



New Hanza Capital, AS

Group and Company Condensed Interim Report
for the six month period ended 30 June 2018
(unaudited)

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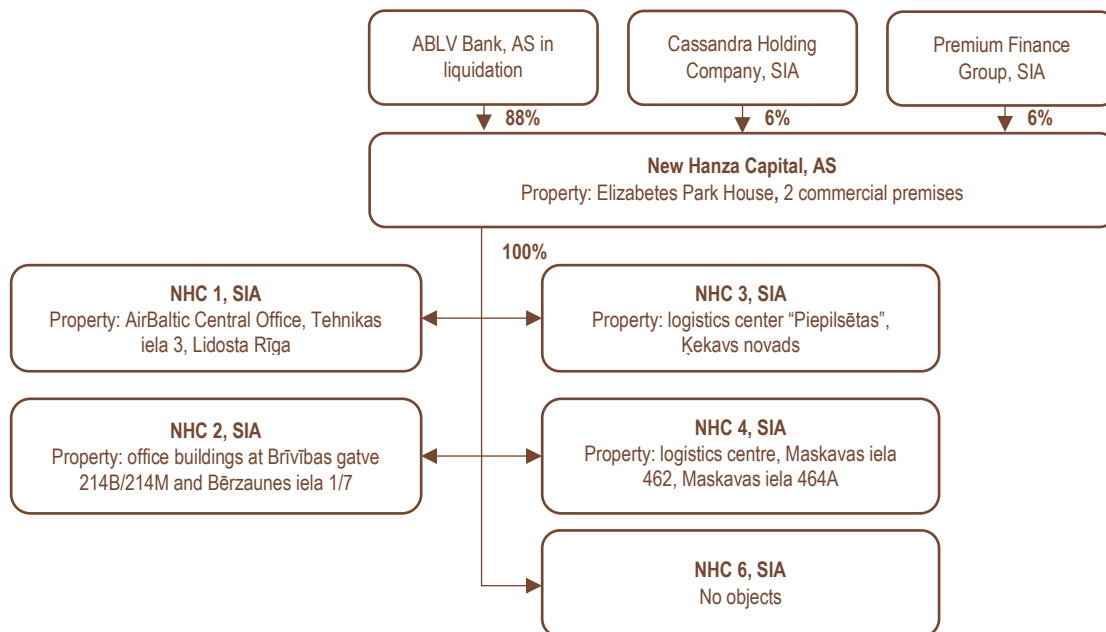
Disclaimer

The financial statements were prepared in Latvian and English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

General information

Name of the Company	New Hanza Capital
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	68.20 Renting and operating of own or leased real estate 70.10 Activities of head offices
Members of the Board and their positions	<p><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</p> <p><u>From 7 March 2018 till 19 March 2018</u> Aija Hermane-Sabule, Chairman of the Board Arnolds Romeiko, Member of the Board</p> <p><u>From 1 March 2018 to 6 March 2018</u> Arnolds Romeiko, Member of the Board</p> <p><u>From 4 August 2016 to 28 February 2018</u> Andris Kovaļčuks, Chairman of the Board Arnolds Romeiko, Member of the Board</p>
Members of the Council and their positions	<p><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</p> <p><u>From 13 February 2018 till 18 March 2018</u> Ernests Bernis, Chairman of the Council Edgars Miļūns, Deputy Chairperson of the Council Edgars Pavlovičs, Member of the Council Māris Kannenieks, Member of the Council</p> <p><u>From 4 august 2016 to 12 February 2018</u> Ernests Bernis, Chairman of the Council Ieva Valtere, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council</p>
Reporting period	1 January 2018 – 30 June 2018

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 its own funds, as well as third party funds in commercial properties, sustainably increase rental income and promote long-term property value and capital growth.

The Group specialises in the acquisition of office buildings, warehouses and logistic centres. 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.

Key events in the 1st half 2018

February

On 20 February 2018, Group company NHC 4, SIA obtained a loan of EUR 3 million from a local credit institution. The loan matures on 7 February 2023.

On 22 February 2018, the Company received a payment of EUR 12.22 million from ABLV Bank, AS in liquidation bond redemption and final bond coupon payment. The funds were used to cover the Company's loan from ABLV Bank, AS in liquidation of EUR 453.5 thousand. Additionally, the Company placed a deposit with ABLV Bank, AS in liquidation for EUR 6 million. The Company cancelled this deposit on 28 March 2018.

On 28 February 2018 the Company signed an agreement on the sale of shares of the associated company SG Capital Partners AIFP, SIA. The transaction value is EUR 15 000.

On 28 February 2018 Andris Kovaļčuks handed in a resignation notice from the position of Chairman of the Board and CEO of the Company and its subsidiaries effective from 28 February 2018. Deputy CEO, Arnolds Romeiko continues working on the Company Board. In the period from 7 March 2018 to 19 March 2018 Aija Hermane-Sabule served as the Company Chairman of the Board in the Company and its subsidiaries. Starting from 20 March 2018 Edgars Mijūns serves as the Company Chairman of the Board. Aija Hermane-Sabule and Arnolds Romeiko continue to serve on the Company Board as Board Members. Aija Hermane-Sabule continues to serve as the Chairman of the Board in the Company subsidiaries.

April

On 9 April 2018 the Company increased its subsidiary NHC 5, SIA share capital to EUR 8 200 000. The Company has applied for 96 000 NHC 5, SIA shares, as well as gave up pre-emptive rights to the remaining NHC 5, SIA shares. As a result, the Company participation in NHC 5, SIA has decreased to 1.29%. Within the process of share capital increase ABLV Bank, AS in liquidation applied for NHC 5, SIA shares, and used property contribution to pay for the NHC 5, SIA share capital increase, acquiring 98.71% participation in NHC 5, SIA. On 11 April 2018 NHC 5, SIA share capital increase has been registered in the Register of Enterprises.

May

On 10 May 2018 the Company has acquired a 0.28% participation in New Hanza Centre, SIA (reg. No. 40203037667), legal address Pulkveža Brieža iela 28A, Rīga, LV-1045, by acquiring 100 000 shares for EUR 100 000. 1 share nominal value is EUR 1.00. New Hanza Centre, SIA primary activity is renting and operating of own or leased real estate. The Company participation in New Hanza Centre, SIA aims to provide capital for technical design completion of the offices on M. Tāla iela 3, Rīga and earn dividends upon project completion.

On 16 May 2018 the Company has acquired a 0.25% participation in Pillar Development, SIA (reg. No. 40103222826), legal address Pulkveža Brieža iela 28A, Rīga, LV-1045, by acquiring 100 000 shares for EUR 100 000. 1 share nominal value is EUR 1.00. Pillar Development, SIA primary activity is renting and operating of own or leased real estate. The Company participation in Pillar Development, SIA will facilitate reconstruction completion of the historical Riga cargo station and will allow the Company to earn dividends from its investment upon project completion.

June

On 28 June 2018 the Group registered a decrease in the share capital of Group companies NHC 1, SIA and NHC 3, SIA in the Register of Enterprises. NHC 1, SIA share capital was reduced to EUR 500 000. NHC 3, SIA share capital was reduced to EUR 700 000. Taking into account future development plans, the Company optimized subsidiary share capital in order to ensure that share capital amounts reflect subsidiary long-term capital needs.

On 15 June 2018 New Hanza Capital, AS subsidiary NHC 2, SIA acquired an additional office building in the territory of the former State Electrotechnical Factory (VEF) at Bērzaunes iela 7 for EUR 1 900 000. This acquisition bears a strategic importance to the Group development plans in the VEF territory, as well as increases the value of Group previous investments in the neighbourhood. The Bērzaunes iela 7 office building total leasable area amounts to 3 200 square meters. Currently, there are 18 tenants in the building. The largest tenant is "Sky Dream Clinic", a dentistry and aesthetic medicine center. NHC 2, SIA took over the existing lease agreements, and recognized Bērzaunes 7 office building acquisition in the company books on 23 July 2018.

Group key financial indicators

The Group result for the reporting period amounts to a EUR 526 thousand profit before tax. The Company closed the first half of 2018 with a pre-tax profit of EUR 4.775 million. The Group profit for the reporting period is in line with management expectations. The Company profit was primarily generated by dividend income received from associates. As the Group subsidiaries act according to the Company's objectives and the nature of their activities in the reporting period did not differ materially from that of the Company the Group management focusses on analysing only the consolidated results of the Group.

Group profit and cash flow indicators	Unit	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	Change %
Income	EUR	1 906 135	611 567	211.68%
Adjusted EBITDA	EUR	797 851	207 970	283.64%
Adjusted EBIT	EUR	793 124	207 174	282.83%
Profit before tax	EUR	526 226	137 848	281.74%
Net income	EUR	525 940	115 778	354.27%
Cash flows from operating activities	EUR	197 248	(4 526 277)	n/a
Group balance sheet indicators	Unit	30.06.2018	31.12.2017	Change %
Assets	EUR	55 224 442	52 362 834	5.46%
<i>Incl. investment property</i>	EUR	35 875 096	35 453 395	1.19%
<i>Incl. current assets</i>	EUR	18 976 022	16 835 146	12.72%
Shareholders' equity	EUR	33 480 180	32 954 241	1.60%
Liabilities	EUR	21 744 262	19 408 593	12.03%
<i>Incl. short term liabilities</i>	EUR	1 812 950	1 861 576	-2.61%
Group financial ratios	Unit	30.06.2018	30.06.2017	Change %
Adjusted EBITDA margin	%	30.52%	18.52%	64.80%
Adjusted EBIT margin	%	30.18%	18.44%	63.68%
Net profit margin	%	284.12%	1.29%	n/a
Equity ratio	%	61.75%	66.25%	-6.79%
Return on equity	%	25.13%	0.05%	n/a
Return on assets	%	15.52%	0.03%	n/a
Total liquidity ratio	%	1046.69%	904.35%	15.74%
Investment property indicators of the Group	Unit	30.06.2018	31.12.2017	Change %
Number of investment properties	pcs.	8	8	-
Market value of investment properties	EUR	35 875 096	35 453 395	1.19%
Rentable area	m ²	69 768	69 768	-
Annual contractual rent fee	EUR	2 808 309	2 875 981	-2.35%
Return on investment properties at market value	%	7.83%	8.11%	-3.50%
WALE	years	3.18	3.48	-8.76%
Weighted average rent rate	EUR/m ² p.m.	4.15	4.24	-2.21%
Occupancy	% of rentable area	81%	85%	-4.88%

Explanation of indicators and ratios

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

Adjusted EBIT = earnings before interest, taxes, gains and losses from investment property revaluation

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

Adjusted EBIT margin = adjusted EBIT (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) * 100%

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

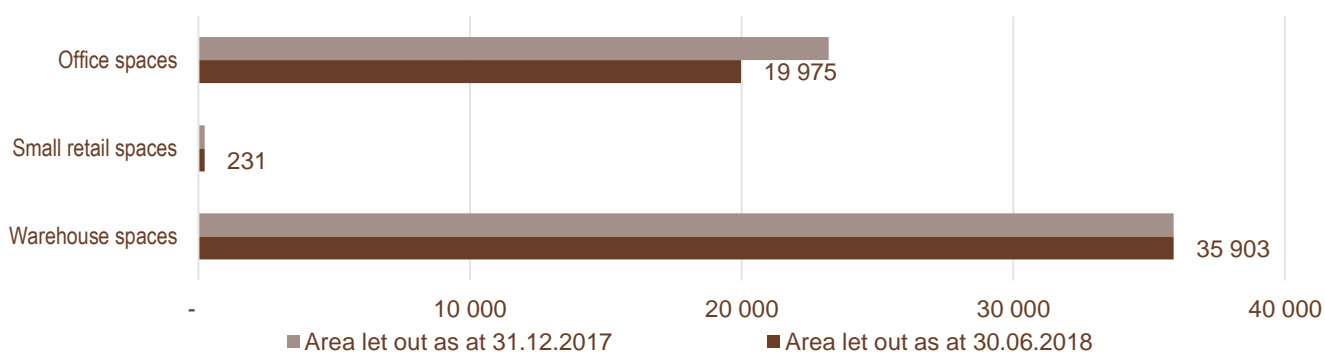
Weighted average rental rate = area (m²) weighted average rental rate at the given date, EUR/m² p.m.

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

Group performance indicators

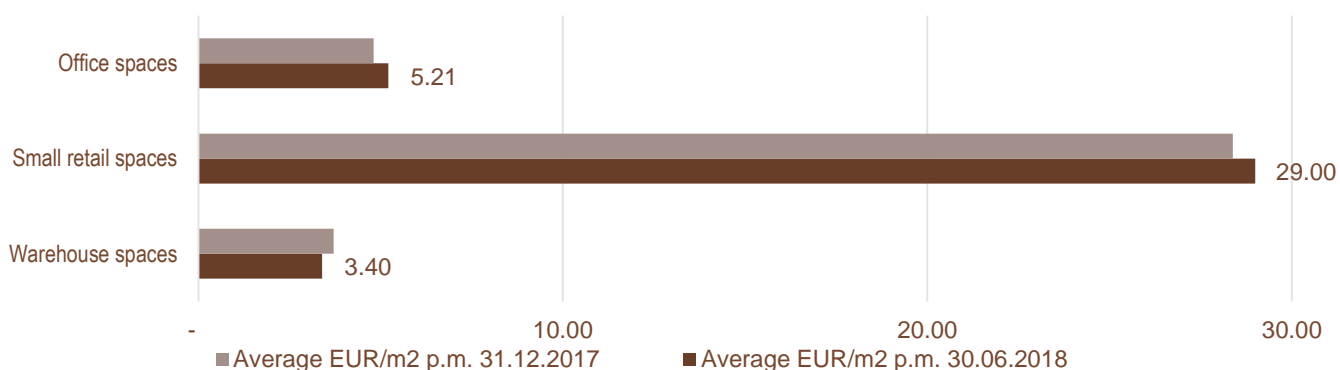
During the reporting period the number of Group investment properties remained unchanged. Instead, the Group is working on the improvement and development of existing properties. Particularly, in the 1st quarter 2018 the Group management finalized the development concept of the logistics centre on Maskavas iela 462 / 464A, moving to detailed design and planning works in the 2nd quarter 2018. Moreover, detailed design and planning works are ongoing within the reconstruction project in one of the VEF territory office buildings - Brīvības gatve 214M.

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



During the 1st half of 2018 there was a 12% decrease in the average monthly rent per square meter in the Group office spaces. This change was caused by the active property management works in the VEF territory offices, including rent increases to market level, as well as tenant payment discipline evaluation. The Group acquired the aforementioned office buildings in the 3rd quarter 2017. Tenant mix optimization, as well as planned rent indexation lead to an 8% increase in the average monthly rent per square meter in the Group office spaces during the reporting period.

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



Top 5 tenants by rented area in the reporting period:

Tenant	Rented area (m2), 30.06.2018
LATAKKO, SIA	25 926
Air Baltic Corporation, AS	6 217
Mikrotīkls, SIA	4 355
FORANS, SIA	2 829
DLW Latvija, SIA	2 742
Total	42 068

Statement of the Management's responsibility


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

The interim condensed financial statements for the six month period and the notes thereto set out on pages 9 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 2018 and 31 December 2017, and the results of their operations, changes in the share capital and reserves and cash flows for the six months of 2018 and the six months of 2017.

The aforementioned interim condensed financial statements for the six-month period are prepared on a going concern basis in conformity with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. Prudent and reasonable judgments and estimates have been made by the management in preparation of these interim condensed 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



Aija Hermāne-Sabule
Member of the Board

17 August 2018

Group and Company Condensed Interim Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for the six month period ended 30 June 2018

	Notes	Group 01.01.2018 - 30.06.2018 EUR	Group 01.01.2017 - 30.06.2017 EUR	NHC 01.01.2018 - 30.06.2018 EUR	NHC 01.01.2017 - 30.06.2017 EUR
Revenue	7	1 906 135	611 567	896 223	79 264
Operating expenses	8	(860 982)	(216 083)	(139 323)	(79 074)
Gross profit		1 045 153	395 484	756 900	190
Selling expenses		(4 000)	(4 550)	-	(4 491)
Administrative expenses	9	(215 853)	(151 260)	(159 054)	(137 768)
Other operating income		21 296	17	14 984	17
Other operating expenses		(119 618)	(32 517)	(47 097)	(23 348)
Other interest and similar income		58 301	-	325 694	80 060
Interest and similar expenses	10	(325 199)	(69 326)	(224 211)	(3 842)
Dividend income from subsidiaries		-	-	4 108 120	-
Income from a partial loss of contributions to subsidiary share capital		66 146	-	-	-
(Loss)/ profit before taxes		526 226	137 848	4 775 336	(89 182)
Corporate income tax (CIT) for the reporting period		(286)	(26 759)	-	-
Deferred CIT		-	4 689	-	13 377
(Loss) / profit of the reporting period		525 940	115 778	4 775 336	(75 805)
Total amount of comprehensive income		525 940	115 778	4 775 336	(75 805)

The accompanying notes on pages 13 to 20 form an integral part of these financial statements.

On behalf of the Board:



Edgars Mijūns
Chairman of the Board

17 August 2018



Aija Hermane-Sabule
Member of the Board

Statements of Financial Position as at 30 June 2018

	Notes	Group 30.06.2018 EUR	Group 31.12.2017 EUR	NHC 30.06.2018 EUR	NHC 31.12.2017 EUR
Assets					
Non-current assets					
Intangible assets		3 284	3 742	3 284	3 742
Property and equipment		64 040	56 258	64 040	56 258
Investment property	11	35 875 096	35 453 395	748 000	748 000
Investments in subsidiaries	12	-	-	4 310 000	5 696 362
Investment in associated companies		-	14 293	-	7 500
Investment in other companies		306 000	-	306 000	-
Loans to subsidiaries	13	-	-	-	7 734 000
Total non-current assets		36 248 420	35 527 688	5 431 324	14 245 862
Current assets					
Trade receivables		241 452	144 517	1 460	6
Due from related parties		53 992	128	474 977	158 867
Loans to subsidiaries	13	-	-	17 461 120	4 774 000
Financial instruments at fair value through profit and loss		3 489 189	12 183 736	3 489 189	12 183 736
Other assets	14	475 936	287 586	162 673	59 589
Cash	15	14 715 453	4 219 179	12 609 654	4 032 651
Total current assets		18 976 022	16 835 146	34 199 073	21 208 849
Total assets		55 224 442	52 362 834	39 630 397	35 454 711
Liabilities					
Equity					
Share capital	16	25 000 000	25 000 000	25 000 000	25 000 000
Reserves:					
Retained earnings/ accumulated (loss) of previous periods		7 954 240	16 713	(362 756)	(14 650)
Profit / (loss) of the reporting period		525 940	7 937 528	4 775 336	(348 105)
Total equity		33 480 180	32 954 241	29 412 580	24 637 245
Long-term liabilities					
Loans	17	10 430 454	8 046 159	-	435 238
Bonds	17	9 414 004	9 414 004	9 414 004	9 414 004
Other liabilities	18	86 854	86 854	-	-
Total long-term liabilities		19 931 312	17 547 017	9 414 004	9 849 242
Short-term liabilities					
Loans	17	360 444	393 023	-	22 238
Bonds	17	667 662	689 440	667 662	689 440
Amounts due to suppliers		36 204	58 610	790	23
Payables to related companies		236 877	228 948	6 702	87 800
CIT		286	71 107	-	-
Other taxes		93 446	1 030	-	-
Other liabilities	18	324 223	224 657	34 861	14 200
Accrued liabilities		93 808	194 761	93 798	154 523
Total short-term liabilities		1 812 950	1 861 576	803 813	968 224
Total liabilities and equity		55 224 442	52 362 834	39 630 397	35 454 711

The accompanying notes on pages 13 to 20 form an integral part of these financial statements.

On behalf of the Board:


 Edgars Mijūns
 Chairman of the Board


 Aija Hermāne-Sabule
 Member of the Board

17 August 2018

Statements of Cash Flows for the six month period ended 30 June 2018

Notes	Group 01.01.2018 - 30.06.2018 EUR	Group 01.01.2017 - 30.06.2017 EUR	NHC 01.01.2018 - 30.06.2018 EUR	NHC 01.01.2017 - 30.06.2017 EUR
Cash flows from operating activities				
(Loss) / profit of the reporting period before tax	526 226	137 848	4 775 336	(89 182)
Adjustments for:				
Depreciation of fixed assets	4 727	796	4 727	731
Interest income	(58 301)	-	(325 694)	(80 060)
Interest expenses	(325 199)	69 326	(224 211)	3 842
Dividend income	-	-	(4 108 120)	-
Profit before changes in working capital	147 453	207 970	122 038	(164 669)
Interest received	33 471	-	33 471	21 340
(Increase)/ decrease in trade receivables	(314 318)	(4 645 057)	(128 425)	8 564
Increase/ (decrease) in payables	300 057	2 078	102 827	(86 700)
Interest expenses	101 978	(64 509)	989	(3 597)
CIT paid	(71 392)	(26 759)	-	-
Cash flows from/ (used in) operating activities	197 248	(4 526 277)	130 900	(225 062)
Cash flows from investing activities				
Acquisition of investment property	11 (421 701)	-	-	-
Purchase of property, plant and equipment	(37 986)	(66 208)	(37 986)	(61 622)
Sale of property, plant and equipment	25 935	-	25 934	-
Acquisition of shares in related companies/ net cash paid	(306 000)	(7 500)	(306 000)	(7 500)
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	-	-	(4 953 120)	(6 819 000)
Loans repaid	-	-	-	6 265 000
Investments in financial instruments	8 694 547	-	8 694 547	-
Net cash flows generated from/ (used in) investing activities	7 969 088	(73 708)	8 925 357	(623 122)
Cash flows from financing activities				
Income from equity investments	-	10 000 000	-	10 000 000
Loans received	17 3 000 000	4 000 000	-	-
Loans repaid	17 (670 062)	-	(479 254)	-
Repayment of shareholder loans	-	(122 939)	-	(10 760)
Net cash flows from financing activities	2 329 938	13 877 061	(479 254)	9 989 240
Increase/(decrease) in net cash during the reporting period	10 496 274	9 277 075	8 577 003	9 141 056
Cash at the beginning of the reporting period	4 219 179	6 544 927	4 032 651	6 503 861
Cash at the end of the reporting period	14 715 453	15 822 002	12 609 654	15 644 917

The accompanying notes on pages 13 to 20 form an integral part of these financial statements.

On behalf of the Board:


 Edgars Mijūns
 Chairman of the Board


 Aija Hermane-Sabule
 Member of the Board

17 August 2018

Group Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2018

	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting period	Total capital and reserves
At 1 January 2017		15 000 000	-	(31 965)	-	14 968 035
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	115 778	115 778
Share issue		10 000 000	-	-	-	10 000 000
As at 30 June 2017		25 000 000	-	(31 965)	115 778	25 083 813
At 1 January 2018		25 000 000	-	7 954 240	-	32 954 240
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	525 940	525 940
As at 30 June 2018	16	25 000 000	-	7 954 240	525 940	33 480 180

Company Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2018

	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting period	Total capital and reserves
At 1 January 2017		15 000 000	-	(14 650)	-	14 985 350
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	(75 805)	(75 805)
Share issue		10 000 000	-	-	-	10 000 000
As at 30 June 2017		25 000 000	-	(14 650)	(75 805)	24 909 545
At 1 January 2018		25 000 000	-	(362 756)	-	24 637 244
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	4 775 336	4 775 336
As at 30 June 2018	16	25 000 000	-	(362 756)	4 775 336	29 412 580

The accompanying notes on pages 13 to 20 form an integral part of these financial statements.

On behalf of the Board:



Edgars Mijūns
 Chairman of the Board



Aija Hermane-Sabule
 Member of the Board

17 August 2018

Notes to the condensed interim financial statements

1. The reporting entity and group

The entity preparing the condensed interim Group consolidated financial statements and the Company separate financial statements New Hanza Capital, AS (the Company or NHC) was registered with the Enterprise Register of the Republic of Latvia on 6 June 2006. The legal address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. For information on the Company's ownership structure please refer to page 3. Information on ultimate beneficial owners of the Company largest shareholder is available on the respective shareholder's homepage www.ablv.com. Since the end of 2015, the Company has been investing its own funds and the funds of third parties in cash generating commercial properties.

The interim condensed Group consolidated and the Company separate financial statements for the period from 1 January 2018 to 30 June 2018 present the financial information of the Company and its subsidiaries (the Group). In line with applicable requirements, these interim condensed consolidated financial statements for the period from 1 January 2018 to 30 June 2018 include the Company's interim condensed separate financial statements. The Company is the Group parent company.

The Group consists of the following companies:

New Hanza Capital, AS – the Company owns two commercial premises in Elizabetes iela 21A, Riga, leased to long term tenants.

NHC 1, SIA was registered in the Latvian Enterprise Register on 9 September 2009. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 1, SIA is lease and management of own real estate property. 100% of shares of NHC 1, SIA were acquired by the Company and included in the Group on 21 January 2016. NHC 1, SIA owns an office building at Tehnikas iela 3, Riga International Airport in Mārupe district, which is leased out to Air Baltic Corporation, AS.

NHC 2, SIA was registered in the Latvian Enterprise Register on 25 January 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 2, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 2, SIA and it is included in the Group. NHC 2, SIA owns office buildings in Riga, 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 was registered in the Latvian Enterprise Register on 20 May 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 3, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 3, SIA and it is included in the Group. NHC 3, SIA owns an office and warehouse complex, located in *Piepiļšētas*, Krustkalni, Ķekavas pagasts, Ķekavas novads. The complex is rented out on a long-term basis.

NHC 4, SIA was registered in the Latvian Enterprise Register on 15 November 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 4, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 4, SIA and it is included in the Group. NHC 4, SIA owns a warehouse complex in Riga, Maskavas iela 462 and Maskavas iela 464A. The complex is predominantly rented out on a long-term basis.

NHC 6, SIA was registered with the Enterprise Register of Latvia on 15 November 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 6, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 6, SIA and this company is included in the Group. During the reporting period NHC 6, SIA did not own any real estate.

2. Accounting principles

These interim condensed Group consolidated and Company stand-alone financial statements were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union on a going concern basis.

These interim financial statements cover the 6 months from 1 January 2018 to 30 June 2018. The accounting methods are consistently applied by all companies within the Group.

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 recognised 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.

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 performs an analysis based on the criteria laid down in IFRS 3 Business Combinations. It has been determined by the management during reporting period that the acquired investment properties do not qualify as businesses as these properties were acquired with rent agreements but without any agreements that determine processes such as real estate management.

c) Recognition of investment property

Investment property is recognised by the Group after the title to the property has been registered in the Land Register or the act of acceptance and transfer of the property 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 NASDAQ Riga website regarding the market value of financial assets.

4. Consolidation

These interim condensed 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 19.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated upon consolidation. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

5. Cash

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). The Euro is the Group's accounting and functional currency. Transactions in foreign currencies were not made during the reporting period.

6. 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.

Notes to the condensed interim financial statements (continued)

7. Revenue	Group		NHC	
	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
	EUR	EUR	EUR	EUR
Income from lease and management of premises	1 861 414	580 795	41 100	38 940
Other revenue	44 721	30 772	855 123	40 324
Total	1 906 135	611 567	896 223	79 264

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

8. Operating expenses	Group		NHC	
	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
	EUR	EUR	EUR	EUR
Maintenance of buildings	433 322	86 281	45	1 863
Transaction due diligence expenses	163 864	94 107	50 129	62 574
Other operating expenses	182 364	21 789	7 717	731
Personnel expenses	81 432	13 906	81 432	13 906
Total	860 982	216 083	139 323	79 074

9. Administrative expenses	Group		NHC	
	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
	EUR	EUR	EUR	EUR
Personnel expenses	97 178	109 654	97 178	109 654
Professional services	78 348	41 606	25 988	28 114
Other administrative expenses	40 327	-	35 888	-
Total	215 853	151 260	159 054	137 768

10. Interest and similar expenses	Group		NHC	
	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
	EUR	EUR	EUR	EUR
Coupon payments for issued bonds	223 222	-	223 222	-
Loan interest expenses	101 978	69 326	989	3 842
Kopä	325 199	69 326	224 211	3 842

11. Investment property

Group	Investment property EUR
At 31 December 2016	13 143 000
Acquisition	14 249 749
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	8 060 646
At 31 December 2017	35 453 395
Acquisition	421 701
At 30 June 2018	35 875 096

NHC	Investment property EUR
At 31 December 2016	748 000
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	-
At 31 December 2017	748 000
At 30 June 2018	748 000

The fair value of the Group's investment properties is measured in the fourth quarter of every year or more often if the Group 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 31.12.2016	2 616 362
Contributions to other share capitals	3 080 000
Balance as at 31.12.2017	5 696 362
Elimination of contributions to other share capitals	(10 000)
Decrease in contributions to other share capitals	(2 100 000)
Partial loss of contributions to subsidiary share capital	723 638
Balance as at 30.06.2018	4 310 000

Company name	Number of shares as at 30.06.2018 %	Investment carrying amount as at 30.06.2018 EUR	Subsidiary equity value as at 30.06.2018 EUR	Profit/loss of the subsidiary in the reporting period EUR
NHC 1, SIA	100	500 000	688 917	168 917
NHC 2, SIA	100	2 000 000	2 399 026	2 059
NHC 3, SIA	100	700 000	2 007 221	212 594
NHC 4, SIA	100	1 100 000	3 279 913	179 913
NHC 6, SIA	100	10 000	2 523	(1 519)
Kopā		4 310 000	8 377 600	561 964

Company name	Number of shares as at 31.12.2017 %	Investment carrying amount as at 31.12.2017 EUR	Subsidiary equity value as at 31.12.2017 EUR	Profit/loss of the subsidiary in the reporting period EUR
NHC 1, SIA	100	1 276 362	2 217 878	789 630
NHC 2, SIA	100	2 000 000	3 509 609	1 523 125
NHC 3, SIA	100	1 300 000	2 394 627	1 199 678
NHC 4, SIA	100	1 100 000	5 897 600	4 798 252
NHC 5, SIA	100	10 000	(17 191)	(26 539)
NHC 6, SIA	100	10 000	4 042	(5 306)
Kopā		5 696 362	14 006 565	8 278 840

13. Loans to subsidiaries

	Group 30.06.2018 EUR	Group 31.12.2017 EUR	NHC 30.06.2018 EUR	NHC 31.12.2017 EUR
Long term				
Loans to subsidiaries	-	-	-	7 734 000
NHC 1, SIA	-	-	-	387 000
NHC 2, SIA	-	-	-	6 445 000
NHC 3, SIA	-	-	-	902 000
Short term				
Loans to subsidiaries	-	-	17 461 120	4 774 000
NHC 1, SIA	-	-	2 068 877	-
NHC 2, SIA	-	-	7 612 643	-
NHC 3, SIA	-	-	1 502 000	-
NHC 4, SIA	-	-	6 277 600	4 744 000
NHC 5, SIA	-	-	-	30 000
Total	-	-	17 461 120	12 508 000

Loans to related companies include loans to subsidiaries disclosed as credit lines. The loans are unsecured.

14. Other assets

	Group 30.06.2018 EUR	Group 31.12.2017 EUR	NHC 30.06.2018 EUR	NHC 31.12.2017 EUR
Prepayments	-	-	-	-
Accrued income	157 168	156 871	2	-
Deferred expenses	167 456	84 197	48 137	45 218
Loans to other related companies	100 000	-	100 000	-
Taxes	34 964	39 543	14 534	14 371
Other assets	-	6 975	-	-
Total	459 588	287 586	162 673	59 589

15. Cash

	Group 30.06.2018 EUR	Group 31.12.2017 EUR	NHC 30.06.2018 EUR	NHC 31.12.2017 EUR
Balances on bank accounts: ABLV Bank, AS in liquidation *	12 091 003	4 160 289	12 056 904	4 032 651
Balances on bank accounts: Other	2 624 450	58 890	552 750	-
Total	14 715 453	4 219 179	12 609 654	4 032 651

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

16. Share capital

	Group 30.06.2018 EUR		Group 31.12.2017 EUR		NHC 30.06.2018 EUR		NHC 31.12.2017 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	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		25 000 000		25 000 000		25 000 000		25 000 000

As at 31 December 2017 share capital amounted to EUR 25 000 000 and consisted of 25 000 000 shares with nominal value of EUR 1. All shares are fully paid. As at 30 June 2018 the share capital amounts to EUR 25 000 000 representing 25 000 000 shares with nominal value of EUR 1. All shares are fully paid.

17. Loans and bonds

	Group 30.06.2018 EUR	Group 31.12.2017 EUR	NHC 30.06.2018 EUR	NHC 31.12.2017 EUR
Long term loans from credit institutions	10 430 454	8 046 159	-	435 238
Issued debt securities (bonds)	9 414 004	9 414 004	9 414 004	9 414 004
Total long term loans	19 844 458	17 460 163	9 414 004	9 849 242
Short-term part of long-term loans from credit institutions	360 444	381 501	-	21 914
Short term part of issued debt securities (bonds)	585 996	585 996	585 996	585 996
Accrued interest on long term loans	-	11 522	-	324
Accrued liabilities for coupon interest payments on issued debt securities (bonds)	81 666	103 444	81 666	103 444
Total short-term-loans	1 028 106	1 082 463	667 662	711 678
Total long and short term loans	20 872 564	18 542 626	10 081 666	10 560 920
Changes in loans	30.06.2018	31.12.2017	30.06.2018	31.12.2017
At the beginning of the reporting period	18 542 626	4 743 827	10 560 920	479 025
Loans received	3 000 000	4 000 000	-	-
Loans repaid	636 762	316 167	457 152	21 592
Changes in accrued loan and coupon interest liabilities	(33 300)	114 966	(22 102)	103 487
Debt securities (bonds) issued	-	10 000 000	-	10 000 000
At the end of the reporting period	20 872 564	18 542 626	10 081 666	10 560 920
Loans by category of lender	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Related credit institutions	4 123 898	4 631 329	-	457 476
Other credit institutions	6 667 000	3 807 853	-	-
Debt securities (bonds) issued	10 081 666	10 103 444	10 081 666	10 103 444
Total loans	20 872 564	18 542 626	10 081 666	10 560 920
Loans by maturity	30.06.2018	31.12.2017	30.06.2018	31.12.2017
< 1 year (short term part of long term loans)	1 028 106	1 082 463	667 662	711 678
1 – 5 years	19 844 458	17 460 163	9 414 004	9 849 242
> 5 years	-	-	-	-
Total loans	20 872 564	18 542 626	10 081 666	10 560 920

Loan agreements specify that the interest coverage ratio and the LTV ratio should be calculated on a quarterly basis. The Group companies comply with the thresholds set for these ratios and the loan covenants.

* 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).

18. Other liabilities

	Group 30.06.2018 EUR	Group 31.12.2017 EUR	NHC 30.06.2018 EUR	NHC 31.12.2017 EUR
Long term				
Security deposits received from tenants	86 854	86 854	-	-
Short term				
Security deposits received from tenants	303 562	224 657	34 861	14 200
Advance payments received	20 661	-	-	-
Total	411 077	311 511	34 861	14 200

19. Operating segments

The operating activities of the Group are analysed by the Board of the Company on the level of individual group companies. The operating income represents revenue generated from lease of premises and management services.

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	30.06.2018	31.12.2017
	EUR	EUR
NHC	39 630 397	35 454 711
NHC 1	7 039 623	6 950 207
NHC 2	10 603 741	10 334 866
NHC 3	7 348 549	7 297 145
NHC 4	12 833 970	10 659 790
Other	4 039	33 239
Eliminated intra-group transactions	(22 117 171)	(18 367 124)
Total	55 224 442	52 362 834

Liabilities	30.06.2018	31.12.2017
	EUR	EUR
NHC	10 217 817	10 817 466
NHC 1	6 350 706	4 732 329
NHC 2	8 204 715	6 825 257
NHC 3	5 341 328	4 902 518
NHC 4	9 554 057	4 762 190
Other	1 516	39 595
Eliminated intra-group transactions	(17 925 877)	(12 670 762)
Total	21 744 262	19 408 593

Profit or Loss Statement 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
Selling costs	-	-	(4 000)	-	-	-	-	(4 000)
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)	(65 922)	(2 645)	(1 529)	-	-	(119 618)
Other 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)
Dividends received from subsidiaries	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)
(Loss) / profit of the reporting period	4 775 336	168 917	2 059	212 594	179 913	(40 474)	(4 772 405)	525 940

Profit or Loss Statement for the period 01.01.2017- 30.06.2017

	NHC	NHC 1	NHC 2	NHC 3	NHC 4	Other	Eliminated upon consolidation	Total
Net sales (external)	69 712	219 367	-	320 969	-	1 519	-	611 567
Net sales (internal)	9 552	-	-	-	-	-	(9 552)	-
Operating expenses	(79 074)	(9 668)	(261)	(94 057)	(15 558)	(17 465)	-	(216 083)
Gross profit	190	209 699	(261)	226 912	(15 558)	(15 946)	(9 552)	395 484
Sales expenses	(4 491)	-	-	(59)	-	-	-	(4 550)
Administrative expenses	(137 768)	(6 225)	(2 311)	(9 012)	(1 805)	(3 691)	9 552	(151 260)
Other operating income	17	-	-	-	-	-	-	17
Other operating expenses	(23 348)	(2 425)	-	(5 744)	-	(1 000)	-	(32 517)
Other interest received and similar income	80 060	-	-	-	-	-	(80 060)	-
Interest paid and similar expenses	(3 842)	(46 760)	(367)	(89 217)	(9 138)	(62)	80 060	(69 326)
Profit/(loss) before taxes	(89 182)	154 289	(2 939)	122 880	(26 501)	(20 699)	-	137 848
CIT	-	(7 390)	-	(19 369)	-	-	-	(26 759)
Deferred CIT	13 377	(15 753)	386	936	2 638	3 105	-	4 689
(Loss) / profit of the reporting period	(75 805)	131 146	(2 553)	104 447	(23 863)	(17 594)	-	115 778

20. Subsequent events

On 23 July 2018 Group subsidiary NHC 2, SIA took over the office building on Bērzaunes iela 7, which it acquired on 15 June 2018. The office building net leasable area exceeds 3 200 square meters. NHC 2, SIA also took over the lease agreement in force in the acquired property. Currently, there are 18 tenants in the building. The largest tenant is "Sky Dream Clinic", a dentistry and aesthetic medicine center.