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

## 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 30 September 2019 and 30 September 2018, and the results of their operations, changes in the share capital and reserves and cash flows for the nine months of 2019 and the nine 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:



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Edgars Miļūns  
*Chairman of the Board*

22 November 2019



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Arnolds Romeiko  
*Member of the Board*

## Group and Company Condensed Interim Financial Statements

### Statements of Profit and Loss and Other Comprehensive Income for the nine month period ended 30 September 2019

	Group 01.01.2019 - 30.09.2019 EUR	Group 01.01.2018 - 30.09.2018 EUR	NHC 01.01.2019 - 30.09.2019 EUR	NHC 01.01.2018 - 30.09.2018 EUR
Income	2,883,982	2,851,614	235,356	970,157
Operating expenses	(1,522,253)	(1,242,358)	(143,977)	(176,879)
<b>Gross profit</b>	<b>1,361,729</b>	<b>1,609,256</b>	<b>91,379</b>	<b>793,278</b>
Administrative expenses	(333,282)	(315,222)	(222,520)	(232,408)
Other operating income	80,123	64,609	-	55,526
Other operating expenses	(59,672)	(177,898)	(15,995)	(68,404)
Other interest and similar income	-	76,352	839,005	642,238
Other interest and similar expenses	(631,057)	(509,813)	(466,270)	(346,710)
Dividend income from subsidiaries	-	-	-	4,108,120
Income from a partial loss of contributions to subsidiary share capital	-	66,146	-	-
<b>Profit / (loss) before taxes</b>	<b>417,841</b>	<b>813,430</b>	<b>225,599</b>	<b>4,951,640</b>
Corporate income tax for the reporting period	(19)	(303)	-	-
<b>Profit / (loss) for the reporting period</b>	<b>417,822</b>	<b>813,127</b>	<b>225,599</b>	<b>4,951,640</b>
<b>Total amount of comprehensive income</b>	<b>417,822</b>	<b>813,127</b>	<b>225,599</b>	<b>4,951,640</b>

On behalf of the Board:



Edgars Milūns  
Chairman of the Board



Arnolds Romeiko  
Member of the Board

22 November 2019

## Statements of Financial Position as at 30 September 2019

	Group 30.09.2019 EUR	Group 31.12.2018 EUR	NHC 30.09.2019 EUR	NHC 31.12.2018 EUR
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	2,256	2,981	2,256	2,981
Property and equipment	380,371	59,132	51,554	59,132
Investment property	48,266,367	39,108,000	689,000	689,000
Construction in progress	924,595	279,146	-	-
Investments in subsidiaries	-	-	13,713,170	5,320,000
Investments in other companies	200,000	306,000	200,000	306,000
Financial assets at fair value through profit and loss	21,798	16,348	-	-
<b>Total non-current assets</b>	<b>49,795,387</b>	<b>39,771,607</b>	<b>14,655,980</b>	<b>6,377,113</b>
<b>Current assets</b>				
Trade receivables	108,206	67,853	736,362	557,052
Loans to related parties	-	-	18,245,000	18,442,000
Other assets	12,709,137	12,451,688	12,426,257	12,132,205
Cash and cash equivalents	585,054	3,788,641	98,795	2,267,229
<b>Total current assets</b>	<b>13,402,397</b>	<b>16,308,182</b>	<b>31,506,414</b>	<b>33,398,486</b>
<b>Total assets</b>	<b>63,197,784</b>	<b>56,079,789</b>	<b>46,162,394</b>	<b>39,775,599</b>
<b>Liabilities</b>				
<b>Equity</b>				
Share capital	25,000,000	25,000,000	25,000,000	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	417,822	1,666,714	222,599	4,979,731
<b>Total equity</b>	<b>35,038,777</b>	<b>34,620,955</b>	<b>29,842,575</b>	<b>29,616,976</b>
<b>Long term liabilities</b>				
Loans	15,519,289	9,956,521	5,990,000	-
Bonds	8,956,052	8,956,052	8,956,052	8,956,052
Other assets	93,943	86,854	-	-
<b>Total long term liabilities</b>	<b>24,569,284</b>	<b>18,999,427</b>	<b>14,946,052</b>	<b>8,956,052</b>
<b>Short term liabilities</b>				
Loans	569,452	580,251	-	-
Bonds	1,248,114	1,145,372	1,248,114	1,145,372
Trade payables	802,340	315,005	9,628	12,593
Other liabilities	886,855	356,772	52,301	14,756
Accrued liabilities	82,962	62,007	63,724	29,850
<b>Total short term liabilities</b>	<b>3,589,723</b>	<b>2,459,407</b>	<b>1,373,767</b>	<b>1,202,571</b>
<b>Total liabilities</b>	<b>28,159,007</b>	<b>21,458,834</b>	<b>16,319,819</b>	<b>10,158,623</b>
<b>Total liabilities and equity</b>	<b>63,197,784</b>	<b>56,079,789</b>	<b>46,162,394</b>	<b>39,775,599</b>

On behalf of the Board:



Edgars Milūns  
 Chairman of the Board



Arnolds Romeiko  
 Member of the Board

22 November 2019



## Statements of Cash Flows for the six month period ended 30 September 2019

	Group 01.01.2019 - 30.09.2019 EUR	Group 01.01.2018 - 30.09.2018 EUR	NHC 01.01.2019 - 30.09.2019 EUR	NHC 01.01.2018 - 30.09.2018 EUR
<b>Cash flows from operating activities</b>				
(Loss) / profit of the reporting period before tax	417,841	813,430	225,599	4,951,640
Adjustments for:				
Depreciation of fixed assets	55,637	7,615	8,303	7,615
Interest income	-	(76,352)	(839,005)	(642,238)
Interest expenses	631,057	509,813	466,270	346,710
Dividend income	-	-	-	(4,108,120)
Income from investments in associates	-	-	-	-
Changes in the value of long-term and short-term financial assets	(5,450)	-	-	-
Reclassification of investments in company share capital	106,000	-	106,000	-
<b>Profit before changes in working capital</b>	<b>1,205,085</b>	<b>1,254,506</b>	<b>(32,833)</b>	<b>555,607</b>
(Increase) / decrease in trade receivables	(297,802)	(258,879)	(27,396)	54,576
Increase / (decrease) in trade payables	833,459	(413,751)	(43,743)	(517,397)
Interest payments received	-	33,432	393,038	33,432
Interest paid	(518,825)	(164,092)	(354,039)	(988)
Corporate income tax payments	(248)	(71,675)	(35)	-
<b>Cash flows from operating activities</b>	<b>1,321,670</b>	<b>379,541</b>	<b>(65,007)</b>	<b>125,230</b>
<b>Cash flows from investing activities</b>				
Investment property acquisition / construction expenses	(9,803,816)	(2,656,565)	-	-
Purchase of property, plant and equipment	(376,151)	(38,411)	-	(38,411)
Sale of property, plant and equipment	-	25,934	-	25,934
Acquisition of shares in related companies/ net cash paid	-	-	(8,393,170)	-
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
Decrease in contribution to share capital in associated companies	-	-	-	1,386,362
Dividends received	-	6,793	-	4,108,120
Loans issued	-	-	-	(5,469,000)
Loans repaid	-	-	197,000	-
Investments in financial assets	-	8,693,267	-	8,695,715
<b>Net cash flows generated from / (used in) investing activities</b>	<b>(10,179,967)</b>	<b>5,718,618</b>	<b>(8,196,170)</b>	<b>8,410,220</b>
<b>Cash flows from financing activities</b>				
Loans received	6,080,684	3,000,000	6,092,742	-
Loans repaid	(425,973)	(671,955)	-	(356,755)
<b>Net cash flows from financing activities</b>	<b>5,654,711</b>	<b>2,328,045</b>	<b>6,092,742</b>	<b>(356,755)</b>
<b>Increase / (decrease) in net cash during the reporting period</b>	<b>(3,203,587)</b>	<b>8,426,204</b>	<b>(2,168,434)</b>	<b>8,178,695</b>
Cash at the beginning of the reporting period	3,788,641	4,219,179	2,267,229	4,032,651
<b>Cash at the end of the reporting period</b>	<b>585,054</b>	<b>12,645,383</b>	<b>98,795</b>	<b>12,211,346</b>

On behalf of the Board:



Edgars Milūns  
 Chairman of the Board



Arnolds Romeiko  
 Member of the Board

22 November 2019

**Group Statement of Changes to the Shareholders Equity for the nine month period ended 30 September 2019**

	Paid-in share capital	Reserves	Retained earnings	Profit for the reporting period	Total share capital and reserves
<b>1 January 2018</b>	<b>25,000,000</b>	-	<b>7,954,241</b>	-	<b>32,954,241</b>
<b>Total comprehensive income</b>					
Total comprehensive income for the reporting period		-		1,666,714	<b>1,666,714</b>
<b>31 December 2018</b>	<b>25,000,000</b>	-	<b>7,954,241</b>	<b>1,666,714</b>	<b>34,620,955</b>
<b>1 January 2019</b>	<b>25,000,000</b>		<b>9,620,955</b>		<b>34,620,955</b>
<b>Total comprehensive income</b>					
Total comprehensive income for the reporting period		-	-	417,822	<b>417,822</b>
<b>30 September 2019</b>	<b>25,000,000</b>	-	<b>9,620,955</b>	<b>417,822</b>	<b>35,038,777</b>

**Company Statement of Changes to the Shareholders Equity for the nine month period ended 30 September 2019**

	Paid-in share capital	Reserves	Retained earnings / (uncovered loss) of previous periods	Profit for the reporting period	Total share capital and reserves
<b>1 January 2018</b>	<b>25,000,000</b>	-	<b>(362,755)</b>	-	<b>24,637,245</b>
<b>Total comprehensive income</b>					
Total comprehensive income for the reporting period		-		4,979,731	<b>4,979,731</b>
<b>31 December 2018</b>	<b>25,000,000</b>	-	<b>(362,755)</b>	<b>4,979,731</b>	<b>29,616,976</b>
<b>1 January 2019</b>	<b>25,000,000</b>		<b>4,616,976</b>		<b>29,616,976</b>
<b>Total comprehensive income</b>					
Total comprehensive income for the reporting period		-	-	225,599	<b>225,599</b>
<b>30 September 2019</b>	<b>25,000,000</b>	-	<b>4,616,976</b>	<b>225,599</b>	<b>29,842,575</b>

On behalf of the Board:

Edgars Milūns  
 Chairman of the Board

Arnolds Romeiko  
 Member of the Board

22 November 2019