



**JOINT STOCK COMPANY
HANSAMATRIX
UNIFIED REGISTRATION NUMBER 40003454390**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE 6 MONTH PERIOD ENDED JUNE 30, 2019**

Prepared in accordance with International Financial Reporting
Standards, as adopted by the European Union

Riga, 2019

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General information

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| Name of the Parent Company | HansaMatrix |
| Legal status of the Parent Company | Joint stock company |
| Parent Company unified registration number | 40003454390 |
| Place and date of registration | Riga, 30 July 1999 |
| Registration with the Commercial Register | Riga, 27 December 2002 |
| Registered office | Akmeņu iela 72, Ogre, Latvia, LV-5001 |
| Shareholders (over 5%) as of August 14, 2019 | SIA Macro Rīga (34.03%) ZGI-4 AIF KS (15.06%) KS BaltCap Latvia Venture Capital Fund (9.95%) KS FlyCap Investment Fund I AIF (9.61%) IPAS CBL Asset Management managed funds (6.56%) Swedbank Ieguldījumu Pārvaldes Sabiedrība AS managed funds (5.10%) |
| Subsidiaries | SIA HansaMatrix Ventspils (equity interest: 100%) SIA HansaMatrix Innovation (equity interest: 100%) SIA Campus Pārogre (equity interest: 100%) |
| Auditors | SIA Ernst & Young Baltic Licence No. 17 Diāna Krišjāne Latvian Certified Auditor Certificate No. 124 |
| Financial year | 1st January – 31st December 2019 |
| Interim reporting period | 1st January – 30th June 2019 |

Management Board

The Management Board is a collegial executive body entrusted with management of the Company's business. Its members are elected by the Supervisory Board, which also elects one member of the Management Board to act as Chairman of the Management Board. In accordance with the Articles of Association of the Company, members of the Management Board are elected for an indefinite period of time.

In accordance with the Articles of Association of the Company, the Chairman of the Board has a right to represent the Company as the sole representative when entering into relationships with third parties. Alternatively, the Company can be represented by two members of the Board acting jointly.

As of the date of the statement Company's Management Board is composed of three persons consisting of Chairman of the Board and two Board Members.



Ilmārs Osmanis

Ilmārs Osmanis is the Chairman of the Management Board and the CEO of the Company
Date appointed: 30 December 2015

Positions held in other companies:

- Campus Pārogre, SIA – Chairman of the Board
- HansaMatrix Ventspils, SIA – Member of the Board
- HansaMatrix Innovation, SIA – Chairman of the Board
- Zinātnes parks, SIA – Chairman of the Board
- Macro Rīga, SIA – Member of the Board
- Lightspace Technologies, SIA – Chairman of the Board
- LEO Pētījumu centrs, SIA – Member of council
- LEITC, SIA – Member of council
- Latvijas Elektrotehnikas un elektronikas rūpniecības asociācija – Member of the Board
- Eurolcids, SIA - Member of the Board

Owned shares:

- directly: 0
- indirectly (through SIA, Macro Rīga): 622 503 shares

Participation in other companies:

- Macro Rīga, SIA (100%)
- Lightspace Technologies, SIA (15.28%)

Ilmārs Osmanis educational background is electronic engineering later complemented by additional executive MBA studies which were not completed due to business start-up. His entrepreneurial experience includes successful development of an electronic components distribution business in the Baltic countries, a business that was subsequently successfully sold. During the last fifteen years, Ilmārs Osmanis, who created the Company, served as its CEO. The Company has subsequently evolved into one of the most modern high tech manufacturing groups in the Nordic and Baltic countries comprising 2 manufacturing plants currently employing around 240 employees. He has accomplished managerial buyout of the Company in 2014 and listed HansaMatrix on Nasdaq Baltic main list at 2016.

**Māris Macijevskis**

Māris Macijevskis is a member of the Management Board of the Company and the Finance Director of the Company.

Date appointed: 16 February 2018

Positions held in other companies:

- IQ Capital SIA – Member of the Board
- Latvijas Skvoša federācija, Biedrība – Chairman of the Management Board

Owned shares: 300

Owned employee share options: 700 (as of August 15, 2019)

Participation in other companies:

- IQ Capital SIA (100%)

Māris Macijevskis holds Bachelor of Science degree in Economics and Business Administration from Stockholm School of Economics in Riga, Master of Science degree in International Economics from University of Latvia and is Chartered Financial Analyst (CFA) charterholder. His previous experience includes the position of a Head of Corporate Client Service Department at Citadele banka AS. Mr. Macijevskis has been with the Company since 2017.

**Aldis Cimoška**

Aldis Cimoška is a member of the Management Board of the Company and the Head of Ventspils Plant.

Date appointed: 30 December 2015

Positions held in other companies:

- HansaMatrix Ventspils SIA – Member of the Board

Owned employee share options: 1800 (as of August 15, 2019)

Aldis Cimoška holds Engineering degree in wood processing from Latvian University of Agriculture. He possesses extensive experience in managing a wooden house fabrication company. Aldis is also business coach at Commercial education centre in relation to production efficiency, LEAN processes, business strategy, and adjustment of production processes, establishment and development of production enterprises. Mr. Cimoška has been with the Company since 2013.

Changes to the Company's Management Board:

There were no changes in the Company's Management Board during the reporting period.

Supervisory Board

The Supervisory Board of the Company is a collegial body exercising supervision over key activities of the Company and, where appropriate, decision making by the Management Board. As of the date of this statement, the Supervisory Board of the Company consists of 5 members, selected by the General Meeting of Shareholders for the maximum term of office of 5 years. The members of the Supervisory Board shall elect from among themselves the Chairman of the Supervisory Board and one Deputy Chairman of the Supervisory Board.

As of the date of the statement the Company's Supervisory Board is composed of the following members: Chairman of Supervisory Board, Deputy Chairman of Supervisory Board and three Members of Supervisory Board.

Andris Bērziņš

Andris Bērziņš is the Chairman of the Supervisory Board of the Company.

Date appointed: 16 February 2018

Term of office: 16 February 2023

Owned shares: 0

Andris Bērziņš will be regarded as independent board member.

Positions held in other companies:

- RĪGAS EVANĢĒLISKĀ DRAUDZE – Chairman of the Board
- TechHub Riga, Nodibinājums – Member of the Board
- KBZ, Sabiedrība ar ierobežotu atbildību – Chairman of the Board
- TechChill, Nodibinājums – Member of the Board
- Sonarworks, SIA – Member of Council
- Nordigen Solutions, SIA – Member of the Board

Participation in other companies:

- KBZ, Sabiedrība ar ierobežotu atbildību (100%)

Andris Bērziņš is an entrepreneur and executive with extensive experience in C-level roles at high-growth, global venture-backed startups. He holds a Stanford MBA with a broad experience in investing, strategy, business development, sales, marketing and product management across Europe and the USA. He has a proven track record of having led global technology startups from pre-seed stage to rapid growth.

Krišs Osmanis

Krišs Osmanis is the Deputy Chairman of the Supervisory Board of the Company.

Date appointed: 16 February 2018

Term of office: 16 February 2023

Owned shares: 0

Owned employee share options: 300 (as of August 15, 2019)

Represents Macro Riga shareholding of 622 503 shares.

Positions held in other companies:

- LightSpace Technologies, SIA – Chairman of the Council
- EUROLCDs, SIA – Member of a Council
- HansaMatrix Innovation, SIA – Member of the Board

Krišs Osmanis is the leading Electronics Design Engineer with the Company's R&D department since 2012. He holds a Dr.Sci.Ing degree in Electronics from Riga Technical University. The professional experience of Krišs Osmanis includes high speed FPGA architecture and design, high speed driving of DLP based optical projection systems. He is the author of several scientific publications and patents.

Dagnis Dreimanis

Dagnis Dreimanis is a member of the Supervisory Board of the Company.

Date appointed: 16 February 2018

Term of office: 16 February 2023

Owned shares: 0

Dagnis Dreimanis is representing interests of minority institutional investors and BaltCap joint investment in LightSpace Technologies SIA.

Positions held in other companies:

- DD Ventures SIA, Member of the Board
- Baltic Coffee Holding SIA, Member of the Council
- EVO grupa SIA, Member of the Council
- Vika Wood, SIA, Member of the Council
- BaltCap AIFP SIA, Chairman of the Board
- SOLVINA SIA, Member of the Board
- Latvian Capital Ventures SIA, Member of the Board

Participation in other companies:

- DD Ventures SIA (100%)
- Latvian Capital Ventures SIA (57.5%)

Investment professional with 18 years of experience in private equity. Have invested in over 20 companies in broad range of industries. Executive MBA from NUS / UCLA, CFA and board education from BICG.

Ingrīda Blūma

Ingrīda Blūma is a member of the Supervisory Board of the Company.

Date appointed: 16 February 2018

Term of office: 16 February 2023

Positions held in other companies:

- RĪGAS PIENA KOMBINĀTS, Akciju sabiedrība – Council Member
- i-bloom, SIA – Member of the Board
- Expobank, AS - Council Member
- PN Project, AS - Council Member

Owned shares: 0

Ingrīda Blūma will be regarded as independent board member.

Participation in other companies:

- i-bloom, SIA (100%)

Ingrīda Blūma holds a MSc. degree from Stockholm University. Her additional training includes INSEAD Advanced Management Program and Strategic management and leadership training course at EBRD. Ingrīda Blūma's work experience is mainly related to the banking sector, where she has worked for almost 20 years. Her work as CEO of AS Swedbank (former AS Hansabanka), has equipped her with a unique blend of business experience in the banking industry and corporate business environment. Under her leadership, AS Hansabanka grew to become the largest bank of Latvia. Ingrīda Blūma has also served in the capacity of a member of the Supervisory Board of SIA Primekss, SIA Pure Food and JSC URSA Bank.

Currently, Ingrīda Blūma serves as a member of the Supervisory Board of AS Expobank and AS Rīgas Piena Kombināts. In addition, she chairs the Management Board of the foundation Iespējamā Misija (in English "Mission Possible") forming part of Teach for All global network.

Gundars Strautmanis

Gundars Strautmanis is a member of the Supervisory Board of the Company.

Date appointed: 16 February 2018

Term of office: 16 February 2023

Positions held in other companies:

- Latvijas Elektrotehnikas un elektronikas rūpniecības asociācija, biedrība – Member of the Board
- Inženiera Jāņa Lintera fonds – Member of the Board

Owned shares: 0

Gundars Strautmanis will be regarded as independent board member.

Dr.habil.sc.ing., Prof. Gundars Strautmanis adds highly valuable executive and professional experience to company Council. Gundars Strautmanis has graduated Riga Polytechnical Institute with engineering degree and Moscow Institute of Electronic Technologies with post graduate degree and additional business education at York University (Canada), Mastery University and Columbia University Business School (USA).

Dr. Gundars Strautmanis currently serves as a First Vice-president of Latvian Chamber of Commerce and Industry, also He is a member of the European Economic and Social committee (EESC), member of the Bureau of two internal structures of EESC- Employers group and Industrial development section (CCMI), non-executive adviser to CEO of Lattelecom Ltd. His previous positions - President-Chairman of the Board of Directors at Lattelecom Ltd.; deputy Chairman of Supervisory Council at Latvian Mobile Telephone (LMT) Ltd.; a Supervisory Board member in European Intergovernmental satellite telecommunications organization EUTELSAT, and others.

Gundars Strautmanis has received several state awards.

Changes to the Company's Supervisory Board:

There were no changes in the Company's Supervisory Board during the reporting period.

Major shareholders

AS HansaMatrix major shareholders as of August 14, 2019 (end of the day):

| Major shareholders (over 5%) | Owned shares | Ownership interest |
|--|------------------|--------------------|
| SIA Macro Rīga | 622 503 | 34.03% |
| ZGI-4 AIF KS | 275 562 | 15.06% |
| KS BaltCap Latvia Venture Capital Fund | 182 000 | 9.95% |
| KS FlyCap Investment Fund I AIF | 175 738 | 9.61% |
| IPAS CBL Asset Management managed funds | 120 000 | 6.56% |
| Swedbank Ieguldījumu pārvaldes sabiedrība AS managed funds | 93 369 | 5.1% |
| | | |
| Other shareholders (under 5%) | 360 209 | 19.69% |
| | | |
| TOTAL: | 1 829 381 | 100.00% |



MANAGEMENT REPORT

General information

The joint stock company HansaMatrix (hereinafter – HansaMatrix or the Company) is a leading Baltic electronic system product developer and manufacturer. The Company is actively operating integrated product manufacturing services in industrial systems, data network infrastructure, Internet of Things, medical and several other B2B (business-to-business) market sectors. HansaMatrix is actively growing its knowledge business, product development engineering teams and building knowledge platform for future innovation and business development. Building on its 19-year experience and its business mission, which is to develop global technology products, the Company makes itself a valuable asset assisting customers in the achievement of success in global markets.

Business environment

Globally electronics manufacturing services markets currently been effected by ongoing USA and China “trade war”. Situation with increased tariffs on China manufactured electronic circuits improve market position in US to East Europe suppliers. From other side “trade war” slows down economy and holds back some investments in infrastructure. Situation is not stable and can change any time.

Positive development of 5G networks is beneficial factor to business environment. In 2019 Q2 HansaMatrix started to supply electronic circuits for 5G network base stations and increasing investments in EU 5G networks will positively effect future HansaMatrix sales development.

The second quarter of 2019 shown further decrease of negitve impact of deficit of some electronic components. The slow down of sales of smart phones in global markets have caused the reduction of demand for multi layer ceramic capacitors – from MURATA, AVX and other suppliers.

Local labor market development in Latvia show faster then expected salary inflation. 2018 year y-o-y salary inflation reached 8.4% and consensus forecast for 2019 among bank analysts stand at 7...8% level. This remains a significant cost increase driver.

Finance results brief summary

During the second quarter (Q2 further in document) of 2019 the Company reported turnover of 5.973 million EUR, which is historically highest quarterly turnover, representing increase by 15% in comparison to the same period of 2018. The 2019 Q2 sales results showed slight 1% sales volume increase in comparison with previous quarter – 2019 Q1.

During first 6 months (“6m” or “H1” further in the document) of 2019 the Company reported sales volume increase by 7% compared to the same period of 2018 and reached 11.881 million EUR. 2019 H1 turnover was 18% larger compared with 2018 second half of year (“H2”).

During 2019 Q2 the Company reported quarterly EBITDA result of 0.960 million EUR and quarterly net loss of 0.054 million EUR. The reported EBITDA result shows slight 1% decrease in comparison with Q2 2018 and 14% decrease compared to

previous quarter of 2019 Q1. The company operated with small net loss in 2019 Q2, resulting in negative net profit margin. Results represent quarterly EBITDA margin of 16.07%.

During first 6 months of 2019 ("H1") the Company reported historically highest half year EBITDA result of 2.076 million EUR and half year net profit result of 0.146 million EUR. The reported EBITDA result shows 3% increase in comparison with 2018 H1 and 60% increase from previous 6 month period of 2018 H2. The 6 month net profit results for 2019 H1 demonstrate 84% decrease in comparison with 2018 H1 but increase compared to 2018 H2, when the Company operated with net loss. Results represent 6 month EBITDA margin of 17.5% and 6 month net profit margin of 1.2%.

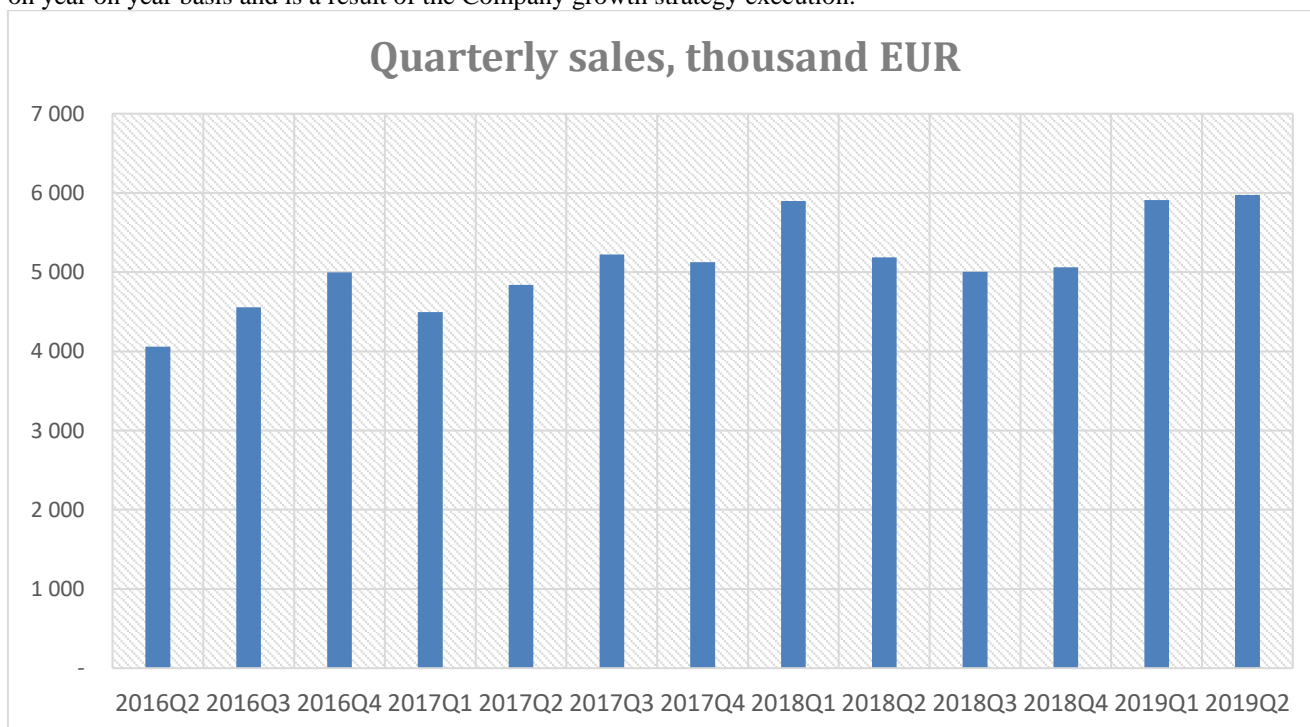
EBITDA margin in 2019 1H remains at comparably high level, determined by product with higher added value proportion in the total sales volume. Net profit margin exhibits decreasing trend, explained by the increased interest payments, where interest payment provisions for European Investment Bank financing is included and explained by the increased proportional losses included in the consolidated financial statements from the associate companies. Both EBITDA and net profit margins in 2019 were also influenced by significant direct manufacturing labor wage increases.

2019 Q2 R&D turnover increased by 96% compared with 2018 Q2 R&D turnover and increased by 35% compared to the previous quarter Q1 2019 turnover, and is accounting for 9.7% share of Company's consolidated sales in 2019 Q2. R&D grant income has not been included in reported R&D sales figures. Substantial increase in R&D sales volumes in 2019 Q2 is explained by R&D manufacturing department substantially increasing production of high-tech optical devices and by working on several other R&D projects.

TTM - 12 month period sales (period starting in July 1, 2018 and ending with June 30, 2019) at 2019 Q2 reported to be at historically highest level of 21.948 million EUR, showing 3.71% increase compared to TTM sales for the period ended at 2019 Q1. EBITDA result for the TTM 12 month period reported to be 3.369 million EUR, a slight decrease of 0.43% in comparison with 12 month period ended at 2019 Q1. Net profit for TTM period reported 0.114 million EUR, 80% down if compared with 12 month period ended at 2019 Q1. Averaged EBITDA margin for TTM period is reported to be 15.4% and net profit margin for the same period is reported to be 0.5%.

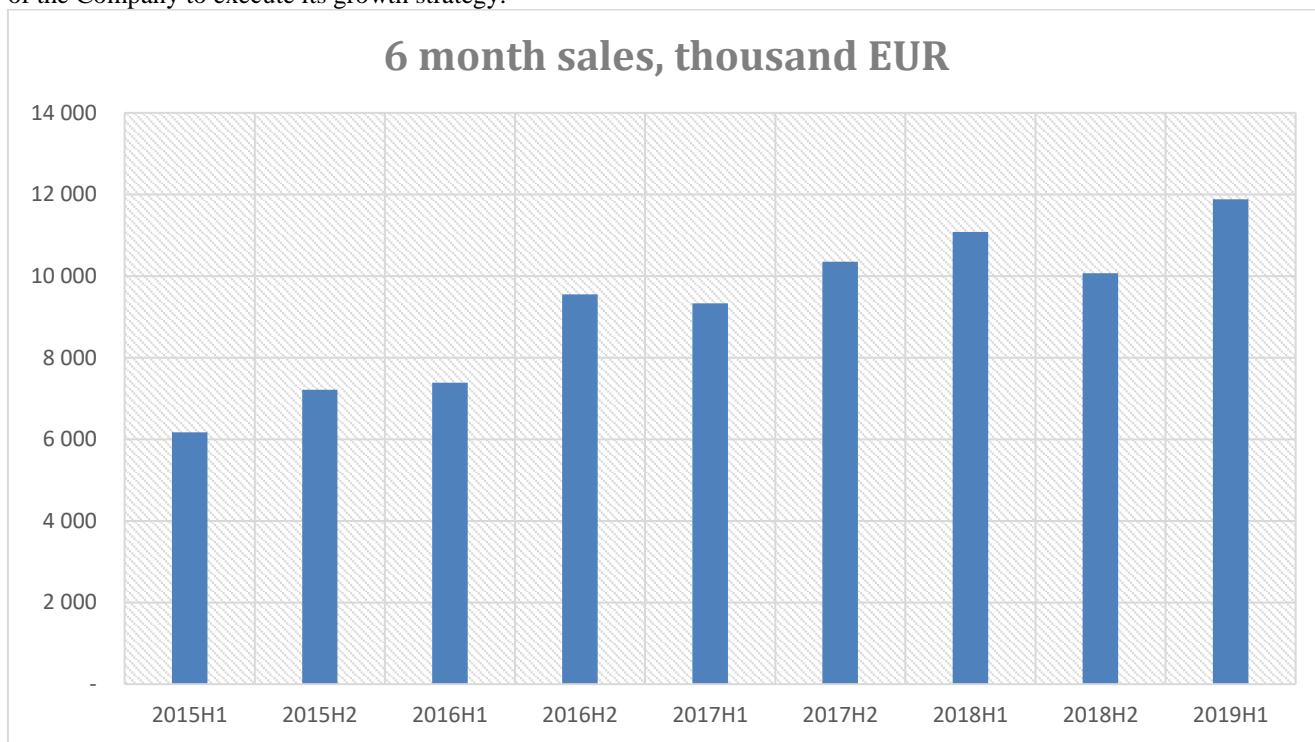
Quarterly sales results for 2019 Q2

During Q2 of 2019 the Company reported turnover of 5.973 million EUR, which is historically highest quarterly turnover, representing increase by 15% in comparison to the same period of 2018. The 2019 Q2 sales results showed slight 1% sales volume increase in comparison with previous quarter – 2019 Q1. 2019 second quarter sales demonstrate substantial increased on year on year basis and is a result of the Company growth strategy execution.



2019 6 month sales results

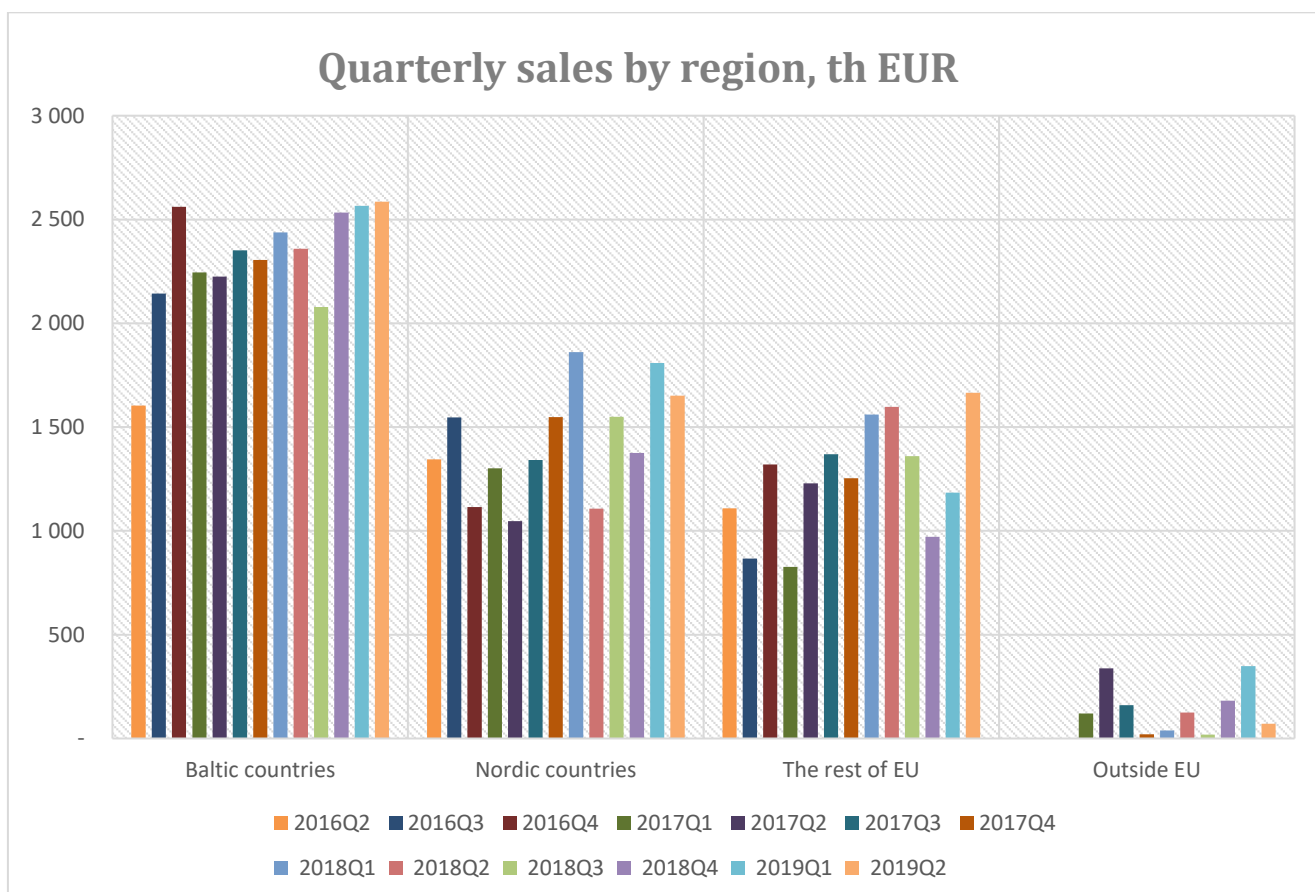
During first 6 months (“6m” or “H1” further in the document) of 2019 the Company reported sales volume increased by 7% compared to the same period of 2018 and reached 11.881 million EUR. 2019 H1 turnover was 18% larger compared with 2018 second half of year (“H2”). 2019 1H results and the achieved y-o-y and q-o-q growth level reflect the firm commitment of the Company to execute its growth strategy.



Quarterly sales by market region results for 2019 Q2

During 2019 Q2 Baltic states continue to be the largest market region with 43% share of turnover. Nordic and other EU sales both reported as 28% of total sales. HansaMatrix during 2019 Q2 continued to deliver small amounts to customer locations outside EU. This market share in 2019 Q1 amounts to 1% of the total sales volume.

Sales dynamics of regions – Baltic sales were 10% up compared to 2018 Q2 and also 1% up compared to 2019 Q1; Nordic sales were 49% up from 2018 Q2, but 9% down in comparison with 2019 Q1. Other EU region sales reported 4% increase from 2018 Q2 and 41% increase from 2019 Q1. Outside EU deliveries decreased by 43% from 2018 Q2 and decreased by 80% from 2019 Q1. Significant quarterly sales fluctuations in different regions are explained by the customer order flow that can exhibit quarterly fluctuations, smoothing out in medium and long term.

**Data table - Quarterly sales by region, thEUR**

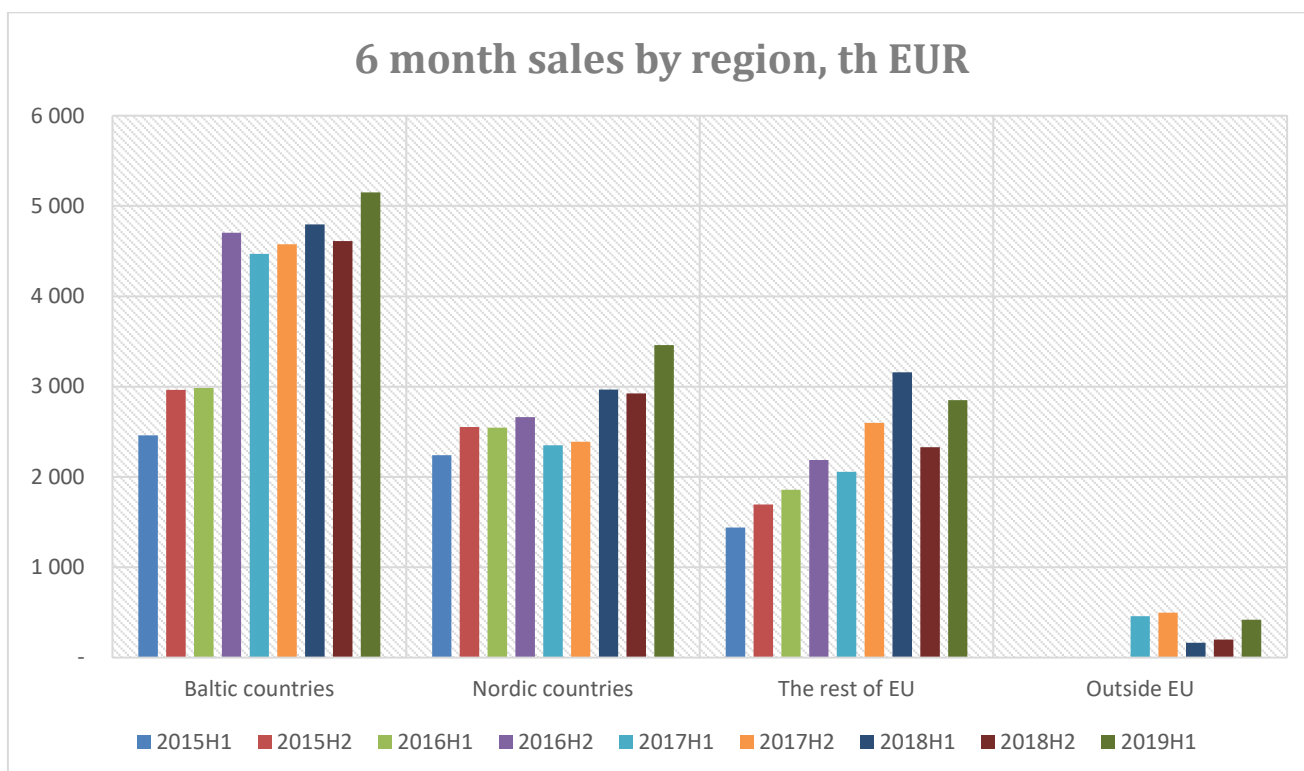
| Sales, thEUR | 2016Q1 | 2016Q2 | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 |
|------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Baltic countries | 1 382 | 1 603 | 2 143 | 2 562 | 2 244 | 2 224 |
| Nordic countries | 1 200 | 1 345 | 1 546 | 1 115 | 1 302 | 1 048 |
| The rest of EU | 748 | 1 109 | 867 | 1 319 | 827 | 1 229 |
| Outside EU | - | - | - | - | 121 | 339 |
| Total | 3 330 | 4 057 | 4 557 | 4 996 | 4 494 | 4 839 |

| 2017Q3 | 2017Q4 | 2018Q1 | 2018Q2 | 2018Q3 | 2018Q4 | 2019Q1 | 2019Q2 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2 351 | 2 305 | 2 438 | 2 359 | 2 078 | 2 533 | 2 566 | 2 586 |
| 1 341 | 1 548 | 1 861 | 1 106 | 1 549 | 1 375 | 1 809 | 1 652 |
| 1 370 | 1 253 | 1 560 | 1 597 | 1 360 | 971 | 1 184 | 1 665 |
| 161 | 20 | 39 | 124 | 19 | 182 | 348 | 71 |
| 5 222 | 5 126 | 5 898 | 5 188 | 5 005 | 5 061 | 5 908 | 5 973 |

2019 6 month sales by region results

During 2019 H1 main sales drivers continue to be Baltic customers with 43% market share of sales. Nordic and other EU sales reported as 29% and 24% of total sales. Product deliveries to customer locations outside EU amounted to 4% of total sales in 2019 H1.

Sales dynamics of regions – Baltic sales were 7% up from 2018 H1 and 12% up from 2018 H2; Nordic sales were 17% up from 2018 H1 and 18% up in comparison with 2018 H2. Other EU sales were reported with 10% volume decrease from 2018 H1 and 22% increase from 2018 H2. Outside EU sales exhibited substantial 157% year on year growth and 108% increase from 2018 H2.

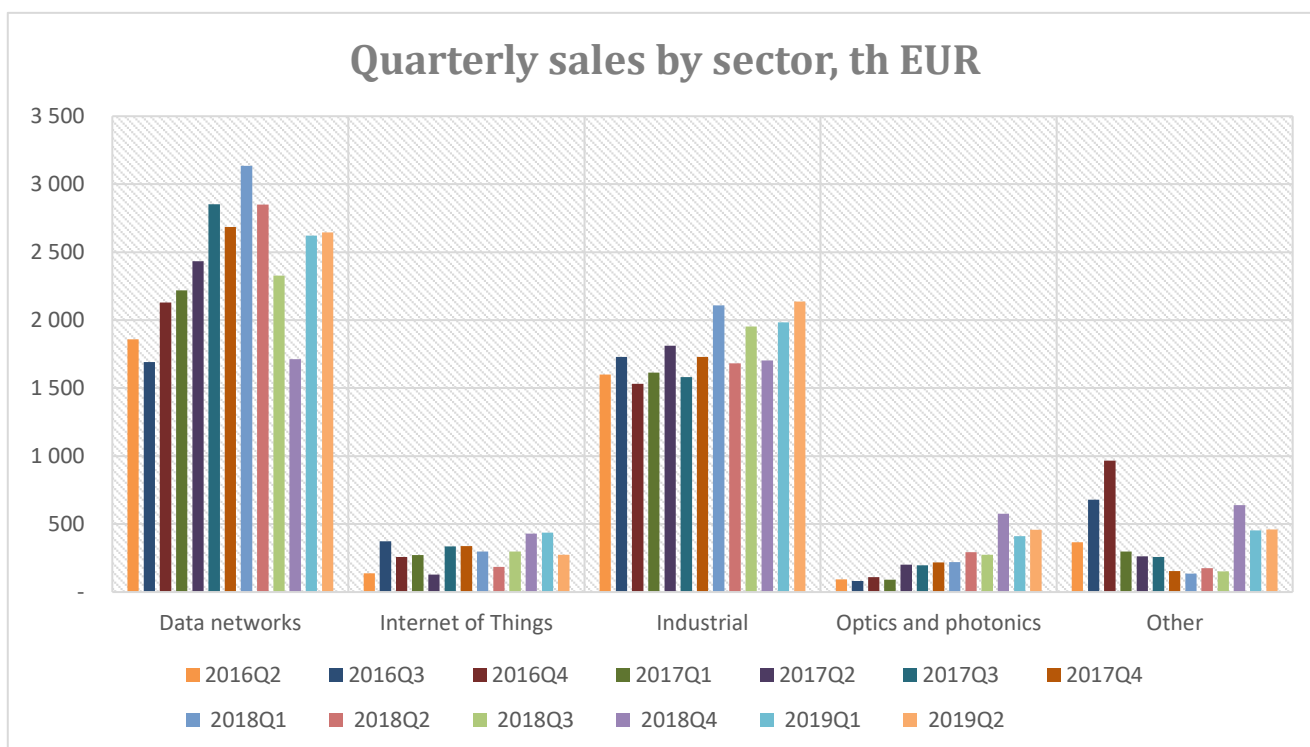


Quarterly sales by market sector results for 2019 Q2

During 2019 Q2 data network product sales and industrial product sales were dominating sales drivers respectively with 44% and 36% sales market share. Internet-of-things sales amounted to 5%, other products and optics and photonics products reported each with 8% share.

2019 Q2 data network product sales show decrease by 7%; industrial sector product sales – significant increase by 27%; internet-of-things – increase by 48%, optics and photonics products sales – increase by 55% and other product sector – increase by 162% in comparison with 2018 Q2. Comparison with sales results with previous - 2019 Q1 demonstrates 1% increase in data networks; 8% increase in industrial sector; decrease of 37% in Internet of things products; 11% increase in optics and photonics products and 2% increase in other product sector.

Sector sales quarterly fluctuations are explained by the customer order flow that can exhibit significant quarterly fluctuations, sectors sales trends are to be observed in the longer term periods. Optics and photonics product sales have increased related to focused R&D and manufacturing activities in this market sector. Internet of things product sector has large future potential, however currently a significant number of projects in this sector globally are still in start-up phase.

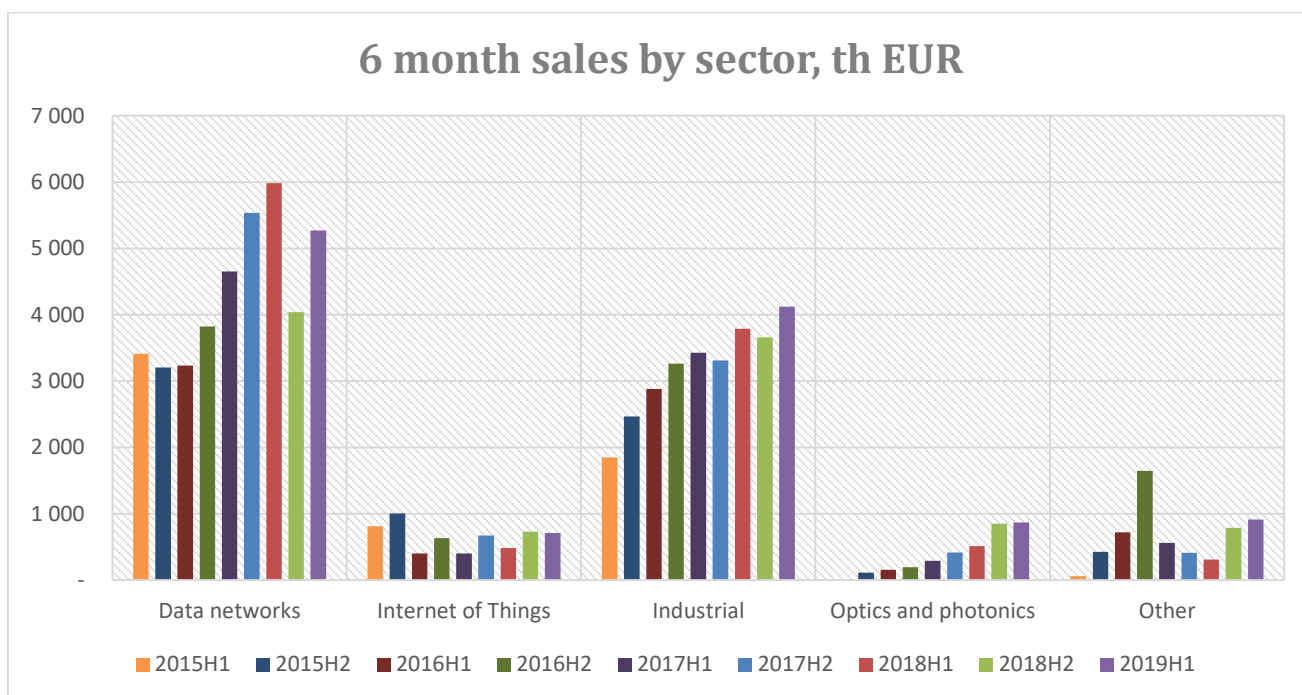
**Data table - quarterly sales by market sector results for 2019 Q2**

| Sales, thEUR | 2016Q1 | 2016Q2 | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 | 2017Q3 | 2017Q4 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Data networks | 1 375 | 1 859 | 1 691 | 2 130 | 2 220 | 2 434 | 2 852 | 2 685 |
| Internet of Things | 261 | 138 | 374 | 258 | 272 | 129 | 336 | 338 |
| Industrial | 1 280 | 1 600 | 1 730 | 1 531 | 1 614 | 1 813 | 1 581 | 1 730 |
| Optics and photonics | 60 | 94 | 82 | 110 | 91 | 201 | 197 | 218 |
| Other | 354 | 366 | 680 | 967 | 298 | 263 | 257 | 155 |
| Total | 3 330 | 4 057 | 4 557 | 4 996 | 4 494 | 4 839 | 5 222 | 5 126 |

| 2018Q1 | 2018Q2 | 2018Q3 | 2018Q4 | 2019Q1 | 2019Q2 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 3 134 | 2 851 | 2 327 | 1 714 | 2 621 | 2 646 |
| 299 | 185 | 298 | 430 | 438 | 275 |
| 2 108 | 1 683 | 1 953 | 1 705 | 1 984 | 2 136 |
| 220 | 294 | 276 | 575 | 412 | 457 |
| 137 | 175 | 151 | 638 | 452 | 459 |
| 5 898 | 5 188 | 5 005 | 5 061 | 5 908 | 5 973 |

2019 6 month sales by market sector results

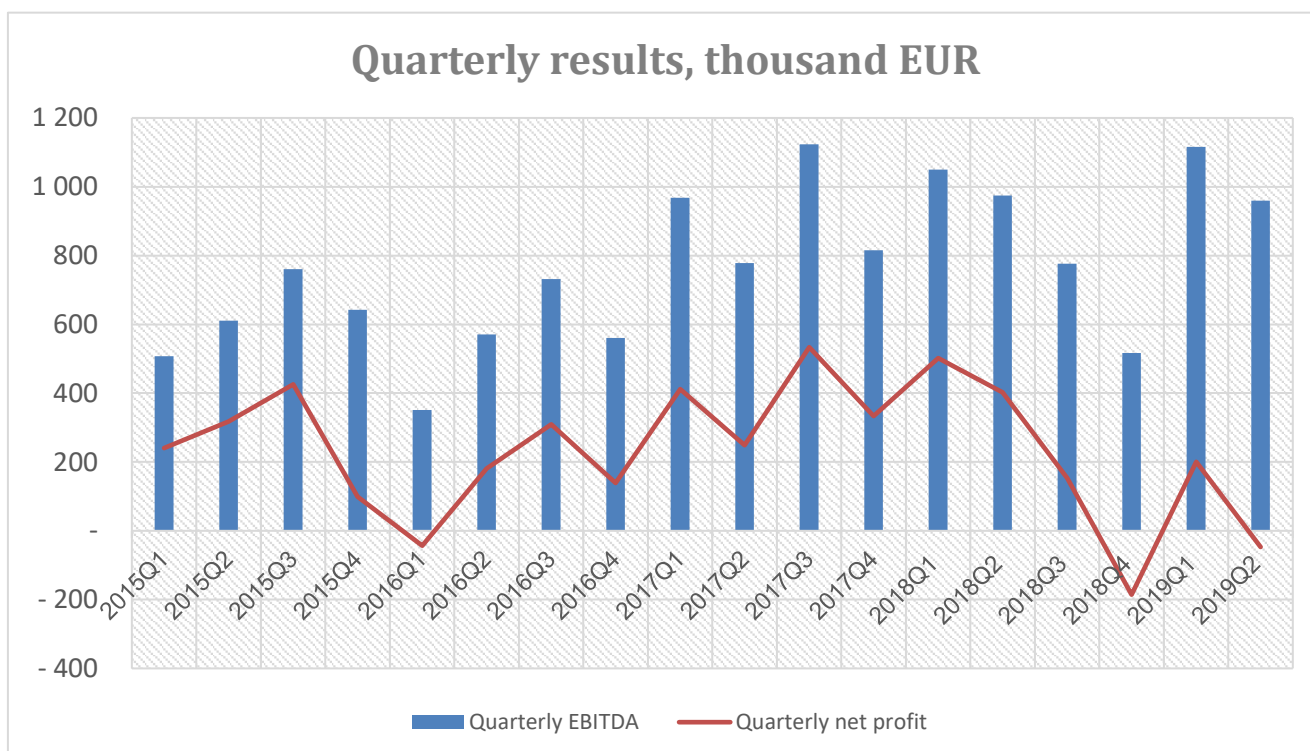
During 2019 H1 main sales contributors continue to be data network products with 44% sales share, followed by industrial product sales with 35% share in turnover. Internet of things product share in sales was 6%, optics and photonics products – 7% and other product share – 8%. Sales dynamics of market segments – data network sales were 12% down from 2018 H1 and 30% up from 2018 H2; industrial product sales were 9% up from 2018 H1 and 13% up in comparison with 2018 H2; optics and photonics product sales were 69% up from 2018 H1 and 2% up from 2018 H2. Internet of things product sales were 47% up from 2018 H1 and 2% down from 2018 H2, other product sales reported 192% increase from 2018 H1 and 15% increase from 2018 H2.



Quarterly EBITDA and net profit results in 2019 Q2

During 2019 Q2 the Company reported quarterly EBITDA result of 0.960 million EUR and quarterly net loss of 0.054 million EUR. The reported EBITDA result shows 1% decrease in comparison with Q2 2018 and 14% decrease compared to previous quarter of 2019 Q1. The company operated with small net loss in 2019 Q2. Results represent quarterly EBITDA margin of 16.07%.

EBITDA margin in 2019 Q2 remains at comparably high level, determined by product with higher added value proportion in the total sales volume. Net profit margin exhibited decreasing trend, explained by the increased interest payments, where interest payment provisions for European Investment Bank financing is included and explained by the increased proportional losses included in the consolidated financial statements from the associate companies. Both EBITDA and net profit margins in 2019 Q2 were also influenced by significant direct manufacturing labor wage increases.

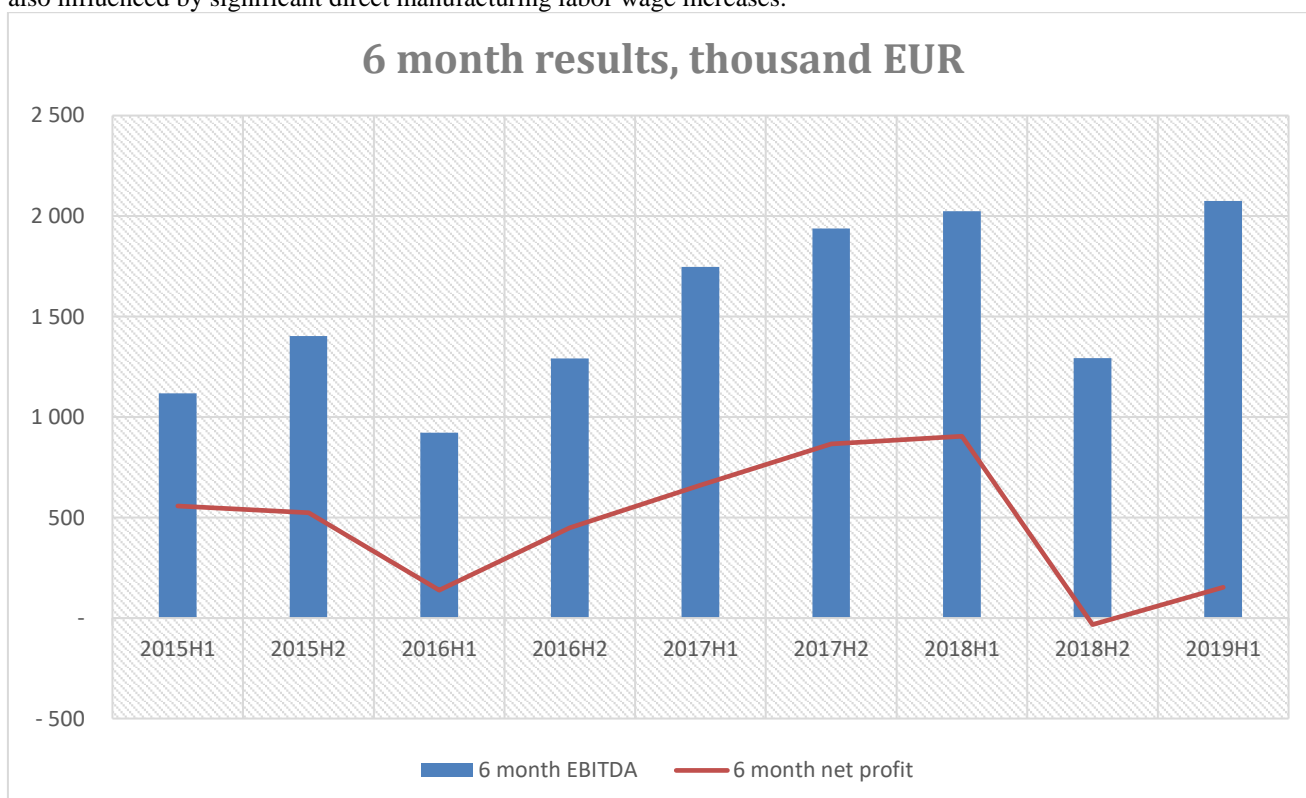


2019 6 month EBITDA and net profit results

During first 6 months of 2019 (“H1”) the Company reported historically highest half year EBITDA result of 2.076 million EUR and half year net profit result of 0.146 million EUR. The reported EBITDA result shows 3% increase in comparison with 2018 H1 and 60% increase from previous 6 month period of 2018 H2. The 6 month net profit results for 2019 H1 demonstrate 84% decrease in comparison with 2018 H1 but increase compared to 2018 H2, when the Company operated with net loss. Results represent 6 month EBITDA margin of 17.5% and 6 month net profit margin of 1.2%.

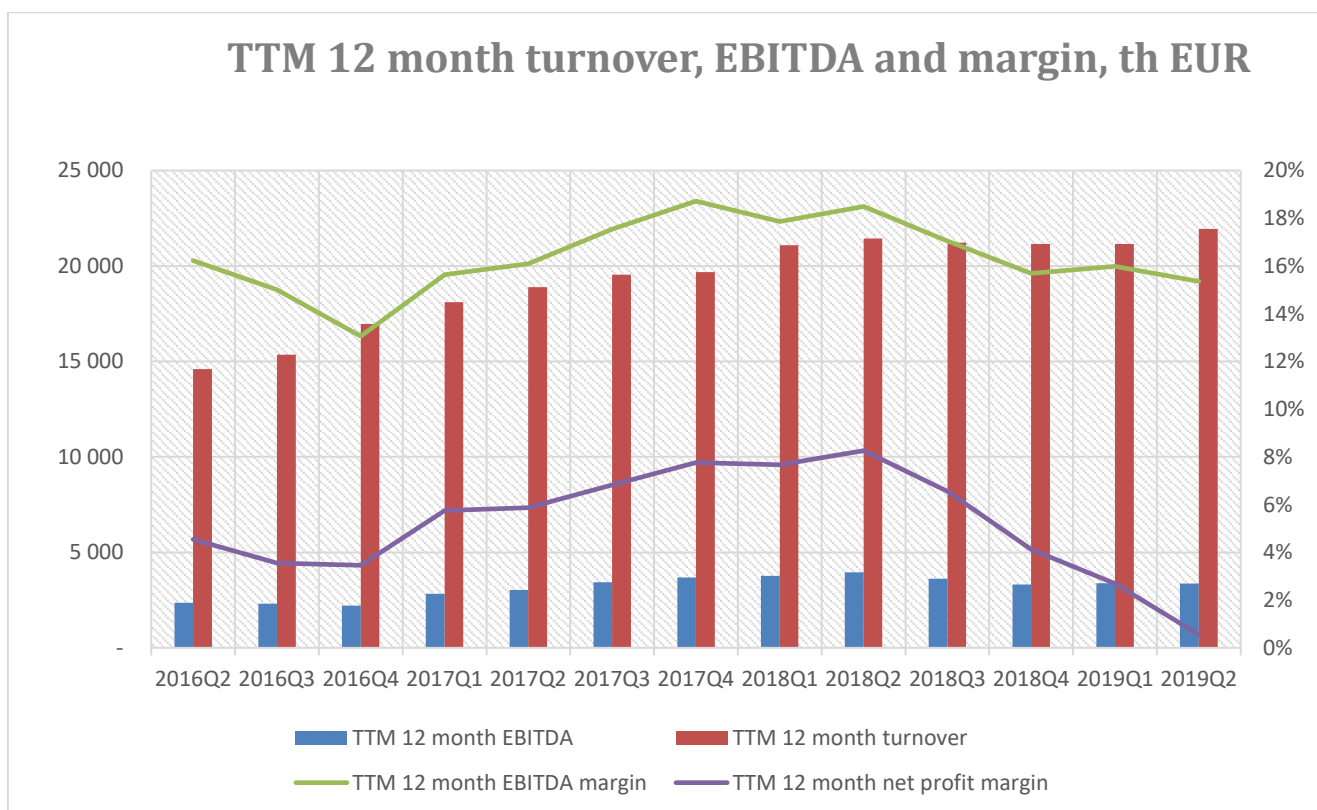
Comparably high level of 6 month result EBITDA margin to large extent can be explained by the increased market demand for higher margin products that have been manufactured and sold during 2019 Q1 and Q2 as well as increasing utilization of recently invested new production capacities in production fulfilment.

Net profit margin exhibited decreasing trend, explained by the increased interest payments, where interest payment provisions for European Investment Bank financing is included and explained by the increased proportional losses included in the consolidated financial statements from the associate companies. Both EBITDA and net profit margins in 2019 Q2 were also influenced by significant direct manufacturing labor wage increases.



TTM (trailing twelve months) turnover, EBITDA and margin results in 2019 Q2

TTM - 12 month period sales (period starting in July 1, 2018 and ending with June 30, 2019) at 2019 Q2 reported to be at historically highest level of 21.948 million EUR, showing 3.71% increase compared to TTM sales for the period ended at 2019 Q1. EBITDA result for the TTM 12 month period reported to be 3.369 million EUR, a slight decrease of 0.43% in comparison with 12 month period ended at 2019 Q1. Net profit for TTM period reported 0.114 million EUR, 80% down if compared with 12 month period ended at 2019 Q1. Averaged EBITDA margin for TTM period is reported to be 15.4% and net profit margin for the same period is reported to be 0.5%.



Summary of financial indicators for Q2 and 6 months of 2019

The comparison of financial indicators for the periods of 2019 Q2 and 2018 6 months with the respective periods of 2018 are reported in the following exhibits:

| Financial indicators for period | 2019Q2 | 2018Q2 | % to previous period |
|---------------------------------|--------|--------|----------------------|
| Sales, thousand EUR | 5 973 | 5 188 | 15% |
| EBITDA, thousand EUR | 960 | 974 | -1% |
| Net profit, thousand EUR | -54 | 402 | -114% |
| EBITDA margin | 16,1% | 18.8% | |
| Net profit margin | -0,9% | 7.8% | |
| EPS, EUR | -0,03 | 0,22 | |

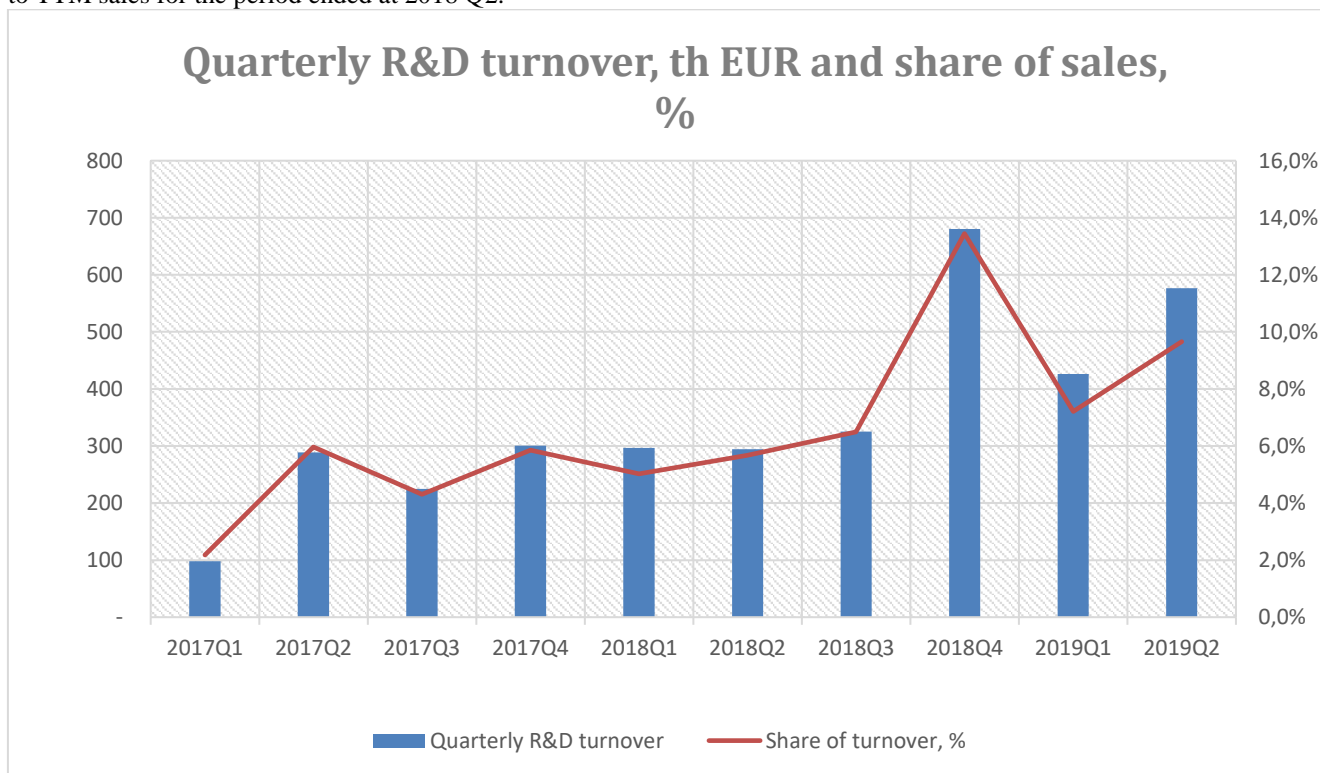
| Financial indicators for period | 2019 6m | 2018 6m | % to previous period |
|---------------------------------|---------|---------|----------------------|
| Sales, thousand EUR | 11 881 | 11 085 | 7% |
| EBITDA, thousand EUR | 2 076 | 2 025 | 3% |
| Net profit, thousand EUR | 146 | 905 | -84% |
| EBITDA margin | 17,5% | 18.3% | |
| Net profit margin | 1,2% | 8.2% | |
| EPS, EUR | 0,08 | 0,49 | |

Research and development

2019 Q2 R&D turnover increased by 96% compared with 2018 Q2 R&D turnover and increased by 35% compared to the previous quarter Q1 2019 turnover, and is accounting for 9.7% share of Company's consolidated sales in 2019 Q2. R&D grant income has not been included in reported R&D sales figures.

Substantial increase in R&D sales volumes in 2019 Q2 is explained by R&D manufacturing department substantially increasing production of high-tech optical devices and by working on several other R&D projects.

TTM - 12 month period sales (period starting in July 1, 2018 and ending with June 30, 2019) at 2019 Q2 reported to be 2.008 million EUR, showing 16% increase compared to TTM sales for the period ended at 2019 Q1 and 80% increase compared to TTM sales for the period ended at 2018 Q2.



Data table - quarterly R&D turnover for 2019 Q2

| Quarterly R&D turnover, thEUR | 2017Q1 | 2017Q2 | 2017Q3 | 2017Q4 | 2018Q1 | 2018Q2 |
|-------------------------------|--------|--------|--------|--------|--------|--------|
| Quarterly R&D turnover | 98 | 289 | 225 | 300 | 297 | 294 |

| 2018Q3 | 2018Q4 | 2019Q1 | 2019Q2 |
|--------|--------|--------|--------|
| 325 | 680 | 426 | 577 |

Investment activities

During 2019 Q2 HansaMatrix made 1 181 766 EUR investments and during 2019 1H 2 050 517 EUR investments in production capacity increase, research instruments, test systems and development of new products.

In the reporting period HansaMatrix continued to carry out investments in the technological equipment and continued the realization of European Regional Development Fund (ERDF) funding project "Development of experimental production of 3D volumetric imaging equipment and its components" under ERDF "Operational Program "Growth and Jobs" 1.2.1 Specific Support Objective "Increase Private Investment in R&D" measure 1.2.1.4. "Support for Introduction of New Products in Production". Total and ERDF funding eligible costs of the aforementioned project amount to 2 899 000 EUR, with the planned ERDF funding 1 014 650 EUR, or 35% of the eligible project costs.

Investment activities in associated companies

In Q2 of 2019, HansaMatrix made investments in a form of convertible loan into SIA Lightspace Technologies in the amount of 879 550 EUR. In 1H of 2019 the aggregate HansaMatrix investments into SIA Lightspace Technologies amounted to 2 327 602 EUR in a form of convertible loan. At the end of the reporting period, the total HansaMatrix investment in SIA Lightspace Technologies amounted to 6 990 114 EUR, consisting of convertible loan in amount of 4 781 725 EUR and paid up capital in amount of 2 208 389 EUR.

In order to strengthen the paid-up capital of SIA Zinatnes parks, on April 29, 2019 HansaMatrix has increased its capital participation in the SIA Zinatnes parks to 74.67% by paying up according to April, 2019 decision of SIA Zinatnes parks shareholders newly issued 200 (two hundred) capital shares of the Company in amount of 800 thousand EUR, including 8 thousand EUR value of share capital and 792 thousand EUR share premium.

Following the transaction, SIA Zinatnes parks shareholder structure is the following: 74.67% HansaMatrix, 9.33% Latvijas Elektrotehnikas un elektronikas rūpniecības asociācija, 8% SAF Tehnika and 8% LEO Pētījumu centrs.

During Q2 2019 HansaMatrix has provided additional 169 000 EUR funds in form of convertible loan to associated company – SIA Zinatnes parks, for land plot rental payments to VAS Starptautiskā lidosta Rīga, construction technical project development for new high-tech industrial site RIX Hi Tech City at Riga airport area and for loan repayments to AS SEB banka. In 1H of 2019 the aggregate HansaMatrix investments into SIA Zinatnes parks amounted to 245 000 EUR in a form of convertible loan. At the end of the reporting period, the total HansaMatrix investment amounted to 1 454 660 EUR, consisting of convertible loan in amount of 653 700 EUR and paid up capital 800 960 EUR.

Business development overview of associated company - LightSpace Technologies

LightSpace is a Deep Tech product development company, the global technological leader in developing volumetric 3D image display technology with main uses in medicine, scientific visualization, defense and multi focal 3D AR/MR optical technology. Technological advances are based on key enabling liquid crystal switching diffuser photonics technology invented by the company.

LightSpace Technology holds 3 global patents and has during last 24 months submitted 11 new patent applications.

SIA LightSpace Technologies fully (100%) owns LightSpace Technologies Inc., Delaware (USA) Company and controlling majority of EUROLCDs, SIA shares (76%).

During Q1 of 2019 LightSpace announced and showed on various events its new multi focal VR/AR headset display concept. It participated in world's leading forum on AR VR MR Photonics West 2019 conference and show, San Francisco, CA, US; where Ilmars Osmanis presented new concept to worlds top head mount display architects and leading companies Microsoft, Facebook, Apple and others.

New multifocal near eye display technology has been supplied and testing started by Tier1 head mount AR VR display companies such as Microsoft, Intel, Facebook, Adobe and others.

Besides that in Q2 LightSpace has participated in several major events: Airborn ISR & C2 in London, VRX Europe 2019 in Amsterdam, ITEC 2019 in Stockholm. Positive feedback was received from many experts. LightSpace has shipped design kits to several Tier1 headset manufacturers and started to develop enterprise use multi focal smart glasses design.

Multifocal image AR VR headsets has been considered as enabling requirement for near range 3D visualization in Smart manufacturing, Image guided medicine, training and simulations in realistic 3D environments.



SIA Lightspace Technologies consolidated *) profit loss statement, EUR

| | 6m 2019 | 2018 |
|---|--------------------|--------------------|
| | EUR | EUR |
| Net turnover | 60 858 | 392 480 |
| Cost of sales | (758 619) | (1 125 308) |
| Gross profit / (loss) | (697 761) | (732 828) |
| Distribution costs | (248 488) | (205 846) |
| Administrative expense | (172 798) | (148 691) |
| Other operating income | 62 432 | 9 405 |
| Other operating expense | (581) | (46 536) |
| Operating profit | (1 057 196) | (1 124 496) |
| Loss from investments in related company | - | - |
| Profit / (loss) before tax | (1 057 196) | (1 124 496) |
| Corporate income tax | - | (422) |
| Net profit / (loss) for the period | (1 057 196) | (1 124 918) |
| Profit attributable to: | | |
| Equity holders of the Parent Company | (941 155) | (967 462) |
| Non-controlling interest | (116 041) | (157 456) |
| | (1 057 196) | (1 124 918) |

SIA Lightspace Technologies consolidated *) balance sheet, EUR

| ASSETS | 30.06.2019. | 31.12.2018. |
|--|--------------------|--------------------|
| | EUR | EUR |
| NON-CURRENT ASSETS | | |
| Property, plant, equipment and other intangible asstes | 5 797 495 | 5 551 825 |
| TOTAL NON-CURRENT ASSETS | 5 797 495 | 5 551 825 |
| CURRENT ASSETS | | |
| Inventory | 339 862 | 179 585 |
| Receivables | 969 690 | 797 066 |
| Cash and cash equivalents | 43 153 | 85 654 |
| TOTAL CURRENT ASSETS | 1 352 705 | 1 062 305 |
| TOTAL ASSETS | 7 150 200 | 6 614 130 |
| EQUITY AND LIABILITIES | 30.06.2019. | 31.12.2018. |
| | EUR | EUR |
| EQUITY | | |
| Share capital | 13 871 | 13 871 |
| Share premium | 3 526 942 | 3 526 942 |
| Other reserves | 2 473 | 2 776 |
| Retained earnings/ (accumulated deficit) | (2 037 230) | (1 162 729) |
| Non-controlling interest | 305 917 | 413 612 |
| TOTAL EQUITY | 1 811 973 | 2 794 472 |
| LIABILITIES | | |
| Non-current and current liabilities | 5 338 227 | 3 819 658 |
| TOTAL LIABILITIES | 5 338 227 | 3 819 658 |
| TOTAL EQUITY AND LIABILITIES | 7 150 200 | 6 614 130 |

*) Consolidated 100% SIA LightSpace Technologies, 100% LightSpace Technologies Inc. and 76.12% SIA Euroldcs.

Business development overview of associated company – SIA Zinātnes Parks

In the reporting period SIA Zinātnes Parks has invested 80.74 thousand EUR in construction technical project development. As at the end of the reporting period, the total investment in development of the hi-tech industrial park RIX Hi Tech City amounts to 1.774 million EUR.

It is planned to complete construction project development work in Q3 2019.

SIA Zinātnes Parks profit loss statement, EUR

| | 6m 2019 EUR | 2018 EUR |
|---|-----------------|-----------------|
| Net turnover | - | - |
| Cost of sales | (43 716) | (85 717) |
| Gross profit / (loss) | (43 716) | (85 717) |
| Administrative expense | (1 478) | (7 437) |
| Other operating expense | (157) | (691) |
| Operating profit | (45 351) | (93 845) |
| Interest and similar expense | (700) | (5 305) |
| Profit / (loss) before tax | (46 051) | (99 150) |
| Corporate income tax | - | - |
| Net profit / (loss) for the period | (46 051) | (99 150) |

SIA Zinātnes Parks balance sheet, EUR

| ASSETS | 30.06.2019. EUR | 31.12.2018. EUR |
|--|----------------------------|----------------------------|
| NON-CURRENT ASSETS | | |
| Construction in progress | 1 773 691 | 1 692 949 |
| Non-current financial assets | 6 690 | 6 690 |
| TOTAL NON-CURRENT ASSETS | 1 780 381 | 1 699 639 |
| CURRENT ASSETS | | |
| Receivables | 11 575 | 6 915 |
| Cash and cash equivalents | 8 159 | 3 099 |
| TOTAL CURRENT ASSETS | 19 734 | 10 014 |
| TOTAL ASSETS | 1 800 115 | 1 709 653 |
| EQUITY AND LIABILITIES | 30.06.2019. EUR | 31.12.2018. EUR |
| EQUITY | | |
| Share capital | 12 000 | 4 000 |
| Share premium | 792 000 | - |
| Retained earnings/ (accumulated deficit) | (358 897) | (312 845) |
| TOTAL EQUITY | 445 103 | (308 845) |
| LIABILITIES | | |
| Non-current and current liabilities | 1 355 012 | 2 018 498 |
| TOTAL LIABILITIES | 1 355 012 | 2 018 498 |
| TOTAL EQUITY AND LIABILITIES | 1 800 115 | 1 709 653 |

Shares and stock market

On August 08 the shareholding of Macro Riga in HansaMatrix has decreased by 275 562 shares or 15.06% to 34.03% in a transaction where Macro Riga repaid shareholder loan to HansaMatrix with HansaMatrix shares owned by Macro Riga. The applied value of one share in the transaction amounted to 7.2579 EUR per share.

On August 12 ZGI Capital managed fund ZGI-4 has become a 15.06% shareholder of HansaMatrix by purchasing 275 562 HansaMatrix shares from HansaMatrix at price 7.2579 EUR per one share.

During 2019 Q2 HansaMatrix (HMX1R) share price increased by 4.03% - see the the stock price movement chart for the period from April 1, 2019 to June 30, 2019.



During 2019 6m HansaMatrix (HMX1R) share price slightly decreased by 0.77% - see the the stock price movement chart for the period from January 1, 2019 to June 30, 2019.



Security trading history

| Price | 2016 | 2017 | 2018 | 2019 6m |
|-------------------------|-----------|-----------|-----------|-----------|
| Open | 6.95 | 7.95 | 8.14 | 6.5 |
| High | 8.15 | 8.83 | 8.5 | 6.65 |
| Low | 6.95 | 6.9 | 6.05 | 6.05 |
| Last | 7.95 | 8.14 | 6.5 | 6.45 |
| Traded volume | 19 574 | 72 941 | 137 505 | 15 981 |
| Turnover, million | 0.15 EUR | 0.51 EUR | 0.94 EUR | 0.10 EUR |
| Capitalisation, million | 14.54 EUR | 14.89 EUR | 11.89 EUR | 11.79 EUR |

In 6m 2019 the highest HansaMatrix (HMX1R) share price observed reached 6.65 EUR per share, lowest 6.05 EUR per share and the total traded share turnover in this period amounted to 0.10 million EUR.

Other significant events in the reporting period

On May 13 the Company annual general shareholder meeting approved to distribute dividends from year 2018 profit to shareholders in amount of 0.04 EUR (four cents) per share or in the total amount of 73175.24 EUR (seventy three thousand one hundred seventy five and 24/100 euro) and decided to set and announce May 29, 2019 as Ex-date, to set May 30, 2019, as a record date for dividends and May 31, 2019, as a date of payment of dividends.

Significant events after end of reporting period

On August 8, pursuant to Article 240, paragraph one, clause 8 of the Commercial Law of the Republic of Latvia, Macro Riga has entered into an agreement with HansaMatrix, partially reducing the outstanding balance of HansaMatrix loan to Macro Riga in amount of 2 million EUR, carrying out the outstanding loan repayment by 275 562 HansaMatrix shares, owned by Macro Riga. As a result of the transaction, the shareholding of Macro Riga in HansaMatrix has decreased by 15.06% to 34.03%.

On August 12 Hansamatrix has attracted EUR 2 million investment from venture capital fund ZGI-4. ZGI Capital, alternative investment fund manager, with venture capital fund ZGI-4 has invested EUR 2 million in HansaMatrix to enhance the company's growth and competitiveness. As a result of the transaction, ZGI-4 Fund has become a 15.06% shareholder of HansaMatrix. The financing will support HansaMatrix' ongoing growth strategy and the ongoing shift from manufacturing towards offering a full range of services, including value added design, engineering and aftermarket services. The investment of the ZGI-4 venture capital fund will be used to replenish working capital and purchase technological equipment.

August 22, 2019

Ilmārs Osmanijs
Chairman of the Board

Statement of responsibility of the management

The Board of AS HansaMatrix is responsible for preparing the consolidated financial statements of the Parent and its subsidiaries (hereinafter - the Group).

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of June 30, 2019 and the consolidated results of its financial performance and cash flows for the reporting period.

The interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are prepared on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The consolidated interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on December 31, 2018. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Management Board of AS HansaMatrix is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Parent Company and the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the EU.

August 22, 2019



Ilmārs Osmanis
Chairman of the Board



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim consolidated statement of comprehensive income

| | 2019 Q2 EUR | 2018 Q2 EUR | 2019 6m EUR | 2018 6m EUR |
|--|-------------------|-------------------|-------------------|-------------------|
| Revenue from contracts with customers | 5 973 344 | 5 187 550 | 11 881 228 | 11 085 055 |
| Cost of sales | (5 258 928) | (4 256 451) | (10 154 136) | (9 004 176) |
| Gross profit | 714 416 | 931 099 | 1 727 092 | 2 080 879 |
| Distribution costs | (123 654) | (160 057) | (255 295) | (353 197) |
| Administrative expense | (443 643) | (488 248) | (878 459) | (936 118) |
| Other operating income | 178 158 | 279 372 | 245 208 | 362 251 |
| Other operating expense | (35 618) | (52 572) | (79 514) | (52 473) |
| Operating profit | 289 659 | 509 594 | 759 032 | 1 101 342 |
| Loss from investments in associates | (228 877) | (70 452) | (397 723) | (120 611) |
| Finance income | 11 886 | 11 664 | 23 640 | 23 199 |
| Finance costs | (127 144) | (46 844) | (238 830) | (97 790) |
| Profit before tax | (54 476) | 403 962 | 146 119 | 906 140 |
| Corporate income tax | - | (1 578) | - | (1 578) |
| Net profit for the reporting period | (54 476) | 402 384 | 146 119 | 904 562 |
| Other comprehensive income for the reporting period after tax | - | - | - | - |
| Total comprehensive income for the period, net of tax | (54 476) | 402 384 | 146 119 | 904 562 |
| Comprehensive income attributable to: | | | | |
| Equity holders of the Parent Company | (54 476) | 402 384 | 146 119 | 904 562 |
| Non-controlling interests | - | - | - | - |
| | (54 476) | 402 384 | 146 119 | 904 562 |

The accompanying notes form an integral part of these financial statements.

August 22, 2019


Ilmārs Osmanijs
Chairman of the Board

Interim consolidated statement of financial position**ASSETS**

| | 30.06.2019 | 31.12.2018 |
|--|-------------------|-------------------|
| | EUR | EUR |
| NON-CURRENT ASSETS | | |
| Intangible assets | | |
| ODM assets | 68 054 | 16 113 |
| Other intangible assets | 210 003 | 179 814 |
| Total intangible assets | 278 057 | 195 927 |
| Property, plant and equipment | | |
| Land and buildings | 3 464 858 | 3 560 905 |
| Equipment and machinery | 5 958 424 | 5 310 730 |
| Other fixtures and fittings, tools and equipment | 705 730 | 649 194 |
| Leasehold improvements | 44 580 | 44 539 |
| Construction in progress | 561 490 | 284 160 |
| Rights to use assets | 1 425 315 | |
| Total property, plant and equipment | 12 160 397 | 9 849 528 |
| Non-current financial assets | | |
| Investments in subsidiaries | 2 004 133 | 1 675 977 |
| Investments in associates | 28 879 | 20 333 |
| Investments in other companies | 5 435 426 | 3 588 703 |
| Other investment loans | 2 525 879 | 2 502 240 |
| Loan to shareholder | 124 750 | 123 987 |
| Other financial assets | 53 478 | 52 566 |
| Other non-current receivables | 10 172 545 | 7 963 806 |
| Total non-current financial assets | 10 172 545 | 7 963 806 |
| TOTAL NON-CURRENT ASSETS | 22 610 999 | 18 009 261 |
| CURRENT ASSETS | | |
| Inventories | | |
| Raw materials and consumables | 3 410 205 | 2 496 197 |
| Work in progress | 1 642 393 | 1 083 825 |
| Finished goods | 61 276 | 185 187 |
| Total inventories | 5 113 874 | 3 765 209 |
| Receivables and prepayments | | |
| Trade receivables from contracts with customers | 832 897 | 857 198 |
| Prepayments for goods | 76 951 | 33 676 |
| Prepaid expense | 103 956 | 50 848 |
| Corporate income tax | 3 017 | - |
| Other receivables | 293 257 | 257 008 |
| Total receivables and prepayments | 1 310 078 | 1 198 730 |
| Cash and cash equivalents | 63 751 | 2 376 781 |
| TOTAL CURRENT ASSETS | 6 487 703 | 7 340 720 |
| TOTAL ASSETS | 29 098 702 | 25 349 981 |
| *Available unused credit line | 119 926 | EUR |
| *Available unused factoring limit | 1 010 912 | EUR |

The accompanying notes form an integral part of these financial statements.

August 22, 2019



Ilmārs Osmanis
Chairman of the Board

Interim consolidated statement of financial position**EQUITY AND LIABILITIES**

| | 30.06.2019 | 31.12.2018 |
|---|-------------------|-------------------|
| EQUITY | EUR | EUR |
| Share capital | 1 829 381 | 1 829 381 |
| Share premium | 2 435 579 | 2 435 579 |
| Reserves | 2 953 | 1 324 |
| Non-current asset revaluation reserve | 2 100 492 | 2 162 339 |
| Retained earnings/ (accumulated loss): | | |
| a) brought forward | 2 330 540 | 1 560 850 |
| b) for the period | 146 119 | 781 018 |
| TOTAL EQUITY | 8 845 064 | 8 770 491 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Loans from credit institutions | 7 882 755 | 6 503 051 |
| Finance lease liabilities | 680 683 | 662 796 |
| Finance lease liabilities under IFRS 16 | 958 417 | - |
| Other financial liabilities | 1 345 930 | 1 345 930 |
| Prepayments received from customers | 334 406 | 463 638 |
| Deferred income | 581 938 | 403 130 |
| Total non-current liabilities | 11 784 129 | 9 378 545 |
| Current liabilities | | |
| Loans from credit institutions | 1 670 374 | 2 037 520 |
| Finance lease liabilities | 242 012 | 193 046 |
| Finance lease liabilities under IFRS 16 | 474 438 | - |
| Prepayments received under contracts with customers | 888 797 | 689 486 |
| Trade payables | 3 954 064 | 3 090 852 |
| Taxes payable | 241 569 | 564 012 |
| Other liabilities | 542 132 | 206 362 |
| Deferred income | 169 577 | 169 577 |
| Accrued liabilities | 286 546 | 250 090 |
| Total current liabilities | 8 469 509 | 7 200 945 |
| TOTAL LIABILITIES | 20 253 638 | 16 579 490 |
| TOTAL EQUITY AND LIABILITIES | 29 098 702 | 25 349 981 |

The accompanying notes form an integral part of these financial statements.

August 22, 2019


Ilmārs Osmanis
Chairman of the Board

Interim consolidated statement of cash flow

| | 2019 Q2 EUR | 2018 Q2 EUR | 2019 6m EUR | 2018 6m EUR |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| CASH FLOWS TO/ FROM OPERATING ACTIVITIES | | | | |
| Profit before tax | (54 476) | 403 962 | 146 119 | 906 140 |
| Adjustments for: | | | | |
| Depreciation and amortization | 693 240 | 464 814 | 1 338 307 | 923 217 |
| Interest expense | 122 227 | 37 707 | 227 952 | 79 141 |
| Interest income | (11 886) | (11 664) | (23 640) | (23 199) |
| Decrease in allowances for slow-moving items and receivables | 60 841 | (39 642) | 74 202 | (39 813) |
| Income from grant recognition | (42 394) | (58 532) | (84 788) | (100 926) |
| Gain on disposal of property, plant and equipment | (69) | - | (1 034) | - |
| Group's share of loss of an associate recognized in the statement of comprehensive income | 228 877 | 70 452 | 397 723 | 120 611 |
| Adjustments for: | | | | |
| (Increase)/ decrease in inventories | (427 214) | (482 558) | (1 348 665) | (734 456) |
| (Increase)/ decrease in receivables | 115 675 | (497 833) | (187 224) | (677 212) |
| Increase/ (decrease) in payables | (324 621) | 993 882 | 982 385 | 816 361 |
| Cash generated from operations, gross | 360 200 | 880 588 | 1 521 337 | 1 269 864 |
| Interest paid | (122 227) | (37 707) | (227 952) | (79 141) |
| Corporate income tax paid | - | - | - | - |
| Net cash flows to/ from operating activities | 237 973 | 842 881 | 1 293 385 | 1 190 723 |
| Cash flows to/ from Investing activities | | | | |
| Purchase of intangible assets and property, plant and equipment | (1 181 766) | (607 919) | (2 050 517) | (791 148) |
| Proceeds from sale of property, plant and equipment | 50 179 | - | 50 179 | - |
| Investments in and loans to other companies | (1 048 550) | (307 044) | (2 572 602) | (684 259) |
| Net cash flows to/ from investing activities | (2 180 137) | (914 963) | (4 572 940) | (1 475 407) |
| Cash flows to/ from Financing activities | | | | |
| Dividends paid | (73 175) | (73 175) | (73 175) | (73 175) |
| Loans received from credit institutions | 1 629 810 | 35 482 | 1 939 436 | 5 593 611 |
| Loans repaid to credit institutions | (383 124) | (249 153) | (962 787) | (4 751 331) |
| Loans from lease companies | - | 337 516 | 172 934 | 337 516 |
| Loans repaid to lease companies | (57 076) | (12 021) | (109 883) | (1 037 905) |
| Net cash flows to/ from financing activities | 1 116 435 | 38 649 | 966 525 | 68 716 |
| Change in cash and cash equivalents for the period | (825 729) | (33 433) | (2 313 030) | (215 968) |
| Cash and cash equivalents at the beginning of the period | 889 480 | 76 650 | 2 376 781 | 259 185 |
| Cash and cash equivalents at the end of the period | 63 751 | 43 217 | 63 751 | 43 217 |

The accompanying notes form an integral part of these financial statements.

Interim consolidated statement of changes in equity

| | Share capital | Share premium | Reserves | Non-current asset revaluation reserve | Retained earnings/ (accumulated loss) | Total |
|---|------------------|------------------|--------------|---------------------------------------|---------------------------------------|------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Balance as at 31 December 2017 | 1 829 381 | 2 435 579 | 313 | 2 286 031 | 1 583 508 | 8 134 812 |
| Profit for the reporting year | - | - | - | - | 781 018 | 781 018 |
| Total comprehensive income | - | - | - | - | 781 018 | 781 018 |
| Depreciation of revalued items of property, plant and equipment | - | - | - | (123 692) | 123 692 | - |
| Share option reserves | - | - | 1 011 | - | - | 1 011 |
| Dividends paid | - | - | - | - | (146 350) | (146 350) |
| Balance as at 31 December 2018 | 1 829 381 | 2 435 579 | 1 324 | 2 162 339 | 2 341 868 | 8 770 491 |
| Profit for the reporting year | - | - | - | - | 146 119 | 146 119 |
| Total comprehensive income | - | - | - | - | 146 119 | 146 119 |
| Depreciation of revalued items of property, plant and equipment | - | - | - | (61 847) | 61 847 | - |
| Share option reserves | - | - | 1 629 | - | - | 1 629 |
| Dividends paid | - | - | - | - | (73 175) | (73 175) |
| Balance as at 30 June 2019 | 1 829 381 | 2 435 579 | 2 953 | 2 100 492 | 2 476 659 | 8 845 064 |

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Corporate information

AS HansaMatrix (hereinafter – the Parent Company) was registered with the Republic of Latvia Enterprise Register on 30 July 1999 and re-registered with the Republic of Latvia Commercial Register on 27 December 2002 under unified registration number 40003454390. The registered office of the Parent Company is at Akmeņu iela 72, Ogre.

The shares of the Parent Company are listed on Riga Stock Exchange, Latvia.

2. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Consolidated financial statements are prepared using the historical cost basis, except when described otherwise in the accounting policies below. The financial statements of the Parent Company and its subsidiaries are prepared separately according to the relevant national legislation applicable in the reporting year.

The monetary unit used in the consolidated financial statements is the euro (EUR). The consolidated financial statements cover the period 1 January 2019 through 30 June 2019.

Amounts disclosed in the consolidated financial statements are based on the accounting records of the Group companies kept in accordance with IFRS as adopted by the EU.

3. Changes in accounting policy and disclosures

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statement for the previous period 2018. The Group has evaluated new and amended IFRSs and IFRICs effective for annual periods beginning on or after 1 January 2019 and has applied IFRS 16 standard Leases in relation to the annual period, starting with January 1, 2019.

AS HansaMatrix adopted IFRS 16 retrospectively, using simplified approach. The standard requires to revise the leases signed before 1 January 2019, only allowing for not reassessing the compliance of the contract with the lease definition and not applying the standard to the leases expiring in 2019.

The lessee recognizes in its accounting: (a) assets and liabilities from all lease agreements with a lease term of more than 12 months, except for low value asset leases; and (b) the cost of depreciation of leased assets separately from the cost of the lease liability.

Within the meaning of IFRS 16, a lease can be recognized if there is an identified asset and if the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use. First, a lease liability is measured at the present value of all contractual future lease payments discounted using the interest rate implicit in the lease (or similar borrowing rate). Lease liabilities are recognized as any other liabilities. A right to use asset is recognized under property, plant and equipment or as a separate item under non-current assets. When discounting is used, interest expense on the lease liability is recognized.

As a result of the adoption of IFRS 16 as of 1 January 2019, the asset amount has increased by EUR 1 674 287, current liabilities – by 474 437 EUR and non-current liabilities – by 1 199 850 EUR. In addition in the consolidated statement of comprehensive income in 2019 1H fixed asset depreciation increased by 265 865 EUR leased assets depreciation and interest expense increased by 30 528 EUR discounting interest expense. Lease payments in amount of 288 853 EUR are reflected in the consolidated cash flow statement of 2019 1H.

The Group has not applied and has not evaluated the impact of the application of the IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective. The Group plans to adopt these standards and interpretations on their effectiveness dates provided they are endorsed by the EU.

4. Related party disclosures

| | | | Goods and services delivered to/ loans issued to related parties | Goods and services received from / loans received from related parties | Amounts owed by related parties (gross) | Amounts owed to related parties (gross) | |
|--|---|------------|--|--|---|---|-------|
| Related party | Type of services | | EUR | EUR | EUR | EUR | |
| 1. Associates | | | | | | | |
| SIA Zinātnes parks (AS HansaMatrix share: 24% / 74.67%) | Loan, contribution in share capital | 31.12.2018 | 363 000 | - | 1 208 700 | - | |
| | | 30.06.2019 | 245 000 | - | 653 700 | - | |
| SIA Lightspace Technologies (AS HansaMatrix share: 39.99%) | Loan | 31.12.2018 | 2 231 916 | - | 2 454 123 | - | |
| | | 30.06.2019 | 2 327 602 | - | 4 781 725 | - | |
| | Services, purchase of materials, sales | 31.12.2018 | 1 362 034 | 717 | 499 299 | - | |
| | | 30.06.2019 | 836 | - | 836 | - | |
| | TOTAL | | 31.12.2018 | 3 956 950 | 717 | 4 162 122 | - |
| | TOTAL | | 30.06.2019 | 2 573 438 | - | 5 436 261 | - |
| 2. Entities with significant influence over the Parent Company | | | | | | | |
| SIA MACRO RĪGA (shareholder) | Loans | 31.12.2018 | 46 783 | - | 2 502 240 | - | |
| | | 30.06.2019 | 23 639 | - | 2 525 879 | - | |
| | Purchase of services; sale of materials | 31.12.2018 | 1 422 | - | - | - | |
| | | 30.06.2019 | - | - | - | - | |
| | TOTAL | | 31.12.2018 | 48 205 | - | 2 502 240 | - |
| | TOTAL | | 30.06.2019 | 23 639 | - | 2 525 879 | - |
| 3. Other related companies | | | | | | | |
| | Services, purchase of materials, sales | 31.12.2018 | 54 607 | 6 805 | - | 1 325 | |
| | | 30.06.2019 | 9 257 | 3 047 | - | 720 | |
| | TOTAL | | 31.12.2018 | 54 607 | 6 805 | - | 1 325 |
| | TOTAL | | 30.06.2019 | 9 257 | 3 047 | - | 720 |

As described in Investment activities in associated companies section, starting April 29, 2019 HansaMatrix has increased shareholding in SIA Zinātnes parks 74.67%. HansaMatrix has evaluated SIA Zinātnes parks consolidation potential influence on HansaMatrix consolidated balance sheet as of June 30, 2019. HansaMatrix consolidate assets would increase by 905 thousand EUR (immaterial: less than 5% from HansaMatrix consolidated assets), net profit and EBITDA would decrease by 1.7 thousand EUR (immaterial as compared to HansaMatrix 6m EBITDA).

Considering that a) SIA Zinātnes parks consolidation effect is immaterial to HansaMatrix consolidated financials as of June 30, 2019 and that b) SIA Zinātnes parks is a non-core asset for HansaMatrix and that it is intended to attract real estate investor for the hi-tech industrial park RIX Hi Tech City further development, SIA Zinātnes parks will not be consolidated in HansaMatrix unaudited quarterly condensed consolidated financial statements of 2019. SIA Zinātnes parks consolidation with HansaMatrix decision planned to be taken preparing HansaMatrix audited consolidated financial statements for year 2019.

5. Dividends paid and proposed

On May 13, 2019, HansaMatrix meeting of the shareholders approved year 2018 profit distribution and the payment of dividends in the amount of 0.04 EUR per share, totaling 73 175,24 EUR.

Dividend payments was made on 31 May 2019.

6. Events after the reporting period

Details of events after the reporting period end are described in Management Report accompanying these interim financial statements.

7. Definitions of Alternative Performance Measures

| APR, definition, components | Relates to past or future reporting periods | ASR usefulness | The Group uses APM for |
|--|--|---|--|
| EBIT: Operating profit | past | Shows the entity's ability to generate enough earnings to be profitable, pay down debt and taxes and fund ongoing operations. | Liquidity management and assessment of earning capacity and cash flows |
| EBIT margin: EBIT/ Net turnover | Past | Shows the proportion of revenues that are available to cover non-operating costs. | Profitability assessment |
| EBITDA: Operating profit + Depreciation and amortization | Past | Shows an indicative amount of operating cash flows before changes in current assets | Liquidity management and assessment of earning capacity and cash flows |
| EBITDA margin: EBITA/ Net turnover | Past | Shows the entity's ability to generate operating cash flows | Profitability assessment |
| Net profit margin: Normalized earnings / Net turnover | Past | Shows the entity's earning capacity | Profitability assessment |