



New Hanza Capital, AS

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

Contents

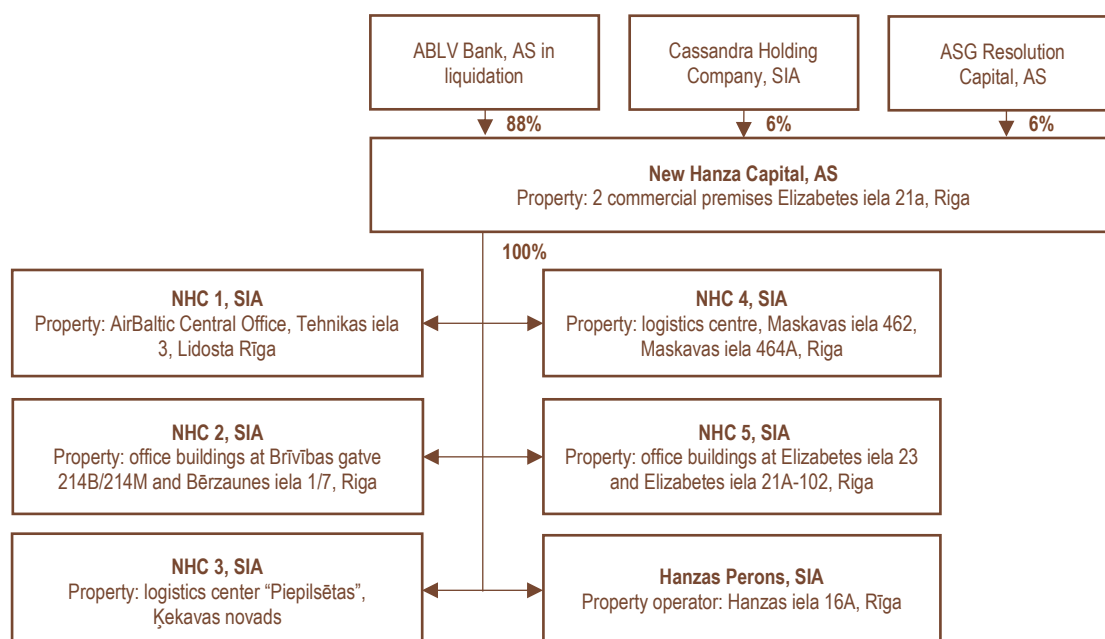
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Disclaimer

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	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> Ernestis Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council
Reporting period	1 January 2019 – 30 June 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 258 699 thousand profit before tax. The Company closed the reporting period with a pre-tax profit of EUR 155 747. 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 and cash flow indicators	Unit	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Income	EUR	1,845,404	1,906,135	611,567
Adjusted EBITDA	EUR	633,520	790,578	207,970
Profit before tax	EUR	258,699	526,226	137,848
Cash flows from operating activities	EUR	877,210	213,447	(4,526,277)
Group balance sheet indicators	Unit	30.06.2019	31.12.2018	31.12.2017
Gross asset value (GAV)	EUR	62,725,288	56,079,789	52,362,834
<i>incl. Investment property</i>	EUR	47,717,870	39,108,000	35,453,295
<i>incl. construction in progress</i>		903,922	279,146	-
<i>incl. current assets</i>	EUR	13,473,298	16,308,182	16,835,146
Liabilities	EUR	27,845,653	21,458,834	19,408,593
<i>incl. current liabilities</i>	EUR	3,340,962	2,459,407	1,861,576
Net asset value (NAV)	EUR	34,879,636	34,620,955	32,954,241
Total liquidity ratio	coef.	4.03	6.63	9.04
Group financial ratios	Unit	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Adjusted EBITDA margin	%	37.01%	30.95%	11.49%
Net profit margin	%	37.01%	284.12%	1.29%
Equity ratio	coef.	0.58	0.66	0.74
Return on equity	%	4.09%	28.51%	0.06%
Return on assets	%	2.37%	18.72%	0.05%
Group investment property indicators	Unit	30.06.2019	31.12.2018	31.12.2017
Number of investment properties	pcs.	11	9	8
Investment property market value	EUR	47,717,870	39,108,000	35,453,295
Leasable area	m ²	77,406	72,992	69,768
Annual contractual rent fee	EUR	2,877,403	2,890,062	2,875,981
Return on investment properties	%	6.0%	7.4%	8.1%
WALE	years	3.20	2.33	3.48
Average rent	EUR/m ² p.m.	4.57	4.31	4.24
Occupancy	%	68%	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 first six 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.

Group investment property overview

Property	Net leasable area, m2	Market value 31.12.2018, EUR	Direct property yield	Net initial yield	Acquisition date
Small retail spaces					
Elizabetes 21A -101;103, Riga	below 500 m2	689,000	11.65%	11.34%	IVQ 2012
Offices					
AirBaltic HQ, Tehnikas iela 3, Lidosta Rīga	above 5 000 m2	6,920,000	7.71%	6.94%	IQ 2016
VEF - Brīvības gatve 214B/214M un Bērzaunes iela 1/7, Riga*	above 25 000 m2	13,181,000	2.40%	2.12%	IIIQ 2017 - IIIQ 2018
Elizabetes 23 / 21A-102, Riga*	below 5 000 m2	8,094,000	n/a*	n/a*	IQ 2019
Warehouses					
"Piepilsētas", Ķekavas nov.	above 10 000 m2	7,560,000	n/a*	n/a*	IVQ 2016
Maskavas iela 462 / 464A, Riga	above 25 000 m2	10,758,000	14.35%	7.76%	IVQ 2017

*Currently the majority of property tenants are in rotation

Indicator and ratio details:

Property value = property fair value as at 31.12.2018

Direct property yield = net operating income (NOI) in the last quarter *4 / (property acquisition value + accumulated capitalized expenses)

Net initial yield = Net Operating Income (NOI) in the last quarter *4 / property market value

Investment property operational indicators

During the reporting period the Group expanded its investment property portfolio with the acquisition of two investment properties – an 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. Office spaces on Elizabetes iela 21A-102 are fully leased, whereas the majority of Elizabetes iela 23 office building tenants are in rotation. There is also a planned decrease in the tenant number in the office building on Brīvības gatve 214M as the management prepares the building for reconstruction. As a result of the aforementioned activities the Group closed the 2nd quarter 2019 with a slight decrease in the total rented area of the Group offices. The Group management continues its work on the tenant mix optimization in the remaining VEF territory offices.

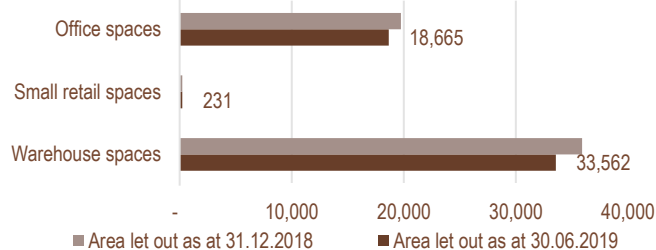
Decrease in the rented area of the Group warehouses recorded at the end of the 2nd quarter 2019 resulted from tenant rotation in one of the Group warehouses – "Piepilsētas" where vacancy reached 40% at the end of the reporting period. The Company subsidiary NHC 3, SIA has signed a long term lease agreement for the vacant space and is adjusting the spaces according to the new tenant requirements. With the new tenant occupancy in "Piepilsētas" should reach 99% by the end of 3rd quarter 2019.

During the reporting period there was a 20% increase in the average rents charged in Group offices as a result of Elizabetes iela 21A-102 office space acquisition where average rents are significantly higher than in other Group offices. The Group management expects a further increase in the average office rents charged in Group offices once tenant rotation on Elizabetes iela 23 is complete.

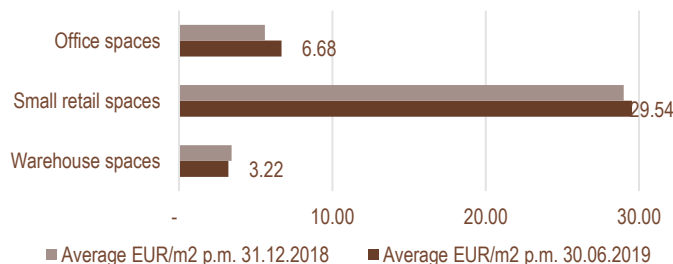
Top 5 tenants in the Group investment properties by leased area:

Tenant	Rented area (m2), 30.06.2019
LATAKKO, SIA	25,926
Air Baltic Corporation, AS	6,217
FORANS, SIA	2,829
DLW Latvija, SIA	2,742
THREE L TECHNOLOGIES, SIA	2,417
Total	40,131

Rented area in the Group investment properties - breakdown by space type, m2



Weighted average rent in Group investment properties by space type, EUR/m2



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 and the notes thereto set out on pages 8 through 20 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 June 2019 and 30 June 2018, and the results of their operations, changes in the share capital and reserves and cash flows for the six months of 2019 and the six 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 Milūns
Chairman of the Board



Arnolds Romeiko
Member of the Board

21 August 2019


Group and Company Condensed Interim Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for the six month period ended 30 June 2019

	Notes	Group 01.01.2019 - 30.06.2019 EUR	Group 01.01.2018 - 30.06.2018 EUR	NHC 01.01.2019 - 30.06.2019 EUR	NHC 01.01.2018 - 30.06.2018 EUR
Income	8	1,845,404	1,906,135	156,778	896,223
Operating expenses	9	(979,204)	(860,982)	(96,165)	(139,323)
Gross profit		866,200	1,045,153	60,613	756,900
Administrative expenses	10	(221,640)	(215,853)	(149,643)	(159,054)
Other operating income		68,949	21,296	-	14,984
Other operating expenses		(51,134)	(123,618)	(10,766)	(47,097)
Other interest and similar income		-	58,301	554,770	325,694
Other interest and similar expenses		(403,676)	(325,199)	(299,227)	(224,211)
Dividend income from subsidiaries		-	-	-	4,108,120
Income from a partial loss of contributions to subsidiary share capital		-	66,146	-	-
Profit / (loss) before taxes		258,699	526,226	155,747	4,775,336
Corporate income tax for the reporting period		(19)	(286)	-	-
Profit / (loss) for the reporting period		258,680	525,940	155,747	4,775,336
Total amount of comprehensive income		258,680	525,940	155,747	4,775,336

The accompanying notes on pages 12 to 20 form an integral part of these financial statements.

On behalf of the Board:



Edgars Milūns
Chairman of the Board



Arnolds Romeiko
Member of the Board

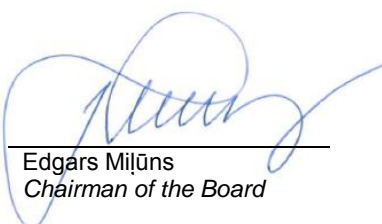
21 August 2019

Statements of Financial Position as at 30 June 2019

	Notes	Group 30.06.2019 EUR	Group 31.12.2018 EUR	NHC 30.06.2019 EUR	NHC 31.12.2018 EUR
Assets					
Non-current assets					
Intangible assets		2,498	2,981	2,498	2,981
Property and equipment		405,902	59,132	54,080	59,132
Investment property	11	47,717,870	39,108,000	689,000	689,000
Construction in progress		903,922	279,146	-	-
Investments in subsidiaries	12	-	-	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	-	-
Total non-current assets		49,251,990	39,771,607	14,658,747	6,377,113
Current assets					
Trade receivables		110,525	67,853	830,497	557,052
Loans to related parties	13	-	-	18,042,000	18,442,000
Other assets	14	12,826,984	12,451,688	12,139,279	12,132,205
Cash and cash equivalents		535,790	3,788,641	107,173	2,267,229
Total current assets		13,473,298	16,308,182	31,118,948	33,398,486
Total assets		62,725,288	56,079,789	45,777,696	39,775,599
Liabilities					
Equity					
Share capital	15	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		258,680	1,666,714	155,747	4,979,731
Total equity		34,879,635	34,620,955	29,772,723	29,616,976
Long term liabilities					
Loans	16	15,461,785	9,956,521	5,790,000	-
Bonds	16	8,956,052	8,956,052	8,956,052	8,956,052
Other assets	17	86,854	86,854	-	-
Total long term liabilities		24,504,691	18,999,427	14,746,052	8,956,052
Short term liabilities					
Loans	16	569,022	580,251	-	-
Bonds	16	1,125,614	1,145,372	1,125,614	1,145,372
Trade payables		512,125	315,005	3,043	12,593
Other liabilities	17	1,009,136	356,772	44,509	14,756
Accrued liabilities		125,064	62,007	85,754	29,850
Total short term liabilities		3,340,962	2,459,407	1,258,921	1,202,571
Total liabilities		27,845,653	21,458,834	16,004,973	10,158,623
Total liabilities and equity		62,725,288	56,079,789	45,777,696	39,775,599

The accompanying notes on pages 12 to 20 form an integral part of these financial statements.

On behalf of the Board:


 Edgars Milūns
 Chairman of the Board


 Arnolds Romeiko
 Member of the Board


21 August 2019

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

Notes	Group 01.01.2019 - 30.06.2019 EUR	Group 01.01.2018 - 30.06.2018 EUR	NHC 01.01.2019 - 30.06.2019 EUR	NHC 01.01.2018 - 30.06.2018 EUR
Cash flows from operating activities				
(Loss) / profit of the reporting period before tax	258,699	526,226	155,747	4,775,336
Adjustments for:				
Depreciation of fixed assets	23,406	4,727	5,536	4,727
Interest income	-	(58,301)	(554,770)	(325,694)
Interest expenses	403,676	325,199	299,227	224,211
Dividend income	-	-	-	(4,108,120)
Income from investments in associates	-	6,793	-	-
Changes in the value of long-term and short-term financial assets	(5,450)	-	-	-
Reclassification of investments in company share capital	12	106,000	-	106,000
Profit before changes in working capital	786,331	814,049	11,740	579,865
(Increase) / decrease in trade receivables	(417,968)	(314,318)	(26,354)	(128,425)
Increase / (decrease) in trade payables	810,027	(146,385)	(26,600)	(343,617)
Interest payments received	-	33,471	300,605	33,471
Interest paid	(300,933)	(101,978)	(196,484)	(989)
Corporate income tax payments	(248)	(71,392)	(35)	-
Cash flows from operating activities	877,210	213,447	62,872	140,305
Cash flows from investing activities				
Investment property acquisition / construction expenses	(9,234,646)	(421,701)	-	-
Purchase of property, plant and equipment	(369,693)	(37,986)	(0)	(37,986)
Sale of property, plant and equipment	-	16,529	-	16,529
Acquisition of shares in related companies/ net cash paid	12	-	(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
Dividends received	-	-	-	4,108,120
Loans issued	-	-	-	(4,953,120)
Loans repaid	-	-	400,000	-
Investments in financial assets	-	8,694,547	-	8,694,547
Net cash flows generated from / (used in) investing activities	(9,604,338)	7,952,889	(7,993,170)	8,915,952
Cash flows from financing activities				
Loans received	5,474,277	3,000,000	5,770,242	-
Loans repaid	-	(670,062)	-	(479,254)
Net cash flows from financing activities	5,474,277	2,329,938	5,770,242	(479,254)
Increase / (decrease) in net cash during the reporting period	(3,252,851)	10,496,274	(2,160,056)	8,577,003
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	535,790	14,715,453	107,173	12,609,654

The accompanying notes on pages 12 to 20 form an integral part of these financial statements.

On behalf of the Board:



Edgars Milūns
 Chairman of the Board



Arnolds Romeiko
 Member of the Board

21 August 2019

Group Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2019

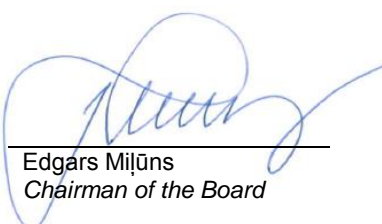
	Notes	Paid-in share capital	Reserves	Retained earnings	Profit for the reporting period	Total share capital and reserves
1 January 2018		25,000,000	-	7,954,241	-	32,954,241
Total comprehensive income						
Total comprehensive income for the reporting period			-		1,666,714	1,666,714
31 December 2018	15	25,000,000	-	7,954,241	1,666,714	34,620,955
1 January 2019		25,000,000		9,620,955		34,620,955
Total comprehensive income						
Total comprehensive income for the reporting period			-	-	258,680	258,680
30 June 2019	15	25,000,000	-	9,620,955	258,680	34,879,635

Company Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2019

	Notes	Paid-in share capital	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	15	25,000,000	-	(362,755)	4,979,731	29,616,976
1 January 2019		25,000,000		4,616,976		29,616,976
Total comprehensive income						
Total comprehensive income for the reporting period			-	-	155,747	155,747
30 June 2019	15	25,000,000	-	4,616,976	155,747	29,772,723

The accompanying notes on pages 12 to 20 form an integral part of these financial statements.

On behalf of the Board:


 Edgars Mijūns
 Chairman of the Board


 Arnolds Romeiko
 Member of the Board

21 August 2019

Notes to the financial statements

1. The reporting entity and the group

New Hanza Capital, AS (the Company or NHC) is the entity preparing the Group and Company condensed interim financial statements. For information on the Company's ownership structure please refer to page 3 of this report. Information on ultimate beneficial owners of the Company largest shareholder is available on the largest shareholder's homepage www.ablv.com. Since the end of 2015, the Company has been investing funds in cash generating commercial properties. The Group and Company condensed interim financial statements for the six month period ended 30 June 2019 present the financial information of the Company and its subsidiaries (the Group). In line with applicable requirements, these condensed interim financial statements for the six month period ended 30 June 2019 include the Company's separate financial statements. The Company is the Group parent company.

The Group consists of the following companies:

New Hanza Capital, AS

registration date:	6 June 2006
legal address:	Pulkveža Brieža iela 28A, Rīga, LV-1045
NACE code, primary activity type	6820 Renting and operating of own or leased real estate 7010 Activities of head offices
Investment property in ownership	commercial premises on Elizabetes iela 21A, Rīga

NHC 1, SIA

registration date:	9 September 2009
legal address:	Pulkveža Brieža iela 28A, Rīga, LV-1045
NACE code, primary activity type	6820 Renting and operating of own or leased real estate
Company participation %	100%
Investment property in ownership	office building at Tehnikas iela 3, Rīga International Airport in Mārupe district

NHC 2, SIA

registration date:	25 January 2016
legal address:	Pulkveža Brieža iela 28A, Rīga, LV-1045
NACE code, primary activity type	6820 Renting and operating of own or leased real estate
Company participation %	100%
Investment property in ownership	office buildings in Rīga, in the territory of the former State Electrotechnical Factory (VEF), Brīvības gatve 214B, Brīvības gatve 214M, Bērzaunes iela 1 and Bērzaunes iela 7

NHC 3, SIA

registration date:	20 May 2016
legal address:	Pulkveža Brieža iela 28A, Rīga, LV-1045
NACE code, primary activity type	6820 Renting and operating of own or leased real estate
Company participation %	100%
Investment property in ownership	office and warehouse complex in Piepilsētas, Krustkalni, Ķekavas novads

NHC 4, SIA

registration date:	15 November 2016
legal address:	Pulkveža Brieža iela 28A, Rīga, LV-1045
NACE code, primary activity type	6820 Renting and operating of own or leased real estate
Company participation %	100%
Investment property in ownership	warehouse complex in Rīga, Maskavas iela 462 and Maskavas iela 464A.

NHC 5, SIA

registration date:	15 November 2016
legal address:	Pulkveža Brieža iela 28A, Rīga, LV-1045
NACE code, primary activity type	6820 Renting and operating of own or leased real estate
Company participation %	100%*
Investment property in ownership	offices on Elizabetes iela 23 and office spaces on Elizabetes iela 21A-102

Hanzas Perons, SIA (previously NHC 6, SIA)

registration date:	15 November 2016
legal address:	Hanzas iela 16A, Rīga, LV-1045
NACE code, primary activity type	6820 Renting and operating of own or leased real estate
Company participation %	100%
Investment property in ownership	none

*The Company held 100% of share capital of NHC 5, SIA in the period from 15 November 2016 until 8 April 2018 and it was included in the Group until that date. During the period 9 April 2018 to 7 February 2019 NHC 5, SIA was not in the Group. Starting from 8 February 2019 the Company holds 100% of NHC 5, SIA share capital. For further information refer to the Group Management Report¹²

2. Accounting principles

These Group and Company condensed interim financial statements were prepared on a going concern basis in conformity with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union. The Board approved these financial statements for release on 21 August 2019.

Group and Company financial statement comparable figures for the reporting period of 2018 are classified according to the reporting period of 2019 principles, and are fully comparable.

These financial statements cover the six months from 1 January 2019 to 30 June 2019.

All companies within the Group consistently apply the Company accounting methods.

3. Estimates and judgments

The preparation of financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key judgments and estimates are:

a) Valuation of investment property

Land and buildings held to earn rental income are classified as investment property and are measured at fair value, with any changes in fair value recognized as profit or loss in the statement of comprehensive income. Investment property is valued by an external certified appraiser at least once a year (refer to Note 11 - Investment property). In cases where specific assumptions of the external appraiser are not deemed to be acceptable, there may be internal value corrections.

Investment property under development, where completely new buildings are under construction, and where the fair value of such investment property is not reliably measurable but the management expects the fair value of such property to be reliably measurable once construction is complete, is measured at cost according to IAS 40 §53 until either its fair value becomes reliably measurable or construction is completed. Investment property under development, where existing buildings are undergoing reconstruction, is measured at fair value.

b) Business combination vs acquisition of assets

The Group acquires investment property with effective rent agreements. In order to establish whether the acquired investment property qualifies as a business, the Group carries out a legal agreement review in accordance with the criteria laid down in IFRS 3 Business Combinations before acquisition. The management determined that investment properties acquired during the reporting do not qualify as businesses as these properties had been acquired with rent agreements but without any agreements that involve processes such as real estate management.

c) Recognition of investment property

The Group recognizes Investment property after the title to the property has been registered in the Land Register or acceptance and transfer of the property certificate has been approved.

d) Determining fair value of financial instruments

The fair value of financial assets is determined based on external documents such as investment portfolio overviews issued by credit institutions and information available on international stock exchange websites regarding the market value of financial instruments.

4. Consolidation

These consolidated financial statements include New Hanza Capital, AS and all subsidiaries and associated companies controlled by New Hanza Capital, AS (the Group parent company). Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Detailed information on Company subsidiaries is disclosed in Note 12 and Note 18. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated upon consolidation. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Loss of control of a subsidiary

In case the Group parent company loses control of a subsidiary, it:

- stops recognizing associate assets (including intangible assets) and liabilities carrying amounts at the date of loss of control over a subsidiary;
- stops recognizing the investment in associate over which it lost control in its carrying amount at the date of loss of control over a subsidiary (incl. income not reflected in the profit and loss statement);
- recognizes payments and other compensation received in exchange for the loss of control over the subsidiary;
- recognizes remaining investments in an associate over which it lost control at fair value at the date of loss of control over the subsidiary.

5. Basis of measurement

These financial statements are prepared on the historical cost basis except for investment property and financial assets, which are measured at fair value. The profit and loss statement is prepared according to the function method. The statement of cash flows is prepared using the indirect method.

6. Cash

All amounts in these condensed interim financial statements are expressed in the Latvian national currency – euro (EUR). Euro is the Group's accounting and functional currency.

7. Subsequent events

These interim condensed financial statements reflect subsequent events that provide evidence of circumstances that existed at the end of the reporting period (adjusting events). Where the nature of subsequent events is other than adjusting, they are disclosed in the notes to the interim condensed financial statements only if they are significant.

8. Income

	Group 01.01.2019 - 30.06.2019 EUR	Group 01.01.2018 - 30.06.2018 EUR	NHC 01.01.2019 - 30.06.2019 EUR	NHC 01.01.2018 - 30.06.2018 EUR
Income from lease and management of premises	1,650,869	1,861,414	40,496	41,100
Income resulting from the decrease of associate share capital	-	-	-	568,280
Other revenue	194,535	44,721	116,282	286,843
Total	1,845,404	1,906,135	156,778	896,223

Income represents revenues generated during the reporting period from the Group's basic activities – lease and management of premises, net of value added tax and discounts.

9. Operating expenses

	Group 01.01.2019 - 30.06.2019 EUR	Group 01.01.2018 - 30.06.2018 EUR	NHC 01.01.2019 - 30.06.2019 EUR	NHC 01.01.2018 - 30.06.2018 EUR
Investment property maintenance expenses	469,676	433,322	5,250	45
Other operating expenses	430,920	182,364	12,307	7,717
Personnel expenses*	78,608	81,432	78,608	81,432
Due diligence expenses	-	163,864	-	50,129
Total	979,204	860,982	96,165	139,323

*Personnel expenses are expenses associated with the Company employee compensation during the reporting period. The Company subsidiaries did not employ any employees during the reporting period.

10. Administrative expenses

	Group 01.01.2019 - 30.06.2019 EUR	Group 01.01.2018 - 30.06.2018 EUR	NHC 01.01.2019 - 30.06.2019 EUR	NHC 01.01.2018 - 30.06.2018 EUR
Personnel expenses*	106,004	97,178	106,004	97,178
Professional services	98,597	78,348	33,843	25,988
Other administrative expenses	17,039	40,327	9,797	35,888
Total	221,640	215,853	149,643	159,054

*Personnel expenses are expenses associated with the Company employee compensation during the reporting period.

11. Investment property

Group	Investment property EUR
31 December 2017	35,453,395
Acquisition	2,952,188
Revaluation result recognized in profit or loss as a gain on revaluation of investment property	702,417
31 December 2018	39,108,000
Acquisition	8,609,870
30 June 2019	47,717,870
NHC	Investment property EUR
31 December 2017	748,000
Revaluation result recognized in profit or loss as a gain on revaluation of investment property	(59,000)
31 December 2018	689,000
30 June 2019	689,000

The fair value of the Group's investment property is measured in the fourth quarter of every year or more often if the Group management becomes aware of material changes in the quality of long-term investments or a loss event. Fair values of investment properties may be determined also by reference to prior appraisals not older than 12 months from the valuation date.

12. Investments in subsidiaries

	EUR
Balance as at 31.12.2017	5,696,362
Elimination of contributions to other share capital	(10,000)
Decrease in contributions to other share capital	(2,100,000)
Increase in contributions to other share capital	1,733,638
Balance as at 31.12.2018	5,320,000
Contributions to subsidiary share capital	8,287,170
Reclassification of contributions to other share capital	106,000
Balance as at 30.06.2019	13,713,170

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.

Company name	Number of shares as at 30.06.2019 %	Investment carrying amount as at 30.06.2019 EUR	Subsidiary equity value as at 30.06.2019 EUR	Subsidiary profit / (loss) in the reporting period EUR
NHC 1, SIA	100	500,000	1,029,200	95,861
NHC 2, SIA	100	3,000,000	3,485,703	(66,797)
NHC 3, SIA	100	700,000	2,572,386	55,951
NHC 4, SIA	100	1,100,000	3,433,475	121,060
NHC 5, SIA	100	8,393,170	8,160,565	(121,590)
Hanzas Perons, SIA	100	20,000	6,838	(2,454)
Total		13,713,170	18,688,167	82,031

Company name	Number of shares as at 31.12.2018 %	Investment carrying amount as at 31.12.2018 EUR	Subsidiary equity value as at 31.12.2018 EUR	Subsidiary profit / (loss) in the reporting period EUR
NHC 1, SIA	100	500,000	933,337	413,337
NHC 2, SIA	100	3,000,000	3,552,500	155,534
NHC 3, SIA	100	700,000	2,516,435	721,808
NHC 4, SIA	100	1,100,000	3,312,415	212,415
Hanzas Perons, SIA	100	20,000	9,291	(4,751)
Total		5,320,000	10,323,978	1,498,343

13. Loans to subsidiaries

	Group 30.06.2019 EUR	Group 31.12.2018 EUR	NHC 30.06.2019 EUR	NHC 31.12.2018 EUR
Long term part				
Loans to subsidiaries	-	-	-	-
Short term part				
Loans to subsidiaries	-	-	18,042,000	18,442,000
NHC 1, SIA	-	-	2,070,000	2,070,000
NHC 2, SIA	-	-	9,923,000	10,323,000
NHC 3, SIA	-	-	1,502,000	1,502,000
NHC 4, SIA	-	-	4,542,000	4,542,000
Hanzas Perons, SIA	-	-	5,000	5,000
Total	-	-	18,042,000	18,442,000

Loans to related companies include loans to subsidiaries and loans to Group related companies disclosed as credit lines.

14. Other assets

	Group 30.06.2019 EUR	Group 31.12.2018 EUR	NHC 30.06.2019 EUR	NHC 31.12.2018 EUR
Balances on bank accounts: ABLV Bank, AS in Liquidation*	12,091,003	12,091,003	12,056,904	12,056,904
Taxes	302,436	54,390	42,618	14,289
Accrued income	247,598	222,273	-	18,766
Deferred expenses	176,981	83,906	39,230	42,130
Other assets	8,965	116	526	116
Total	12,826,984	12,451,688	12,139,279	12,132,205

*The Board believes that that the funds in ABLV Bank, AS in Liquidation accounts are fully recoverable.

15. Share capital

	%	Group 30.06.2019 EUR	%	Group 31.12.2018 EUR	%	NHC 30.06.2019 EUR	%	NHC 31.12.2018 EUR
ABLV Bank, AS in Liquidation	88	22,000,000	88	22,000,000	88	22,000,000	88	22,000,000
PREMIUM FINANCE GROUP, SIA	-	-	6	1,500,000	-	-	6	1,500,000
ASG Resolution Capital, AS	6	1,500,000	-	-	6	1,500,000	-	-
Cassandra Holding Company, SIA	6	1,500,000	6	1,500,000	6	1,500,000	6	1,500,000
Total	100	25,000,000	100	25,000,000	100	25,000,000	100	25,000,000

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.

16. Loans and bonds

	Group 30.06.2019 EUR	Group 31.12.2018 EUR	NHC 30.06.2019 EUR	NHC 31.12.2018 EUR
Long term loans from credit institutions	15,461,785	9,956,521	5,790,000	-
Issued debt securities (bonds)	8,956,052	8,956,052	8,956,052	8,956,052
Total long term loans	24,417,837	18,912,573	14,746,052	8,956,052
Short-term part of long-term loans from credit institutions	569,022	568,196	-	-
Short term part of issued debt securities (bonds)	1,043,948	1,043,948	1,043,948	1,043,948
Accrued interest on long term loans	-	12,055	-	-
Accrued liabilities for coupon interest payments on issued debt securities (bonds)	81,666	101,424	81,666	101,424
Total short-term-loans	1,694,636	1,725,623	1,125,614	1,145,372
Total long and short term loans	26,112,473	20,638,196	15,871,666	10,101,424

The bonds were issued in EUR and the total nominal value of the issue was EUR 10 000 000, the nominal value of a bond is EUR 1 000. The annual interest rate is fixed at 4.9% and coupon payments are made twice a year. Initial placement price: 100% of the face value. The issue date is 16 October 2017, and the maturity date is 16 October 2022. The issuer may exercise the call option prematurely. On 19 October 2017, the bonds were admitted to the regulated market —the Baltic Bond List of Nasdaq Riga (ISIN LV0000802312).

	Group 30.06.2019 EUR	Group 31.12.2018 EUR	NHC 30.06.2019 EUR	NHC 31.12.2018 EUR
Changes in loans				
At the beginning of the reporting period	20,638,196	18,542,626	10,101,424	10,560,920
Loans received	5,790,000	3,000,000	5,790,000	-
Loans repaid	283,910	902,946	-	457,152
Changes in accrued loan and coupon interest liabilities	(31,813)	(1,484)	(19,758)	(2,344)
At the end of the reporting period	26,112,473	20,638,196	15,871,666	10,101,424
Loans by category of lender	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Related credit institutions	9,819,862	4,080,588	5,790,000	-
Other credit institutions	6,210,945	6,456,184	-	-
Debt securities (bonds) issued	10,081,666	10,101,424	10,081,666	10,101,424
Total loans	26,112,473	20,638,196	15,871,666	10,101,424
Loans by maturity	30.06.2019	31.12.2018	30.06.2019	31.12.2018
< 1 year (short term part of long term loans)	1,694,636	1,725,623	1,125,614	8,956,052
1 – 5 years	24,417,837	18,912,573	14,746,052	1,145,372
Total loans	26,112,473	20,638,196	15,871,666	10,101,424

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.

17. Other liabilities

	Group 30.06.2019 EUR	Group 31.12.2018 EUR	NHC 30.06.2019 EUR	NHC 31.12.2018 EUR
Long term part				
Security deposits received from tenants	86,854	86,854	-	-
Short term part				
Security deposits received from tenants	767,340	333,228	14,200	14,200
Taxes due	241,506	18,364	30,019	391
Other creditors	290	5,180	290	165
Total	1,095,990	443,626	44,509	14,756

18. Operating segments

The operating activities of the Group are analyzed by the Board of the Company on the level of individual group companies. The operating income represents revenue generated from lease of premises. The subsidiaries do not employ any staff and professional services are outsourced.

The Company has agreements in place with its subsidiaries concerning management services. These management services include strategic management, day-to-day management and supervision of investments. Compensation for the management services is set on an arm's length basis.

Assets	30.06.2019 EUR	31.12.2018 EUR
NHC	45,777,696	39,775,599
NHC 1, SIA	7,374,841	7,308,842
NHC 2, SIA	13,754,715	14,362,052
NHC 3, SIA	7,707,896	7,702,997
NHC 4, SIA	11,848,766	11,250,067
NHC 5, SIA	8,699,467	-
Hanzas Perons, SIA	11,984	15,964
Eliminated intra-group transactions	(32,450,076)	(24,335,732)
Total	62,725,288	56,079,789
Liabilities	30.06.2019 EUR	31.12.2018 EUR
NHC	16,004,973	10,158,623
NHC 1, SIA	6,345,641	6,375,505
NHC 2, SIA	10,269,011	10,809,552
NHC 3, SIA	5,135,510	5,186,562
NHC 4, SIA	8,415,291	7,937,652
NHC 5, SIA	538,902	-
Hanzas Perons, SIA	5,147	6,673
Eliminated intra-group transactions	(18,868,822)	(19,015,733)
Total	27,845,653	21,458,834

Profit and loss for the period 01.01.2019 - 30.06.2019

	NHC	NHC 1	NHC 2	NHC 3	NHC 4	NHC 5	Hanzas Perons, SIA	Eliminated upon consolidation	Total
Net sales (external)	40,496	249,176	540,298	256,085	559,396	199,953	-	-	1,845,404
Net sales (internal)	116,282	-	-	-	-	-	-	(116,282)	-
Operating expenses	(96,165)	(5,213)	(380,999)	(64,432)	(157,594)	(274,802)	-	-	(979,204)
Gross profit	60,613	243,963	159,300	191,653	401,802	(74,848)	-	(116,282)	866,200
Administrative expenses	(149,643)	(23,173)	(64,604)	(31,399)	(40,921)	(25,820)	(2,362)	116,282	(221,640)
Other operating income	-	3,638	60,495	4,778	39	-	-	-	68,949
Other operating expenses	(10,765)	(2,725)	(29,438)	(5,187)	(3,003)	(16)	-	-	(51,134)
Interest received and similar income	554,770	-	-	-	-	-	-	(554,770)	-
Interest paid and similar expenses	(299,227)	(125,842)	(192,549)	(103,880)	(236,857)	-	(92)	554,770	(403,676)
Profit / (loss) before taxes	155,748	95,861	(66,797)	55,966	121,060	(100,684)	(2,454)	-	258,699
CIT	-	-	-	(15)	-	(4)	-	-	(19)
Profit / (loss) for the reporting period	155,748	95,861	(66,797)	55,951	121,060	(100,688)	(2,454)	-	258,680


Profit and loss for the period 01.01.2018 - 30.06.2018

	NHC	NHC 1	NHC 2	NHC 3	NHC 4	Other	Eliminated upon consolidation	Total
Net sales (external)	85,821	249,174	632,857	361,412	576,871	-	-	1,906,135
Net sales (internal)	810,402	-	-	-	-	-	(810,402)	-
Operating expenses	(139,323)	(12,377)	(371,637)	(60,890)	(239,860)	(36,895)	-	(860,982)
Gross profit	756,900	236,797	261,220	300,522	337,011	(36,895)	(810,402)	1,045,153
Administrative expenses	(159,054)	(22,456)	(56,148)	(25,256)	(36,944)	(2,759)	86,764	(215,853)
Other operating income	14,984	-	11,715	-	1,390	-	(6,793)	21,296
Other operating expenses	(47,097)	(2,425)	(69,922)	(2,645)	(1,529)	-	-	(123,618)
Interest received and similar income	325,694	-	-	-	-	-	(267,393)	58,301
Interest paid and similar expenses	(224,211)	(42,999)	(144,521)	(60,026)	(120,015)	(820)	267,393	(325,199)
Investment property revaluation	4,108,120	-	-	-	-	-	(4,108,120)	-
Income from a partial loss of contributions to subsidiary share capital	-	-	-	-	-	-	66,146	66,146
Profit / (loss) before taxes	4,775,336	168,917	2,344	212,595	179,913	(40,474)	(4,772,405)	526,226
CIT	-	-	(285)	(1)	-	-	-	(286)
Profit / (loss) for the reporting period	4,775,336	168,917	2,059	212,594	179,913	(40,474)	(4,772,405)	525,940

19. Subsequent events

On 16 August 2019 the Company subsidiary NHC 6, SIA registered changes in its Board, changes in its legal address, changes in its statutes, as well as changes in its name to Hanzas Perons, SIA in the Register of Enterprises of the Republic of Latvia. Hanzas Perons, SIA initiated the aforementioned changes after signing an operating agreement with Pillar Development, SIA. Under this agreement Hanzas Perons, SIA will operate the Pillar Development, SIA concert and event hall "Hanzas Perons" located on Hanzas iela 16A, Riga.

On behalf of the Board:



Edgars Miļuns
Chairman of the Board



Arnolds Romeiko
Member of the Board

21 August 2019