



## **New Hanza Capital, AS**

Interim Condensed Consolidated and Separate  
Financial Statements

for the nine-month period ended 30 September 2017  
(unaudited)

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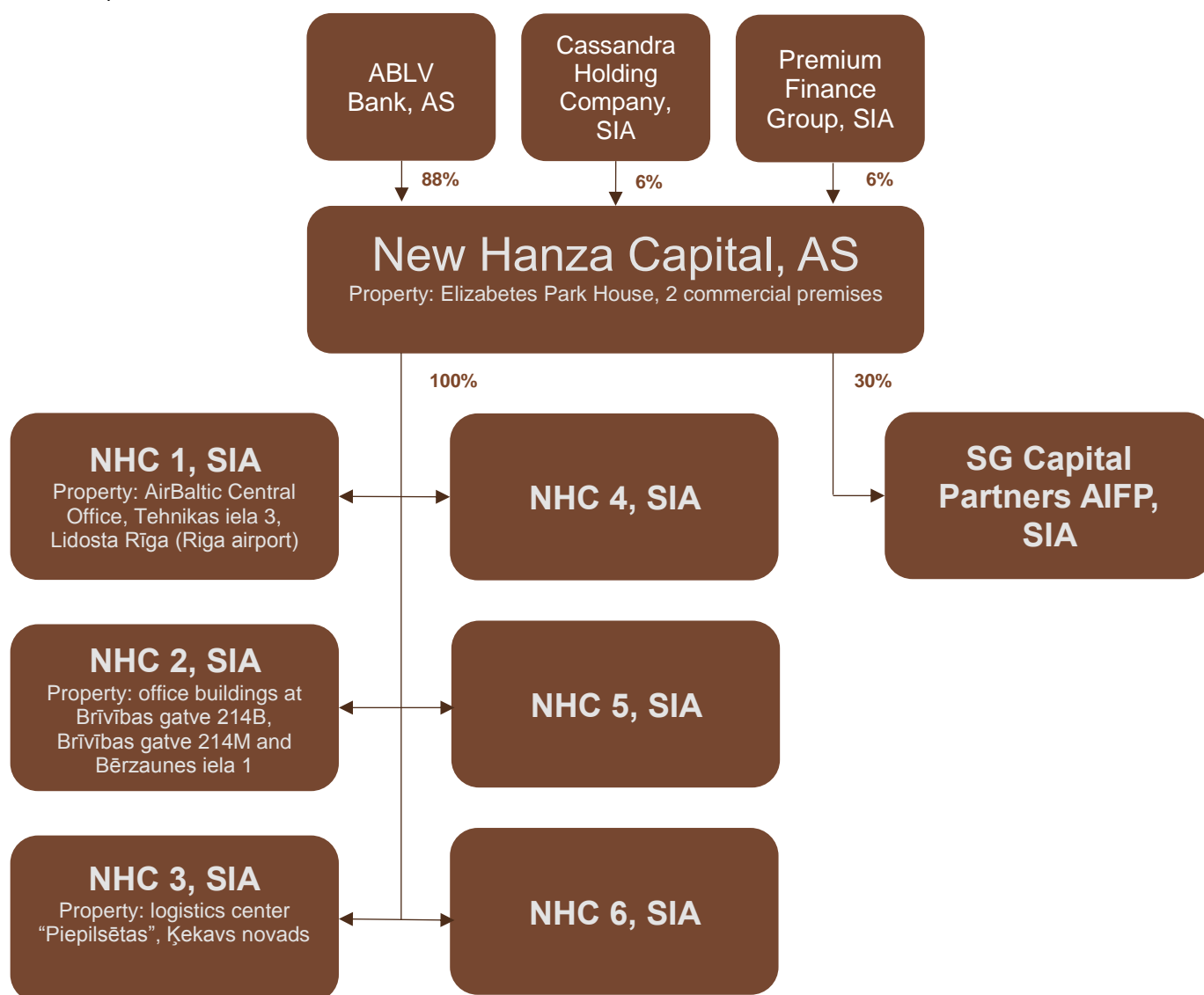
## Disclaimer

The report has been prepared in Latvian and in 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 number, place and date of registration	50003831571, Riga, 6 June 2006
Registered office	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
NACE code, type of core activity	68.20 Renting and operating of own or leased real estate
Board Members and their respective position	Andris Kovaļčuks, Chairman of the Board Arnolds Romeiko, Board Member
Council Members and their respective position	Ernests Bernis, Chairman of the Council Ieva Valtere, Deputy Chairperson of the Council Māris Kannenieks, Council Member
Reporting period	01.01.2017 – 30.09.2017

### Group structure



## Management report

### Summary

New Hanza Capital, AS, (hereinafter – the Company or NHC) is a company founded by the ABLV Group. 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 our investments are intended to be made in various property construction and development projects, such as the business and residential territory *New Hanza* (located in the centre of Riga). The investment strategy entails direct acquisition of real estate, as well as purchase of equity interest in companies holding the respective properties.

Since February 2017 the Company`s associate SG Capital Partners AIFP, SIA has been providing funds management services to institutional clients in the Baltics. The associate, in which 30% of the shares are owned by New Hanza Capital, AS, established an Alternative investment fund SG Capital Partners Fund 1, KS with the goal of acquiring sustainable commercial real estate in the Baltics. The Fund was closed with EUR 41 160 000 committed capital.

Additionally, together with the leading German Alternative investment fund administration service providers IntReal, the Company has established an Alternative investment fund *New Hanza Capital Fund 2017*. The Fund, with EUR 60,000,000 committed capital, will be used for investments in commercial real estate in the largest German cities.

### Q3 main developments

#### July 2017

NHC 4, SIA share capital was increased up to EUR 1,100,000.

In July 2017, New Hanza Capital, AS started cooperation with one of the leading Alternative investment fund administration companies in Germany.

#### August 2017

New Hanza Capital, AS issued a loan of EUR 1,010,000 to NHC 2, SIA in the form of a credit line.

On 7 August 2017, NHC 2, SIA made a prepayment of EUR 1,000,000 for real estate in accordance with the real estate purchase agreement, dated 7 August 2017. The property consists of three office buildings in the former State Electrotechnical Factory (hereinafter - VEF) territory in Riga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1.


#### September 2017

NHC 2, SIA paid the outstanding purchase price of EUR 7,459,182 for real estate acquisition in the former VEF territory. Property ownership in the name of NHC 2, SIA was registered with the Land Register on 18 September 2017.


New Hanza Capital, AS increased the NHC 2, SIA share capital from EUR 10,000 to EUR 2,000,000.

In cooperation with IntReal, one of the leading German Alternative investment fund administrators, the Company established an Alternative real estate investment fund *New Hanza Capital Fund 2017* in Germany. The Company will provide asset management services for the Fund, including investment and transaction management. Total committed capital of the Fund is EUR 60,000,000, and will be used for commercial real estate acquisition in German largest cities with a total value of up to EUR 120,000,000.

New Hanza Capital, AS issued bonds to attract additional capital for its business needs. The Company raised EUR 10,000,000. The bond issue was arranged by ABLV Bank, AS. The public offering was closed on 6 October 2017, on the 19 October 2017 bonds were included in the NASDAQ Riga market (ISIN LV0000802312). For more information about the bond issue terms and results see the 21 section of the report *Subsequent events* and the Company's website <http://nh.capital>.



Andris Kovaļčuks  
Chairman of the Board



Arnolds Romeiko  
Board Member

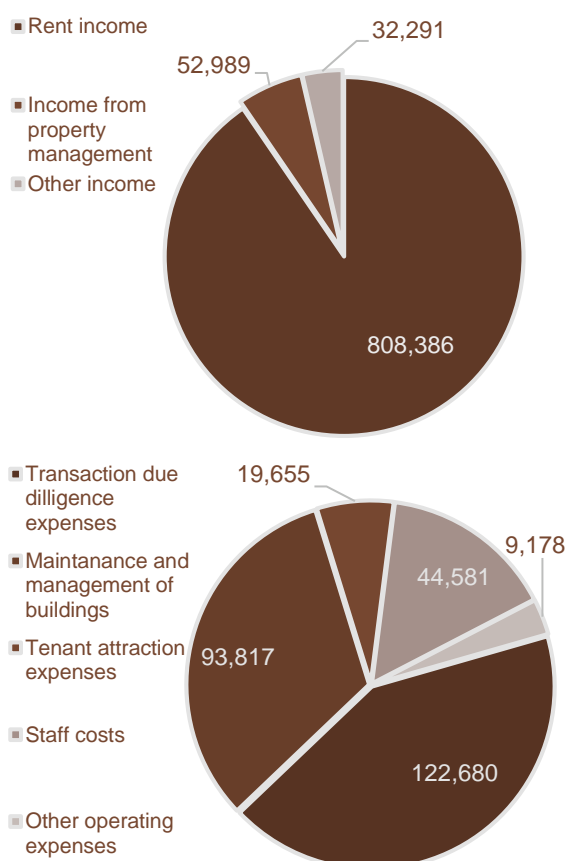
17 November, 2017

## Group key financial ratios

Statement of profit or loss of the Group	Unit	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	Change (%)
Revenue	EUR	893,666	229,058	290%
EBITDA*	EUR	332,211	(41,009)	n/a
Profit after tax	EUR	173,445	28,363	512%
FFO**	EUR	169,176	(102,784)	n/a

\* EBITDA - earnings before interest, corporate income tax, depreciation and amortisation

\*\*FFO = profit after tax + depreciation + amortisation – gains on sales + deferred tax



### Group revenue Q1 – Q3 2017, EUR

In the 9-month period of 2017, the Group revenue continued to increase reaching EUR 893 thousand, which is by 290% greater than that of the previous period. The rent income increase can be explained by the growth of the investment property portfolio through acquisition of the AirBaltic central office and the logistics centre “Piepilsētas”. Rent income from the newly acquired offices in the former VEF territory in Rīga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1, will be disclosed in the Group financial statements starting from Q4 2017.

In addition to the rent income, income from property management accounted for EUR 53 thousand.

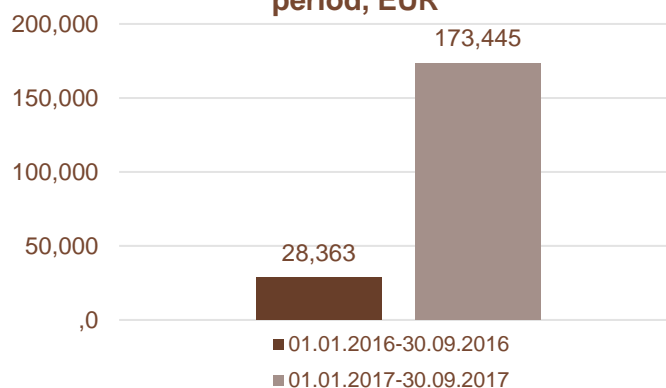
### Group operating expenses Q1 – Q3 2017, EUR

During the reporting period, the Group operating expenses grew considerably as well. This was due to additional expenses related to attraction of new tenants to the property “Piepilsētas”. In addition to tenant attraction, some repairs of the premises were required. In subsequent periods, expenses related to the property “Piepilsētas” will stabilise at a lower level. The increase in transaction due diligence expenses during the reporting period is related to the Group’s growing efforts to expand its investment property portfolio.

### Group result for the reporting period

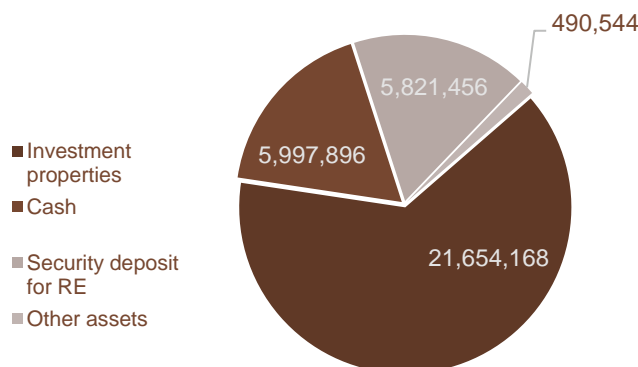
The Group closed the reporting period with a profit after tax of EUR 173,445, which constitutes a 512% increase in comparison with the Q3 of 2016 results. Such sharp growth is related to rent income from the AirBaltic central office at Tehnikas iela 3, Lidosta Rīga, and the logistics centre “Piepilsētas”, Krustkalni, Ķekavas novads, which were acquired in May and November 2016 respectively.

### Group profit after tax for the reporting period, EUR



Group balance sheet	Unit	30.09.2017	31.12.2016	Change (%)
Assets	EUR	33,964,064	19,976,142	70%
<i>incl. investment properties</i>	EUR	21,654,168	13,143,000	65%
<i>incl. current assets</i>	EUR	12,072,102	6,699,958	80%
Equity	EUR	25,141,480	14,968,035	68%
Liabilities	EUR	8,822,584	5,008,107	76%
<i>incl. current liabilities</i>	EUR	680,833	258,407	163%

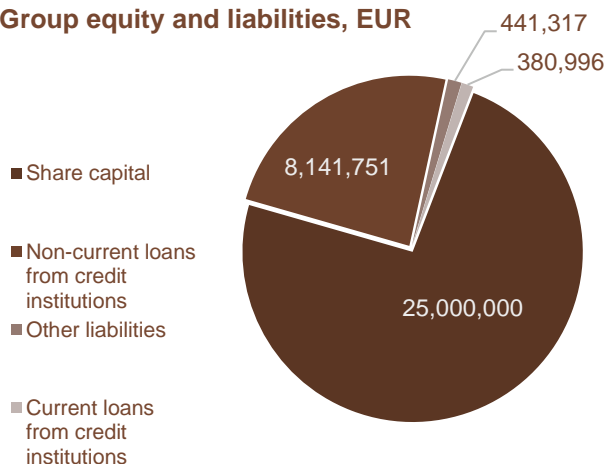
### Group assets, EUR



During the reporting period, the number of investment properties owned by the Group was increased by three office buildings in the territory of the former VEF in Riga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1.

Meanwhile, in order to facilitate future investment property portfolio growth, the Company's share capital was increased twice for the total amount of EUR 10,000,000 in the reporting period. Part of the funds were used in participation at auction, as a result of which the Company's subsidiary NHC 4, SIA started a new investment property acquisition process. The property is located in Riga and consists of a land plot and a warehouse with a gross area of 25,000 square meters. Property ownership in the name of NHC 4, SIA is planned to be registered by the end of 2017.

### Group equity and liabilities, EUR



The considerable increase in the Group liabilities in comparison with the end of 2016 is due to the loan agreement signed in the first quarter of 2017. On 3 March 2017, NHC 3, SIA obtained a loan from Swedbank, AS to partially refinance the loan received from New Hanza Capital, AS for real estate acquisition.

The increase in Group current liabilities was caused by the decision to reclassify tenant security deposits amounting to almost EUR 180 thousand as at 30 September 2017 from non-current to current liabilities (disclosed under other liabilities in the chart), as well as the current portion of the Swedbank, AS loan which will be amortised during the current reporting year.

Group financial ratios*	Unit	30.09.2017	31.12.2016
EBITDA margin	%	24.85%	-31.47%
Shareholder equity ratio	%	66.55%	60.44%
Return on equity	%	-0.0023%	-2.29%
Return on assets	%	-0.0015%	-1.38%
Overall liquidity ratio		7.13	25.93

\*Ratio definitions:

**EBITDA margin** = EBITDA (12-month period) / revenue (12-month period) \* 100%

**Shareholder equity ratio** = average value of equity / average value of assets

**Average value of equity** = (equity at the beginning of a 12-month period + equity at the end of a 9-month period + equity at the end of a 6-month period + equity at the end of a 3-month period + equity at the end of the reporting period) / 5 periods

**Average value of assets** = (assets at the beginning of a 12-month period + assets at the end of a 9-month period + assets at the end of a 6-month period + assets at the end of a 3-month period + assets at the end of the reporting period) / 5 periods

**Return on equity (ROE)** = profit or loss after tax (12-month period) / average value of equity \* 100%

**Return on assets (ROA)** = profit or loss after tax (12-month period) / average value of assets \* 100%

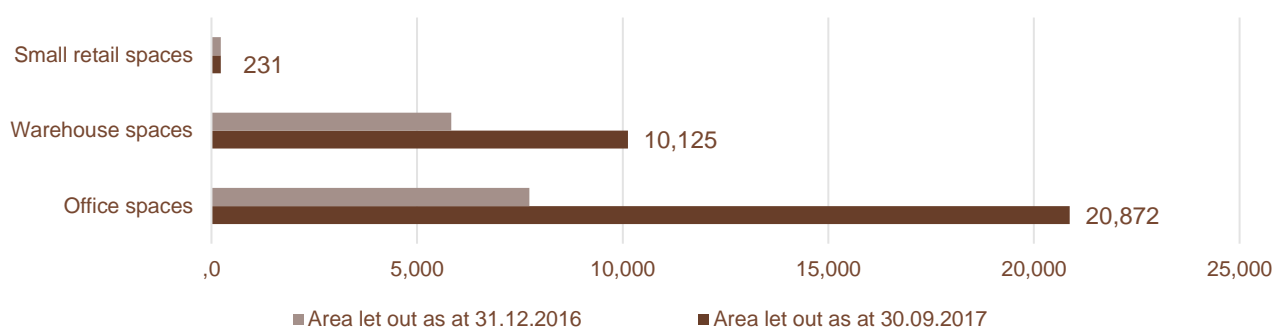
**Overall liquidity ratio** = current assets at the end of the reporting period / current liabilities at the end of the reporting period

## Group performance indicators

### Operating segment – direct investments in Latvia

The Group management has defined the following strategic operating segments of the Group: direct investments in Latvia, asset management in the Baltic countries and asset management in Germany. During the reporting period, the Group was primarily active in the segment direct investments in Latvia. More information on the Group activity in other reporting segments can be found in the report section *Operating segments*.

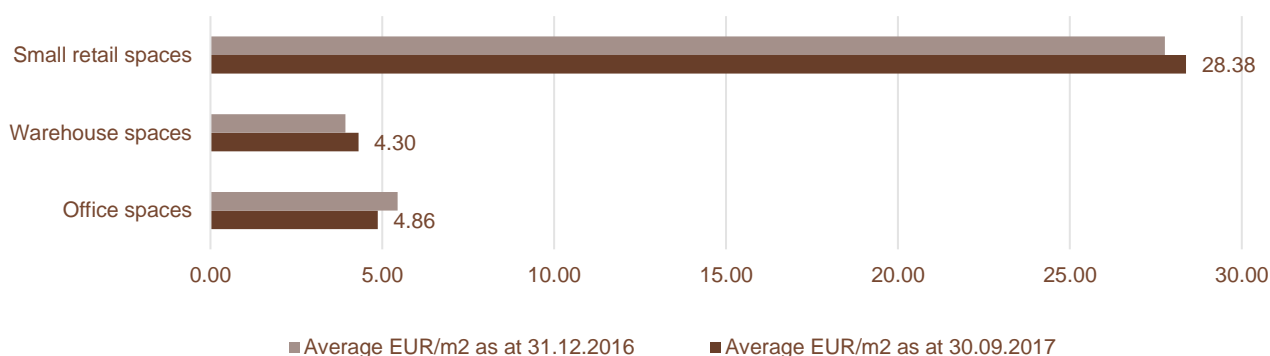
**Rented area of the Group properties in breakdown by categories, m2**



During the reporting period, the number of investment properties owned by the Group increased by three office buildings in the former VEF territory in Riga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1 with a total rentable area of 22 thousand square meters. Accordingly, the total lettable area of the portfolio buildings exceeded 41 thousand square meters.

At the end of Q3 2017 the average occupancy rate of the Group's properties was 74.5%. This ratio ranges between the occupancy rate of 100% for the properties at Tehnikas iela 3, Lidosta Rīga, and 72% - for the office buildings in the former VEF territory. At the same time, the occupancy rate at the logistics centre "Piepilsētas" was 88%.

**Weighted average rent in Group properties by type of use, EUR/m2**



The average monthly rent of the Group's properties per square meter defined in the agreements decreased to 4.86 EUR/m<sup>2</sup> due to lower weighted average warehouse rents at the logistics centre "Piepilsētas," as well as lower weighted average rents in Group portfolio office spaces. The decrease in weighted average rents in office spaces occurred after office building acquisition in the former VEF territory. The technical condition of these will be improved over time, thus facilitating growth in occupancy and rent levels in the long term.

In the reporting period, the Top 5 Tenants in terms of area let out mainly consisted of the logistics centre tenants. Meanwhile, the largest tenant remains to be the Air Baltic Corporation, AS, anchor tenant of the AirBaltic central office at the Tehnikas iela 3, Lidosta Rīga.

After acquisition of the office buildings in the former VEF territory, total number of tenants in the Group investment properties exceeded 95. The tenants of the office buildings in the former VEF territory mainly occupy relatively smaller premises with shorter lease agreements, which also explains the decrease in the area weighted average unexpired lease term (WAULT). Financial results from premise lease in the former VEF territory will be reported starting from Q4 2017.

### Top 5 tenants

Tenant	Area let out, m <sup>2</sup> 30.09.2017
<b>Air Baltic Corporation, AS</b>	6,217
<b>Mikrotīkls, SIA</b>	4,355
<b>FORANS, SIA</b>	2,829
<b>THREE L TECHNOLOGIES, SIA</b>	2,320
<b>DLW Latvija, SIA</b>	2,192

During the reporting period return on investment properties at market value increased by 205 base points. This was facilitated by a larger increase in contractual annual rent in portfolio properties when compared to the increase in the market value of the Group's investment properties (113% and 65% respectively) at the end of Q3 2017.

Key indicators of the Group's investment properties	Unit	30.09.2017	31.12.2106	Change %
Number of investment properties	pc.	7	4	-
Market value of investment properties	EUR	21,654,168	13,143,000	64.76%
Rental area	m <sup>2</sup>	41,893	19,808	111.50%
Annual rent defined in the agreements	EUR	1,822,295	856,367	112.79%
Return on investment properties at market value*	%	8.42%	6.52%	29.16%
WAULT**		2.83	4.22	-32.94%
Weighted average rental rate***	EUR/m <sup>2</sup> p.m.	4.86	5.18	-6.18%
Weighted average occupancy****	% of the rental area	74.54%	69.61%	7.08%

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

\*\*WAULT – 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.

\*\*\*\*Weighted average occupancy – area (m<sup>2</sup>) weighted average occupancy of the investment properties at the given date.



## Management compliance statement

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

The interim condensed financial statements for the nine-month period and the notes there to set out on pages 16 through 24 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 2017 and 31 December 2016, and the results of their operations, changes in the share capital and reserves and cash flows for the first nine months of 2017 and the year 2016.

The aforementioned interim condensed financial statements for the nine-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.



Andris Kovaļčuks  
*Chairman of the Board*



Arnolds Romeiko  
*Board Member*

17 November, 2017

## Consolidated and Separate Financial Statements

### Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group	Group	NHC	NHC
		01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
		EUR	EUR	EUR	EUR
Revenue	7	893,666	229,058	103,670	61,173
Operating expenses	8	(289,911)	(60,865)	(131,536)	(23,741)
<b>Gross profit</b>		<b>603,755</b>	<b>168,193</b>	<b>(27,866)</b>	<b>37,432</b>
Selling and distribution expenses		(84)	-	(25)	-
Administrative expenses	9	(238,412)	(182,846)	(199,570)	(169,864)
Other operating income		17	8	17	8
Other operating expenses		(37,025)	(26,364)	(25,391)	(2,715)
Other interest and similar income		1,296	-	170,098	105,514
Interest and similar expenses		(118,669)	(61,775)	(5,623)	(45,900)
<b>Profit / (loss) before tax</b>		<b>210,878</b>	<b>(102,784)</b>	<b>(88,360)</b>	<b>(75,525)</b>
Corporate income tax		(45,662)	-	-	-
Deferred corporate income tax		8,229	131,147	13,254	15,426
<b>Profit / (loss) for the period</b>		<b>173,445</b>	<b>28,363</b>	<b>(75,106)</b>	<b>(60,099)</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income</b>		<b>173,445</b>	<b>28,363</b>	<b>(75,106)</b>	<b>(60,099)</b>

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Andris Kovaļčuks  
Chairman of the Board

Arnolds Romeiko  
Board Member

17 November, 2017

## Statement of Financial Position

	Notes	Group 30.09.2017 EUR	Group 31.12.2016 EUR	NHC 30.09.2017 EUR	NHC 31.12.2016 EUR
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets		3,871		3,871	
Property, plant and equipment		67,436	-	58,574	-
Prepayments for property, plant and equipment		34,182			
Investment properties	10	21,654,168	13,143,000	748,000	748,000
Investments in related companies	11	-	-	5,696,362	2,616,362
Investments in associates	12	7,500	-	7,500	-
Other investments		738	-	-	-
Loans to related companies	13	-	-	7,999,000	587,000
Finance lease receivables		-	17,347	-	17,347
Deferred tax assets		124,067	115,837	24,275	11,020
<b>Total non-current assets</b>		<b>21,891,962</b>	<b>13,276,184</b>	<b>14,537,582</b>	<b>3,979,729</b>
<b>Current assets</b>					
Trade receivables	14	5,929,810	95,195	-	-
Receivables from related companies		-	-	10,721	760
Loans to related companies	13	-	-	4,965,000	5,061,000
Finance lease receivables		-	8,358	-	8,358
Other assets	15	144,396	51,478	66,636	26,329
Cash	16	5,997,896	6,544,927	5,821,485	6,503,861
<b>Total current assets</b>		<b>12,072,102</b>	<b>6,699,958</b>	<b>10,863,842</b>	<b>11,600,308</b>
<b>Total assets</b>		<b>33,964,064</b>	<b>19,976,142</b>	<b>25,401,424</b>	<b>15,580,037</b>

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Andris Kovaļčuks  
Chairman of the Board

Arnolds Romeiko  
Board Member

17 November, 2017

## Statement of Financial Position

	Notes	Group 30.09.2017 EUR	Group 31.12.2016 EUR	NHC 30.09.2017 EUR	NHC 31.12.2016 EUR
Equity and liabilities					
<b>Equity</b>					
Share capital		25,000,000	15,000,000	25,000,000	15,000,000
Accumulated (loss) / retained earnings		(31,965)	113,514	(14,650)	113,514
Profit / (loss) for the period		173,445	(145,479)	(75,106)	(128,164)
<b>Total equity</b>	17	<b>25,141,480</b>	<b>14,968,035</b>	<b>24,910,244</b>	<b>14,985,350</b>
<b>Non-current liabilities</b>					
Loans from credit institutions	18	8,141,751	4,627,465	440,762	457,160
Other liabilities	19	-	122,235	-	14,200
<b>Total non-current liabilities</b>		<b>8,141,751</b>	<b>4,749,700</b>	<b>440,762</b>	<b>471,360</b>
<b>Current liabilities</b>					
Loans from credit institutions	18	380,996	113,098	21,831	21,584
Trade payables		20,005	25,481	91	2,844
Payables to related companies		2,925	-	538	1,007
Taxes payable		73,291	5,433	-	-
Other liabilities	19	178,447	-	14,200	-
Accrued liabilities		25,169	114,395	13,758	97,892
<b>Total current liabilities</b>		<b>680,833</b>	<b>258,407</b>	<b>50,418</b>	<b>123,327</b>
<b>Total equity and liabilities</b>		<b>33,964,064</b>	<b>19,976,142</b>	<b>25,401,424</b>	<b>15,580,037</b>

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Andris Kovalčuks  
Chairman of the Board

Arnolds Romeiko  
Board Member

17 November, 2017

## Statement of Cash Flows

Notes	Group 01.01.2017- 30.09.2017 EUR	Group 01.01.2016- 30.09.2016 EUR	NHC 01.01.2017- 30.09.2017 EUR	NHC 01.01.2016- 30.09.2016 EUR
<b>Cash flows to/ from operating activities</b>				
(Loss)/ profit s before tax	210,878	(102,784)	(88,360)	(75,525)
Adjustments for:				
Impairment of property, plant and equipment	3,960	-	3,643	-
Interest income	(1,296)	-	(170,098)	(105,514)
(Gain)/ loss on revaluation of investment properties	-	-	-	-
Interest expenses	118,669	61,775	5,623	45,900
<b>Profit before changes in working capital</b>	<b>332,211</b>	<b>(41,009)</b>	<b>(249,192)</b>	<b>(135,139)</b>
Loans repaid	25,705	8,154	25,705	8,154
Interest received	1,296	-	159,377	74,113
(Increase)/ decrease in inventories	-	-	-	-
(Increase)/ decrease in receivables	(5927,533)	(5965,927)	(39,547)	309,066
Increase/ (decrease) in payables	24,265	105,868	(87,596)	2,791
Interest paid	(110,642)	(54,742)	(5,384)	(45,900)
Corporate income tax paid	(45,662)	-	-	-
<b>Net cash flows to/ from operating activities</b>	<b>(5,700,360)</b>	<b>(5,947,656)</b>	<b>(196,637)</b>	<b>213,085</b>
<b>Cash flows to/ from investing activities</b>				
Purchase of shares in related companies, associates or other companies	(8,238)	-	(3,087,500)	(2,586,362)
Purchase of investment properties	-	(6,232,801)	-	-
Purchase of property, plant and equipment and intangible assets	(75,267)	-	(66,088)	-
Purchase of other assets	(8,545,350)	(58,817)	-	-
Loans issued	-	-	(16,675,000)	(10,956,000)
Loans repaid	-	-	9,359,000	5,341,000
<b>Net cash flows to/ from investing activities</b>	<b>(8,628,855)</b>	<b>(6,291,618)</b>	<b>(10,469,588)</b>	<b>(8,201,362)</b>
<b>Cash flows to/ from financing activities</b>				
Proceeds from issued share capital	10,000,000	3,500,000	10,000,000	3,500,000
Loans obtained	4,000,000	10,910,000	-	6,610,000
Repayment of borrowings and shareholder loans	(,217,816)	(2,824,456)	(16,151)	(2,808,906)
<b>Net cash flows to/ from financing activities</b>	<b>13,782,184</b>	<b>11,585,544</b>	<b>9,983,849</b>	<b>7,301,094</b>
Net cash flow for the period	(547,031)	(653,730)	(682,376)	(687,183)
Cash at the beginning of the period	6,544,927	716,873	6,503,861	716,873
<b>Cash at the end of the period</b>	<b>16</b>	<b>5,997,896</b>	<b>63,143</b>	<b>5,821,485</b>

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.



Andris Kovaļčuks  
Chairman of the Board



Arnolds Romeiko  
Board Member

17 November, 2017

## Statement of Changes in Equity of the Group

	Notes	Paid-up share capital	Reserves	Retained earnings/ accumulated (loss)	Profit/ (loss) for the period	Total share capital and reserves
<b>As at 1 January 2016</b>		<b>1,500,000</b>	<b>40,813</b>	<b>72,701</b>	-	<b>1,613,514</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	28,363	<b>28,363</b>
<b>Shareholder transactions</b>						
Share issue		3,500,000	-	-	-	<b>3,500,000</b>
<b>As at 30 September 2016</b>		<b>5,000,000</b>	<b>40,813</b>	<b>72,701</b>	<b>28,363</b>	<b>5,141,877</b>
<b>As at 1 January 2017</b>		<b>15,000,000</b>	-	<b>(31,965)</b>		<b>14,968,035</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	173,445	<b>173,445</b>
<b>Shareholder transactions</b>						
Share issue		10,000,000	-	-	-	<b>10,000,000</b>
<b>As at 30 September 2017</b>	17	<b>25,000,000</b>	-	<b>(31,965)</b>	<b>173,445</b>	<b>25,141,480</b>

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Andris Kovaļčuks  
Chairman of the Board

Arnolds Romeiko  
Board Member

17 November, 2017

## Statement of Changes in Equity of the Company

	Notes	Paid-up share capital	Reserves	Retained earnings/ accumulated (loss)	Profit/ (loss) for the period	Total share capital and reserves
<b>As at 1 January 2016</b>		<b>1,500,000</b>	<b>40,813</b>	<b>72,701</b>	-	<b>1,613,514</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	(60,099)	<b>(60,099)</b>
<b>Shareholder transactions</b>						
Share issue		3,500,000	-	-	-	<b>3,500,000</b>
<b>As at 30 September 2016</b>		<b>5,000,000</b>	<b>40,813</b>	<b>72,701</b>	<b>(60,099)</b>	<b>5,053,415</b>
<b>As at 1 January 2017</b>		<b>15,000,000</b>	-	<b>(14,650)</b>	-	<b>14,985,350</b>
<b>Total comprehensive income</b>						
Total comprehensive income for the reporting period		-	-	-	(75,106)	<b>(75,106)</b>
<b>Shareholder transactions</b>						
Share issue		10,000,000	-	-	-	<b>10,000,000</b>
<b>As at 30 September 2017</b>	17	<b>25,000,000</b>	-	<b>(14,650)</b>	<b>(75,106)</b>	<b>24,910,244</b>

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Andris Kovaļčuks  
Chairman of the Board

Arnolds Romeiko  
Board Member

17 November, 2017

## Notes to the Financial Statement

### 1. The reporting Company and the Group

The interim condensed consolidated and separate financial statements are prepared by New Hanza Capital, AS (hereinafter – the Company). The Company was registered with the Republic of Latvia Enterprise Register on 6 June 2006. The registered office of the Company is at Pulkveža Brieža iela 28A, Riga, LV-1045.

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 consolidated and separate financial statements for the nine-month period present financial information on the Company and its subsidiaries (hereinafter – the Group). In line with the applicable requirements, the Company separate financial statements have been included in the interim condensed consolidated financial statements for the nine-month period. The Company is the parent company of the Group.

The Group consolidates financial data of the following companies for the purpose of preparing financial statements:

New Hanza Capital, AS – the company owns two commercial premises at Elizabetes iela 21A, Riga; the premises are let out to long-term tenants.

NHC 1, SIA – the company owns an office building at Tehnikas iela 3, Lidosta Rīga, Mārupes novads; the building is let out to Air Baltic Corporation, AS.

NHC 2, SIA - the company owns three office buildings in Riga, in the former State Electrotechnical Factory (hereinafter – VEF) territory – at Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1.

NHC 3, SIA - the company owns an office and warehouse complex “Piepilsētas”, Krustkalni, Ķekava municipality; the property is let out to long-term tenants.

NHC 4, SIA – by the date of these interim condensed financial statements, the company had made an advance payment for the real estate.

NHC 5, SIA and NHC 6, SIA - at the time of preparing these interim condensed financial statements, the company did not own any real estate.

### 2. Basis of preparation

The interim condensed Group consolidated and Company separate financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union. The interim condensed financial statements have been prepared on a historical cost basis, except for investment properties which are measured at fair value.

The interim condensed financial statements cover the period 1 January 2017 through 30 September 2017.

The interim condensed financial statements provide a true and fair view of the financial position of the Group and the Company and their financial results and cash flows.

The accounting methods are consequently applied by all the Group companies.

### 3. Estimates and judgments

The preparation of interim condensed financial statements requires the management to make judgments and estimates that affect the application of accounting policies, reported amounts of assets, liabilities, income and expenses. Future events may occur which cause the assumptions used in arriving at the estimates to change. Such estimates and assumptions are based on most reliable information available to the management in respect to specific events and actions.

The estimates and underlying assumptions are reviewed on a regular basis. Changes in the accounting estimates are recognised in the period when those estimates are reviewed and in subsequent periods.

The key estimates and assumptions relate to the valuation of investment properties, recognition of deferred tax assets, business combination or acquisition of assets.



#### **4. Consolidation**

The interim condensed financial statements include New Hanza Capital, AS and all subsidiaries controlled by New Hanza Capital, AS (the Group parent company). Control exists when the Group has the power to govern, directly or indirectly, the financial and operating policies of a company so as to benefit from its activities. The financial statements of the subsidiaries are included in the interim condensed consolidated statements from the starting date of the control until the date of it ceasing. The composition of the Group is disclosed in Note 11 and Note 12.

For the purposes of consolidation, intragroup balances and unrealised gains resulting from intragroup transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains only to the extent there are no indication of impairment.

#### **5. Cash**

The monetary unit used in these interim condensed financial statements is euro (EUR), the official monetary unit of the Republic of Latvia.

No transactions in foreign currencies were carried out during the reporting period.

#### **6. Subsequent events**

Post-period-end events that provide additional information about the Group's and Company's position at the reporting date (adjusting events) are reflected in these financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

## 7. Revenue

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

	Group	Group	NHC	NHC
	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Income from lease of premises and management services	861,375	229,058	58,570	57,623
Other income	32,291	-	45,100	3,550
<b>Total</b>	<b>893,666</b>	<b>229,058</b>	<b>103,670</b>	<b>61,173</b>

## 8. Operating expenses

	Group	Group	NHC	NHC
	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Transaction due diligence expenses	122,680	47,890	80,074	16,752
Maintenance and management of buildings	93,817	4,661	2,326	3,069
Tenant attraction expenses	19,655	-	-	-
Staff costs	44,581	-	44,581	-
Other operating expenses	5,218	8,314	912	3,920
Depreciation	3,960	-	3,643	-
<b>Total</b>	<b>289,911</b>	<b>60,865</b>	<b>131,536</b>	<b>23,741</b>

## 9. Administrative expenses

	Group	Group	NHC	NHC
	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016	01.01.2017- 30.09.2017	01.01.2016- 30.09.2016
Staff costs	159,414	116,359	159,414	116,359
Professional services and other administrative expenses	78,998	66,487	40,156	53,505
<b>Total</b>	<b>238,412</b>	<b>182,846</b>	<b>199,570</b>	<b>169,864</b>

## 10. Investment properties

Group	Investment properties EUR
<b>As at 31 December 2016</b>	<b>13,143,000</b>
Additions	8,511,168
<b>As at 30 September 2017</b>	<b>21,654,168</b>

The fair value of investment properties is based on valuation performed by an independent appraiser who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of the Group's investment properties is determined in the fourth quarter of each year or more often if the Group obtains information on significant changes in the quality of any of its investment properties or after an occurrence of a material loss event. The fair value of investment properties might not be determined in the property acquisition year.

On 18 September 2017, the Group company NHC 2, SIA acquired three office buildings in Riga, in the former VEF territory – at Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1. As at 30 September 2017, the total occupancy rate of the former VEF territory office buildings was 72%.

NHC	Investment properties EUR
<b>As at 31 December 2016</b>	<b>748,000</b>
<b>As at 30 September 2017</b>	<b>748,000</b>

## 11. Investments in related companies

Name of the company	Number of shares owned 31.12.2016 %	Carrying amount of investment 31.12.2016 EUR	Equity of the related company 31.12.2016 EUR	Profit/ (loss) of the related company in the reporting period EUR
NHC 1, SIA	100	1,276,362	1,379,569	103,207
NHC 2, SIA	100	10,000	(3,515)	(13,515)
NHC 3, SIA	100	1,300,000	1,194,949	(105 051)
NHC 4, SIA	100	10,000	9,348	(652)
NHC 5, SIA	100	10,000	9,348	(652)
NHC 6, SIA	100	10,000	9,348	(652)
<b>Total</b>		<b>2,616,362</b>	<b>2,599,047</b>	<b>(17,315)</b>

Name of the company	Number of shares owned 30.09.2017 %	Carrying amount of investment 30.09.2017 EUR	Equity of the related company 30.09.2017 EUR	Profit/ (loss) of the related company in the reporting period EUR
NHC 1, SIA	100	1,276,362	1,574,425	194,855
NHC 2, SIA	100	2,000,000	1,947,773	(38,711)
NHC 3, SIA	100	1,300,000	1,390,757	195,808
NHC 4, SIA	100	1,100,000	998,689	(100,659)
NHC 5, SIA	100	10,000	8,925	(423)
NHC 6, SIA	100	10,000	7,029	(2,319)
<b>Total</b>		<b>5,696,362</b>	<b>5,927,598</b>	<b>248,551</b>

## 12. Investments in associates

Name of the company	Number of shares owned	Carrying amount of investment	Equity of the associate	Profit/ (loss) of the associate in the reporting period	30 % of equity
	30.09.2017	30.09.2017	30.09.2017		30.09.2017
	%	EUR	EUR	EUR	EUR
SG Capital Partners AIFP, SIA	30	7,500	45,664	22,733	13,699
<b>Total</b>		<b>7,500</b>	<b>45,664</b>	<b>22,733</b>	<b>13,699</b>

## 13. Loans to related companies

	Group	Group	NHC	NHC
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	EUR	EUR	EUR	EUR
<b>Non-current portion</b>				
Loans to subsidiaries	-	-	7,999,000	587,000
<b>Current portion</b>				
Loans to subsidiaries	-	-	4,965,000	5,061,000
<b>Total loans to subsidiaries</b>	<b>-</b>	<b>-</b>	<b>12,964,000</b>	<b>5,648,000</b>

Loans to related companies include loans to subsidiaries granted in the form of a credit line. The loans are not secured. As at 30 September 2017, there were no overdue loan payments.

## 14. Trade receivables

	Group	Group	NHC	NHC
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	EUR	EUR	EUR	EUR
Prepayments for real estate	5,821,456	-	-	-
Trade receivables	108,354	95,195	-	-
Other prepayments	-	-	-	-
<b>Total</b>	<b>5,929,810</b>	<b>95,195</b>	<b>-</b>	<b>-</b>

## 15. Other assets

	Group		NHC	
	30.09.2017 EUR	31.12.2016 EUR	30.09.2017 EUR	31.12.2016 EUR
Prepaid expense	104,254	29,040	52,041	2,796
Overpaid value added tax	40,142	19,979	14,571	16,497
Accrued income	-	2,459	-	7,036
Other assets	-	-	24	-
<b>Total</b>	<b>144,396</b>	<b>51,478</b>	<b>66,636</b>	<b>26,329</b>

## 16. Cash

	Group		NHC	
	30.09.2017 EUR	31.12.2016 EUR	30.09.2017 EUR	31.12.2016 EUR
Account balance, ABLV Bank, AS *	5,932,963	6,477,868	5,821,485	6,503,861
Account balance, Swedbank, AS	64,906	67,059	-	-
Account balance, HypoVereinsbank (Germany)	27	-	-	-
<b>Total</b>	<b>5,997,896</b>	<b>6,544,927</b>	<b>5,821,485</b>	<b>6,503,861</b>

\* Cash is held in the accounts with ABLV Bank, AS, a related party to the Group and the Company.

## 17. Equity

As at 31 December 2016, the share capital of the Company was EUR 15,000,000 and consisted of 15,000,000 shares. The par value of each share is EUR 1. All the shares are fully paid.

On 12 April 2017, the share capital of the Company was increased up to EUR 18,000,000 and consisted of 18,000,000 shares. The par value of each share is EUR 1. All the shares are fully paid.

On 5 May 2017, the share capital of the Company was increased up to EUR 25,000,000 and consisted of 25,000,000. The par value of each share is EUR 1. All the shares are fully paid.

Shareholding structure:

	Group		Group		NHC		NHC	
	30.09.2017 %	30.09.2017 EUR	31.12.2016 %	31.12.2016 EUR	30.09.2017 %	30.09.2017 EUR	31.12.2016 %	31.12.2016 EUR
ABLV Bank, AS	88	22,000,000	88	13,200,000	88	22,000,000	88	13,200,000
PREMIUM FINANCE GROUP, SIA	6	1,500,000	8	1,200,000	6	1,500,000	8	1,200,000
Cassandra Holding Company, SIA	6	1,500,000	4	600,000	6	1,500,000	4	600,000
<b>Total</b>	<b>100</b>	<b>25,000,000</b>	<b>100</b>	<b>15,000,000</b>	<b>100</b>	<b>25,000,000</b>	<b>100</b>	<b>15,000,000</b>

In the reporting period, the Group had positive **equity of EUR 25,141,480**, which shows the Group's ability to continue as a going concern.

In the reporting period, the Company had positive **equity of EUR 24,910,244**, which shows the Company's ability to continue as a going concern.

## 18. Loans from credit institutions

### The Group loans as at 31 December 2016.

<b>Non-current portion</b>		<b>Maturity</b>	<b>31.12.2016</b>
Loan from ABLV Bank, AS *	EUR	17.02.2021	457,160
Loan from ABLV Bank, AS **	EUR	15.06.2021	3,102,000
Loan from ABLV Bank, AS **	EUR	15.05.2021	1,068,305
<b>Total non-current loans from credit institutions</b>			<b>4,627,465</b>
<b>Current portion</b>		<b>Maturity</b>	<b>31.12.2016</b>
Loan from ABLV Bank, AS *	EUR	Within one year	21,584
Loan from ABLV Bank, AS **	EUR	Within one year	-
Loan from ABLV Bank, AS **	EUR	Within one year	91,514
<b>Total current loans from credit institutions</b>			<b>113,098</b>

### The Group loans as at 30 September 2017.

<b>Non-current portion</b>		<b>Maturity</b>	<b>30.09.2017</b>
Loan from ABLV Bank, AS *	EUR	17.02.2021	440,762
Loan from ABLV Bank, AS **	EUR	15.06.2021	3,102,000
Loan from ABLV Bank, AS **	EUR	15.05.2021	998,589
Loan from Swedbank, AS ***	EUR	03.03.2020	3,600,400
<b>Total non-current loans from credit institutions</b>			<b>8,141,751</b>
<b>Current portion</b>		<b>Maturity</b>	<b>30.09.2017</b>
Loan from ABLV Bank, AS *	EUR	Within one year	21,831
Loan from ABLV Bank, AS **	EUR	Within one year	-
Loan from ABLV Bank, AS **	EUR	Within one year	92,765
Loan from Swedbank, AS ***	EUR	Within one year	266,400
<b>Total current loans from credit institutions</b>			<b>380,996</b>

\* On 18 April 2016, the Company received a loan from ABLV Bank, AS to invest in the subsidiaries of New Hanza Capital, AS. The loan is secured by a real estate pledge – the properties at Elizabetes iela 21A - 101 and Elizabetes iela 21A – 103, Rīga. All funds in the NHC 1, SIA accounts with ABLV Bank, AS are pledged as financial collateral.

\*\* On 2 August 2016, NHC 1, SIA received loans from ABLV Bank, AS to partly refinance the loan issued by New Hanza Capital, AS for the acquisition of real estate. The loan is secured by a real estate pledge – the property at Tehnikas iela 3, Lidosta Rīga, Mārupes novads. All funds in the NHC 1, SIA accounts with ABLV Bank, AS are pledged as financial collateral.

\*\*\* On 3 March 2017, NHC 3, SIA received a loan from Swedbank, AS to partly refinance the loan issued by New Hanza Capital, AS for the acquisition of real estate. The loan is secured by a real estate pledge – the property “Piepilsētas”, Krustkalni, Ķekavas novads.

The loan agreements provide that the lenders shall calculate interest coverage ratios and loan-to-value ratios on a quarterly basis. The Group companies comply with the specified ratio thresholds and meet the respective credit terms.

## 19. Other liabilities

	Group 30.09.2017 EUR	Group 31.12.2016 EUR	NHC 30.09.2017 EUR	NHC 31.12.2016 EUR
<b>Non-current portion</b>				
Security deposits from tenants	-	122,235	-	14,200
<b>Current portion</b>				
Security deposits from tenants	178,447	-	14,200	-
<b>Total other liabilities</b>	<b>178,447</b>	<b>122,235</b>	<b>14,200</b>	<b>14,200</b>

## 20. Operating segments

The Group management has defined the following strategic operating segments: direct investments in Latvia, asset management in the Baltic countries and asset management in Germany. The Group financial statements for the reporting period mainly present financial results from the direct investments in Latvia. During the reporting period the Group did not earn any revenue from asset management in Germany, while the expenses incurred in this operating segment enhanced the Group prospects for asset management in Germany.

### Statement of profit or loss by segments

	Group 01.01.2017- 30.09.2017	Group 01.01.2017- 30.09.2017	Associate SG Capital Partners AIFP, SIA 01.01.2017- 30.09.2017
	Direct investments in Latvia	Asset management in Germany*	Asset management in the Baltic countries **
Revenue	893,666		110,512
Operating expenses	(205,995)	(83,916)	(82)
<b>Gross profit</b>	<b>687,671</b>	<b>(83,916)</b>	<b>110,430</b>
Selling and distribution expenses	(84)	-	-
Administrative expenses	(171,782)	(66,630)	(88,843)
Other operating income	17	-	1,422
Other operating expenses	(37 025)	-	(276)
Other interest and similar income	1,296	-	-
Interest and similar expenses	(118,669)	-	-
<b>Profit / (loss) before tax</b>	<b>361,424</b>	<b>(150,546)</b>	<b>22,733</b>

### Statement of financial position by segments

	Group 30.09.2017	Group 30.09.2017	Associate SG Capital Partners AIFP, SIA 30.09.2017
	Direct investments in Latvia	Asset management in Germany*	Asset management in the Baltic countries **
Non-current assets	21,891,962	-	2,110
Current assets	12,072,102	-	62,496
<b>Total assets</b>	<b>33,964,064</b>	<b>-</b>	<b>64,606</b>
Equity	25,141,480	-	45,664
Non-current liabilities	8,141,751	-	-
Current liabilities	680,833	-	18,942
<b>Total equity and liabilities</b>	<b>33,964,064</b>	<b>-</b>	<b>64,606</b>

## 21. Subsequent events

On 12 October 2017, NHC 4, SIA changed the Board composition by removing the Board Member Arnolds Romeiko and appointing Pēteris Guļāns as a Board Member.

On 18 October 2017, the Company received EUR 10 000 000 raised through the bond issue. The annual interest rate of the bonds is fixed: 4.9% with coupon payment 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 regulated market — included in the Baltic Bond List of Nasdaq Riga (ISIN LV0000802312).

In October 2017, NHC 2, SIA took over the lease liabilities from Salvus 6, SIA regarding the office buildings in the territory of the former VEF, Riga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1. The number of lease agreements transferred with the properties exceeds 90. Among the major tenants are such companies as Intrum Justitia Software Development Centre, SIA and Accenture Latvia branch.



Andris Kovaļčuks  
*Chairman of the Board*



Arnolds Romeiko  
*Board Member*

17 November, 2017