



New Hanza Capital, AS

Group and Company Condensed Interim Report
for the three month period ended 31 March 2020
(unaudited)

Contents

<u>General Information</u>	<u>3</u>
<u>Group Management Report</u>	<u>4</u>
Group key financial and property performance indicators	4
Key events in the three months of 2020	5
<u>Statement of the Management's responsibility</u>	<u>6</u>
<u>Group and Company Condensed Interim Financial Statements</u>	<u>7</u>
Statements of Profit and Loss and Other Comprehensive Income	7
Statements of Cash Flows	9
Group Statement of Changes to the Shareholders Equity	10
Company Statement of Changes to the Shareholders Equity	10
Events after the reporting date	11

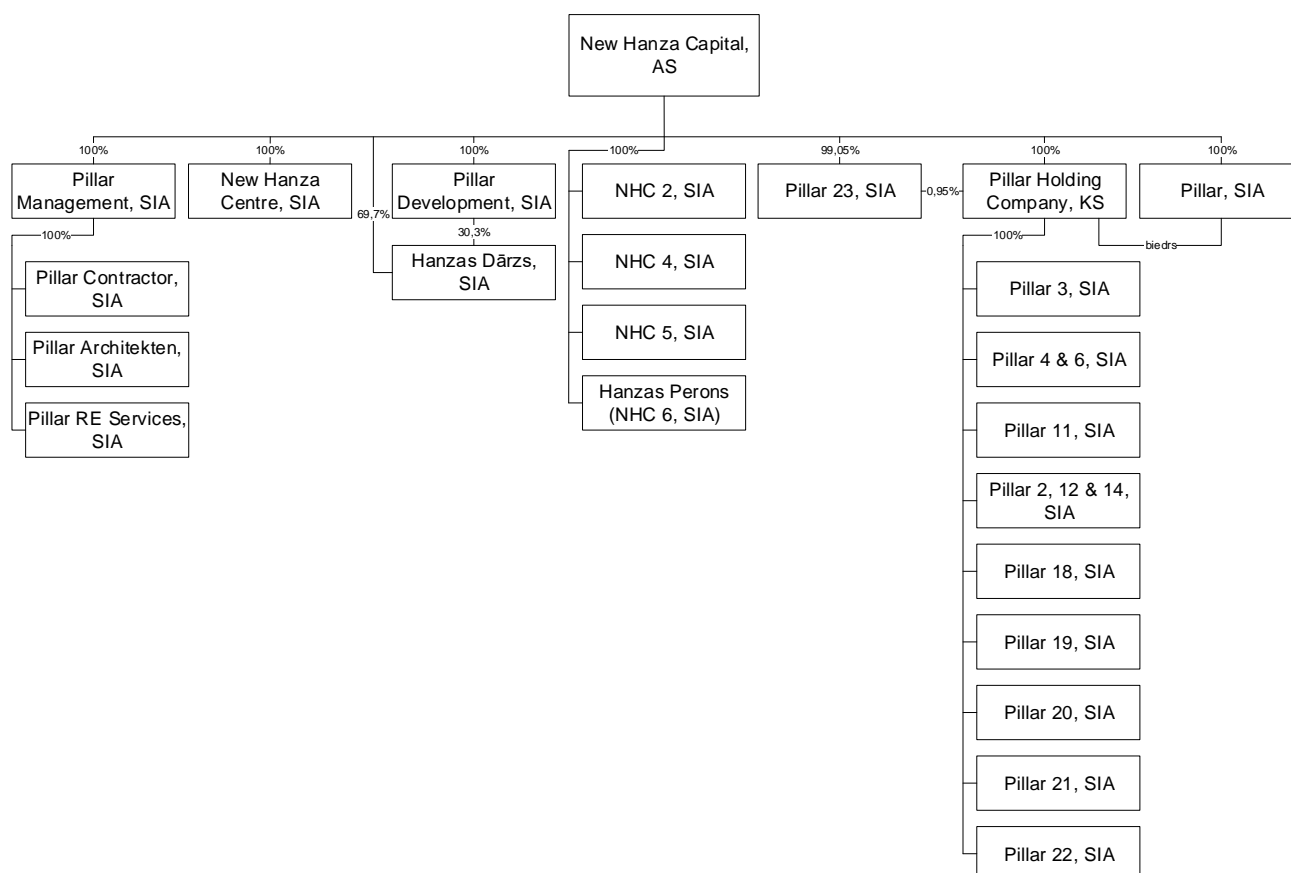
Disclaimer

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

General information

Company name	New Hanza Capital, AS
Legal status of the company	Joint Stock Company
Registration No, place and date	50003831571, Riga, 6 June 2006
Legal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
NACE code, Type of primary activity	6420 Activities of holding companies 6820 Renting and operating of own or leased real estate 7112 Engineering activities and related technical consultancy
Members of the Board and their positions	<u>From 11 December 2019</u> Edgars Miļūns, Chairman of the Board Aija Hermane-Sabule, Member of the Board Arnolds Romeiko, Member of the Board Pēteris Guļāns, Member of the Board Inga Vēvere, Member of the Board
Members of the Council and their positions	<u>From 3 December 2019</u> Ernests Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council Kaspars Bajārs, Member of the Council Ivans Marjasovs, Member of the Council
Reporting period	1 January 2020 – 31 March 2020

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.

As the result of merge with Pillar Group companies at the end of 2019, the Group can offer a full cycle of real estate development, starting from generating an idea, drafting a business plan and attracting financing, and up to project design, management of the construction cycle, property management, attraction of tenants and sale of properties.

Group key financial and property performance indicators

The Group income for the reporting period amounts to a EUR 4,604,031. The Company closed the reporting period with a pre-tax profit of EUR 3,455,341. The Group and Company results for the reporting period is in line with management expectations. Despite the Group subsidiaries operating activities in the reporting period differ, the Group management following industry practice focusses on analysing only the consolidated results of the Group. Table below summarizes Group operating indicators selected and monitored by the Group management based on industry standards.

Group profit indicators	Unit	01.01.2020. - 31.03.2020.	01.01.2019. - 31.03.2019.	01.01.2018. - 31.03.2018.
Income	EUR	4,604,031	919,292	936,696
Adjusted EBITDA	EUR	514,679	268,816	338,127
Profit before tax	EUR	(234,990)	89,625	204,205
Cash flows from operating activities	EUR	1,349,495	231,051	(93,676)
Group balance sheet indicators	Unit	31.03.2020.	31.12.2019.	31.12.2018.
Gross asset value (GAV)	EUR	189,649,609	196,783,755	56,079,789
<i>incl. Investment property</i>	EUR	83,887,299	99,083,187	39,108,000
<i>incl. construction in progress</i>	EUR	937,597	937,597	279,146
<i>incl. current assets</i>	EUR	73,570,728	65,214,884	16,308,182
Liabilities	EUR	44,743,547	51,846,107	21,458,834
<i>incl. current liabilities</i>	EUR	18,707,392	22,770,327	2,459,407
Net asset value (NAV)	EUR	144,906,062	144,937,648	34,620,955
Total liquidity ratio	coef.	3.93	2.86	6.63
Group financial ratios	Unit	01.04.2019. - 31.03.2020.	01.04.2018. - 31.03.2019.	01.04.2017. - 31.03.2018.
Adjusted EBITDA margin	%	18.81%	39.02%	26.47%
Net profit margin	%	43.82%	40.58%	351.43%
Equity ratio	coef.	0.71	0.58	0.59
Return on equity	%	4.67%	4.57%	33.72%
Return on assets	%	3.33%	2.63%	19.77%
Group investment property indicators	Unit	31.03.2020.	31.12.2019.	31.12.2018.
Number of investment properties	pcs.	28	30	9
Investment property market value	EUR	83,887,299	99,083,187	39,108,000
Leasable area	m2	60,249	79,827	72,992
Annual contractual rent fee	EUR	2,251,679	3,211,519	2,890,062
Return on investment properties at market value	%	2.7%	3.2%	7.4%
WALE	years	2.48	3.38	2.30
Average rent	EUR/m2 p.m.	4.57	4.44	4.31
Occupancy	%	68%	77%	77%

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 three months of 2020

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

On 10 January 2020 the Company concluded agreements with EfTEN Real Estate Fund III, AS (reg. No. in the Republic of Estonia: 12864036) of about selling 100% of shares of NHC 1, SIA and office buildings belonging to it at 3 Tehnikas Street, Riga Airport, Mārupes District, and 100% of shares of NHC 3, SIA, and warehouse building owned by it at "Piepilsētas", Krustkalni, Ķekavas District. The total amount of the transaction constituted roughly EUR 15,800,000. Under these share sale transactions there were also the loans issued by the Company to NHC 1, SIA and NHC 3, SIA returned.

As soon as all the terms and conditions of the share sale agreements were met, on 11 March 2020 the amendments in the register of the participants of NHC 1, SIA and NHC 3, SIA were registered in the Register of Enterprises.

In accordance with share sale agreements terms, on 11 March 2020, members of the Board of NHC 1, SIA and NHC 3, SIA, Arnolds Romeiko and Pēteris Guļāns resigned from the positions of the members of the board in the said companies.

Ensuring Company's support functions for all the companies of the Group

In accordance with the plan of the Group of Companies, starting from 1 March 2020, the Company shall ensure all the basic functions previously ensured by the subsidiary Pillar Management, SIA, i.e., the support services (accounting, legal and project management services) to the companies of the Group, which essentially means starting a new type of operation for the Company. In order to execute this plan, the Company carried out personnel rotation from its subsidiary Pillar Management, SIA, to the Company.

The Company bought its issued bonds on the secondary market

In March 2020, the board of the Company made a decision to buy from the bondholders on the secondary market the own issued bonds (issue series: NHC FXD EUR 161022, ISIN: LV0000802312), which are listed in Nasdaq Baltic Bond List, by 30 April 2020.

Statement of the Management's responsibility

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

The condensed interim financial statements are prepared in accordance with the source documents and present truly and fairly the financial position of the Company and the Group as at 31 March 2020 and 31 December 2019, and the results of their operations, changes in the share capital and reserves and cash flows for the three months of 2020 and the three months of 2019. Group management report presents truly an overview of Group and Company operating results. The aforementioned interim condensed financial statements are prepared on a going concern basis in conformity with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The Company management has been prudent and reasonable in its judgments and estimates in preparation of these condensed interim financial statements.

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

On behalf of the Board:

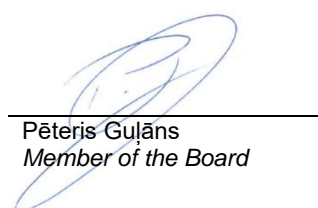


Edgars Miļūns
Chairman of the Board

22 May 2020



Arnolds Romeiko
Member of the Board






Pēteris Guļāns
Member of the Board

Group and Company Condensed Interim Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for the three month period ended 31 March 2020

	Group 01.01.2020. - 31.03.2020. EUR	Group 01.01.2019. - 31.03.2019. EUR	NHC 01.01.2020. - 31.03.2020. EUR	NHC 01.01.2019. - 31.03.2019. EUR
Continuing Operations				
Income	4,604,031	919,292	144,528	78,201
Operating expenses	(4,063,066)	(528,906)	(90,353)	(56,681)
Gross profit	540,965	390,386	54,175	21,520
Administrative expenses	(327,348)	(114,891)	(170,824)	(80,239)
Other operating income	4,516	11,834	-	-
Other operating expenses	(89,308)	(10,295)	(8,529)	(4,419)
Other interest and similar income	-	-	270,184	276,172
Other interest and similar expenses	(216,013)	(187,409)	(180,601)	(153,601)
Dividend income from subsidiaries	-	-	-	-
Investment property revaluation	-	-	-	-
Sale of shares in subsidiaries / net result	(147,802)	-	3,490,936	-
Profit / (loss) before taxes	(234,990)	89,625	3,455,341	59,433
Corporate income tax for the reporting period	-	(15)	-	-
Profit / (loss) from continuing operations for the reporting period	(234,990)	89,610	3,455,341	59,433
Discontinued Operations				
Profit / (loss) from discontinued operations for the reporting period	203,404	-	-	-
Total amount of comprehensive income	(31,586)	89,610	3,455,341	59,433

On behalf of the Board:

 <hr style="width: 100%;"/> <p>Edgars Milūns Chairman of the Board</p>	 <hr style="width: 100%;"/> <p>Arnolds Romeiko Member of the Board</p>	 <hr style="width: 100%;"/> <p>Pēteris Guļāns Member of the Board</p>
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22 May 2020

Statements of Financial Position as at 31 March 2020

	Group 31.03.2020. EUR	Group 31.12.2019. EUR	NHC 31.03.2020. EUR	NHC 31.12.2019. EUR
Assets				
Non-current assets				
Intangible assets	40,454	43,869	1,772	2,014
Goodwill	3,284,658	3,284,658	-	-
Property and equipment	21,097,376	21,388,063	92,113	66,697
Investment property	83,887,299	99,083,187	700,000	700,000
Construction in progress	937,597	937,597	-	-
Investments in subsidiaries	-	-	122,871,930	124,071,930
Investments in other companies	-	-	-	-
Financial assets at fair value through profit and loss	6,831,497	6,831,497	-	-
Total non-current assets	116,078,881	131,568,871	123,665,815	124,840,641
Current assets				
Trade receivables	1,290,746	1,052,528	1,230,122	1,300,019
Loans to related parties	-	-	14,907,000	18,445,000
Other assets	60,720,800	61,289,236	12,211,672	12,147,811
Cash and cash equivalents	11,559,182	2,873,120	8,709,883	403,227
Total current assets	73,570,728	65,214,884	37,058,677	32,296,057
Total assets	189,649,609	196,783,755	160,724,492	157,136,698
Liabilities				
Equity				
Share capital	135,186,885	135,186,885	135,186,885	135,186,885
Retained earnings/ accumulated (loss) of previous periods	9,750,763	5,120,955	211,560	116,975
Profit / (loss) of the reporting period	(31,586)	4,629,808	3,455,341	94,585
Total equity	144,906,062	144,937,648	138,853,786	135,398,445
Long term liabilities				
Loans	16,446,160	19,485,785	9,750,000	9,750,000
Bonds	8,956,052	8,956,052	8,956,052	8,956,052
Other loans	540,000	540,000	540,000	540,000
Other liabilities	93,943	93,943	-	-
Total long term liabilities	26,036,155	29,075,780	19,246,052	19,246,052
Short term liabilities				
Loans	297,197	4,563,881	-	-
Bonds	1,267,873	1,145,373	1,267,873	1,145,373
Trade payables	1,379,453	1,626,895	35,087	36,376
Other loans	-	-	1,150,000	1,150,000
Other liabilities	15,454,714	14,999,773	59,472	64,351
Accrued liabilities	308,155	434,405	112,222	96,101
Total short term liabilities	18,707,392	22,770,327	2,624,654	2,492,201
Total liabilities	44,743,547	51,846,107	21,870,706	21,738,253
Total liabilities and equity	189,649,609	196,783,755	160,724,492	157,136,698

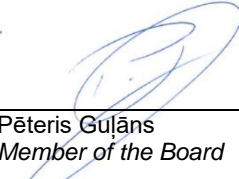
On behalf of the Board:



Edgars Milūns
 Chairman of the Board



Arnolds Romeiko
 Member of the Board



Pēteris Gulāns
 Member of the Board

22 May 2020

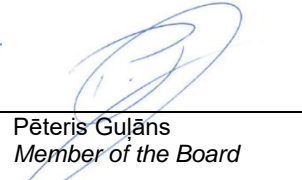
Statements of Cash Flows for the three months period ended 31 March 2020

	Group 01.01.2020. - 31.03.2020. EUR	Group 01.01.2019. - 31.03.2019. EUR	NHC 01.01.2020. - 31.03.2020. EUR	NHC 01.01.2019. - 31.03.2019. EUR
Cash flows from operating activities				
(Loss) / profit of the reporting period before tax	(234,990)	89,610	3,455,341	59,433
Adjustments for:				
Depreciation of intangible assets and property and equipment	296,549	2,768	4,385	2,768
Expenses of intangible asset and property and equipment disposal	-	-	-	-
Interest income	-	-	(270,184)	(276,172)
Interest expenses	216,013	187,409	180,601	153,601
Dividend income	-	-	-	-
Changes in accrued loan and coupon interest liabilities	122,500	-	122,500	122,499
Changes in accrued liabilities	51,205	-	26,708	-
Income from investments in associates	-	-	-	-
Changes in the value of long-term and short-term financial assets	-	(5,450)	-	-
(Gain) / loss on revaluation of investment property	-	-	-	-
Disposal of shares in subsidiaries	147,802	-	(3,490,936)	-
Reclassification of investments in company share capital	-	-	-	-
Profit before changes in working capital	599,079	274,337	28,415	62,129
(Increase) / decrease in trade receivables	38,980	(355,485)	(49,899)	(4,260)
Increase / (decrease) in trade payables	477,017	346,223	(144,947)	(107,382)
Interest payments received	326,113	-	326,113	204,497
Interest paid	(91,694)	(33,808)	(49,060)	-
Corporate income tax payments	-	(216)	-	(35)
Cash flows from operating activities	1,349,495	231,051	110,622	154,949
Cash flows from investing activities				
Investment property acquisition / construction expenses	(684,685)	(8,585,931)	-	-
Purchase of property, plant and equipment	(53,932)	(226,282)	(32,902)	-
Sale of property and equipment	-	-	-	-
Reclassification of investments in company share capital	-	106,000	-	-
Acquisition of shares in related companies/ net cash paid	-	-	-	(8,287,170)
Acquisition of shares in other companies/ net cash paid	-	-	-	-
Sale of shares in associated companies/ net cash received	-	-	-	-
Sale of shares in related companies/ net cash received	4,434,404	-	4,690,936	-
Dividends received	-	-	-	-
Loans issued	-	-	(242,000)	-
Loans repaid	3,780,000	-	3,780,000	400,000
Investments in financial assets	-	-	-	-
Net cash flows generated from / (used in) investing activities	7,475,786	(8,706,213)	8,196,034	(7,887,170)
Cash flows from financing activities				
Loans received	-	5,790,000	-	5,790,000
Loans repaid	(139,219)	(31,506)	-	-
Net cash flows from financing activities	(139,219)	5,758,494	-	5,790,000
Increase / (decrease) in net cash during the reporting period	8,686,062	(2,716,668)	8,306,656	(1,942,221)
Cash at the beginning of the reporting period	2,873,120	3,788,641	403,227	2,267,229
Cash at the end of the reporting period	11,559,182	1,071,973	8,709,883	325,008

On behalf of the Board:


Edgars Miļūns
Chairman of the Board


Arnolds Romeiko
Member of the Board


Pēteris Gulāns
Member of the Board

22 May 2020

Group Statement of Changes to the Shareholders Equity for the three month period ended 31 March 2020

	Paid-in share capital	Premium	Reserves	Retained earnings	Profit for the reporting period	Total share capital and reserves
1 January 2019	25,000,000	-	-	9,620,955	-	34,620,955
Share issue	90,317,119	-	-	-	-	90,317,119
Share issue premium	-	19,869,766	-	-	-	19,869,766
Total comprehensive income for the reporting period	-	-	-	-	4,629,808	4,629,808
Dividends paid	-	-	-	(4,500,000)	-	(4,500,000)
31 December 2019	115,317,119	19,869,766	-	5,120,955	4,629,808	144,937,648
1 January 2020	115,317,119	19,869,766	-	9,750,763	-	144,937,648
Total comprehensive income for the reporting period	-	-	-	-	(31,586)	(31,586)
31 March 2020	115,317,119	19,869,766	-	9,750,763	(31,586)	144,906,062

Company Statement of Changes to the Shareholders Equity for the three month period ended 31 March 2020

	Paid-in share capital	Premium	Reserves	Retained earnings	Profit for the reporting period	Total share capital and reserves
1 January 2019	25,000,000	-	-	4,616,975	-	29,616,975
Share issue	90,317,119	-	-	-	-	90,317,119
Share issue premium	-	19,869,766	-	-	-	19,869,766
Total comprehensive income for the reporting period	-	-	-	-	94,585	94,585
Dividends paid	-	-	-	(4,500,000)	-	(4,500,000)
31 December 2019	115,317,119	19,869,766	-	116,975	94,585	135,398,445
1 January 2020	115,317,119	19,869,766	-	211,560	-	135,398,445
Total comprehensive income for the reporting period	-	-	-	-	3,455,341	3,455,341
31 March 2020	115,317,119	19,869,766	-	211,560	3,455,341	138,853,786

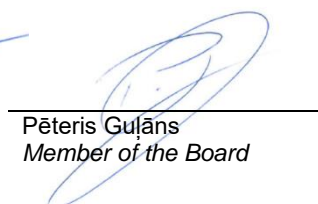
On behalf of the Board:



Edgars Miļuns
 Chairman of the Board



Arnolds Romeiko
 Member of the Board



Pēteris Guļāns
 Member of the Board

22 May 2020

Events after the reporting date

Implementation of a new investment project

In April 2020, the Board and the Council of the Company made a decision about implementation of a new investment project – development of A-class warehouse and logistics park worth EUR 18,300,000 on the territory owned by NHC 4, SIA, a subsidiary of the Company, located in Riga at 462 Maskavas Street.

It is estimated that the construction works will be completed by 31 July 2021. The new buildings are aiming to obtain BREEAM certificate that will confirm their high quality, energy efficiency and compliance with the world standards, as well as it is going to be the first warehouse in Latvia having BREEAM certificate.

Amendments in the investment calendar

In April 2020, the Company introduced changes in the dates of publishing the reports due to the state of emergency declared in the country and the restrictions imposed for limiting the spread of Covid-19 virus. New Hanza Capital, AS Group's consolidated and company's separate audited financial reports for the year that ends on 31 December 2019 will be published between 15.06.2020 and 19.06.2020.

Potential impact of Covid-19

In April 2020, the Company made an announcement about the potential impact of Covid-19 on the economic activity, financial situation and performance of the Company. Given that on 11 March World Health Organization announced that the spread of the Covid-19 disease caused by coronavirus, hereinafter referred to as Covid-19, has reach the volume of a global pandemic, on 12 March Latvian government made a decision to declare the state of emergency in the country, and the restrictions followed by this decision had an impact on business environment and the country's economy in general. Yet the situation is still uncertain and changing, and the precise volumes of impact on the Company as on the day of preparing this Report, cannot be clearly determined. Management of the Company and the companies belonging to the group is on the daily basis managing the negative economic risks caused by the consequences of limiting the spread of Covid-19 and is working on decreasing their impact on the Company and its subsidiaries.

In accordance with the specification and purposes of business of the Company and its subsidiaries, the Company puts its businesses in several separate segments. Having analysed the impact of Covid-19 on the Company and the companies belonging to the group, the Company hereby provides analysis of the impact on each of the segments separately:

Segment 1 – service providers (Pillar Re Services, SIA, Pillar Contractor, SIA, Pillar Architekten, SIA and Hanzas Perons, SIA). The purpose of business of the companies in this segment is to gain income by rendering real estate management, construction, design and real estate operator's services to the companies of the group and external clients. Given the restrictions due to Covid-19, it is planned that the total turnover of the companies of this segment in 2020 will decrease by EUR 640,000, which will mainly be affected by the restrictions faced by Hanzas Perons, SIA, – the operator of the event venue Hanzas Perons, namely, restrictions to organise events gathering audiences and renting premises to event organisers. Additionally, the decrease in income is caused by the low demand for parking spots at New Hanza territory, which is managed by Pillar RE Services, SIA. Evaluating potential decrease in income, Company management assumed, that restrictions to organise events gathering audiences will last 6 months. While no decrease in income due to Covid-19 restrictions is anticipated for the companies Pillar Contractor, SIA, and Pillar Architekten.

Segment 2 – companies owning real estate held for development (Pillar 23, SIA, New Hanza Centre, SIA, Pillar Development, SIA and Hanzas Dārzs, SIA). The real estate portfolio of these companies includes properties at New Hanza territory, and before the development of each particular object is started the companies conduct no active business. The Company is assuming that Covid-19 restrictions will not affect the development plans of the companies in this segment and the value of their assets in long-term perspective.

Segment 3 – companies that own commercial properties generating lease income (NHC 2, SIA, NHC 4, SIA, NHC 5, SIA and Pillar 22, SIA). The purpose of business of companies in this segment is to ensure stable income flow from leasing the commercial properties owned by these companies and facilitate the growth of their value in long-term perspective. The portfolio of companies of this sector includes properties like VEF office buildings, logistics complex in Riga at 462 Maskavas, St., office building at 23 Elizabetes St., etc. There are industries affected by the Covid-19 restrictions among the tenants of these properties, who are facing decrease of demand for their products and services. Understanding their difficult times and in order to maintain a close long-term cooperation, the Company is looking for mutually acceptable solutions. If necessary, companies sign short-term amendments to their lease agreements, which provide discounts to their rent or partially postponing it to future periods, i.e., after the declared state of emergency ends. The estimated total decrease in revenue for the companies of this segment in 2020 is EUR 340,000. Additionally, the Company is carrying out negotiations with its service providers in an attempt to agree about decrease in costs related to the maintenance of the properties until the declared state of emergency period ends. Based on the opinions of industry experts, hotels and big shopping malls are going to be the ones that will experience significant negative impact in commercial properties sector due to Covid-19 restrictions. As on the day of preparing this Report, the Company does not own any hotels or shopping malls.

Segment 4 – companies with real estate objects held for sale, which were obtained in the course of restructuring the loans of clients of ABLV Bank, AS, in liquidation (subsidiaries of Pillar Holding Company, KS). The purpose of business of these

companies is to sell these properties within a certain period of time. It was planned to sell more than 70 objects owned by the companies of this segment in 2020. Due to Covid-19 restrictions and the uncertainty caused by its impact, the Company is assuming decrease in the number of transactions of sale of these properties in 2020 due to that a part of buyers in these uncertain times would be likely to postpone big purchases to future periods. The estimated total decrease in revenue in companies of this segment in 2020 is EUR 3,800,000. Evaluating potential decrease in income, Company management assumed, total sales would amount to 30% of previously expected volume.

The Company bought its issued bonds on the secondary market

In accordance with the decision made by the Board of the Company in March 2020 to buy from the bondholders on the secondary market the own issued bonds (issue series: NHC FXD EUR 161022, ISIN: LV0000802312), which are listed in Nasdaq Baltic Bond List, the Company bought bonds on the secondary market at their face value of EUR 2,490,000, having concluded separate transactions with the bondholders, who were willing to sell their bonds in accordance with the latest offers in Nasdaq Riga trading system.