



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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE 9 MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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

**Riga, 2019**

## CONTENTS

<b>General information</b>	<b>3</b>
<b>Management report</b>	<b>9</b>
<b>Interim consolidated financial statements</b>	<b>26</b>
<b>Interim consolidated statement of financial position</b>	<b>27</b>
<b>Interim consolidated statement of cash flow</b>	<b>29</b>
<b>Interim consolidated statement of changes in equity</b>	<b>30</b>
<b>Notes to the consolidated financial statements</b>	<b>31</b>

**General information**

Name of the Parent Company	<b>HansaMatrix</b>
Legal status of the Parent Company	<b>Joint stock company</b>
Parent Company unified registration number	<b>40003454390</b>
Place and date of registration	<b>Riga, 30 July 1999</b>
Registration with the Commercial Register	<b>Riga, 27 December 2002</b>
Registered office	<b>Akmeņu iela 72, Ogre, Latvia, LV-5001</b>
Shareholders (over 5%) as of October 21, 2019	<b>SIA Macro Rīga (34.03%)</b> <b>ZGI-4 AIF KS (15.06%)</b> <b>KS BaltCap Latvia Venture Capital Fund (9.95%)</b> <b>KS FlyCap Investment Fund I AIF (9.61%)</b> <b>IPAS CBL Asset Management managed funds (6.56%)</b> <b>Swedbank Ieguldījumu Pārvaldes Sabiedrība AS managed funds (5.10%)</b>
Subsidiaries	<b>SIA HansaMatrix Ventspils (equity interest: 100%)</b> <b>SIA HansaMatrix Innovation (equity interest: 100%)</b> <b>SIA HansaMatrix Pārogre (equity interest: 100%)</b>
Auditors	<b>SIA Ernst &amp; Young Baltic</b> <b>Licence No. 17</b> <b>Diāna Krišjāne</b> <b>Latvian Certified Auditor</b> <b>Certificate No. 124</b>
Financial year	<b>1<sup>st</sup> January – 31<sup>st</sup> December 2019</b>
Interim reporting period	<b>1<sup>st</sup> January – 30<sup>th</sup> September 2019</b>

## 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:

- HansaMatrix 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
- Eurolcds, 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 (12.77%)

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
- FTG SIA – Member of the Board

Owned shares: 300

Owned employee share options: 1000 (as of November 11, 2019)

**Participation in other companies:**

- IQ Capital SIA (100%)
- FTG SIA (33.33%)

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: 2100 (as of November 11, 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 center 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. After the reporting period, on October 29, 2019 extraordinary shareholder meeting of HansaMatrix approve the consolidated version of the Articles of Association of the Company that include the amendment that the Board of Directors consists of 5 (five) members – the

Chairman of the Board of Directors and four Members of the Board of Directors. The additional Management Board Members have not been appointed yet.

## 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: 29 October 2019

Term of office: 28 October 2024

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.

### Ivars Ķirsons

Ivars Ķirsons is the Deputy Chairman of the Supervisory Board of the Company.

Date appointed: 29 October 2019

Term of office: 28 October 2024

Owned shares: 0

Represents ZGI Capital managed venture capital fund ZGI-4 shareholding of 275 562 shares.

Positions held in other companies:

- Baltic Dairy Board, SIA – Chairman of the Council
- Mobilly, SIA - Member of Council
- ZGI Capital, SIA - Member of the Board

Participation in other companies:

- ZGI Real Estate, SIA (19.50%)
- ZGI Capital, SIA (25.00 %)
- ZGI REAL ESTATE T15, Komandītsabiedrība (investment 44 565.79 EUR)
- KALTIŅI, Namīpašnieku biedrība (6.25%)

Since 2006 Ivars Ķirsons has been founder and partner of ZGI Capital, one of the most experienced venture capital fund managers in the Baltics. Currently he is also a member of the Supervisory Council of fund ZGI-3 Portfolio Company Mobilly. Ivars has been the First Deputy Chairman and Chief Financial Officer of Latvijas Unibanka (now SEB bank), Chairman of the Supervisory Council of the Riga Stock Exchange, member of the Supervisory Board of the Latvian Chamber of Commerce and has and held several other financial sector related positions.

**Ingrīda Blūma**

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

Date appointed: 29 October 2019

Term of office: 28 October 2024

Positions held in other companies:

- RĪGAS PIENA KOMBINĀTS, Akciju sabiedrība – Council Member
- i-bloom, SIA – Member of the Board
- 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.

**Dagnis Dreimanis**

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

Date appointed: 29 October 2019

Term of office: 28 October 2024

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.

**Gundars Strautmanis**

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

Date appointed: 29 October 2019

Term of office: 28 October 2024

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. After the reporting period, on October 29, 2019 extraordinary shareholder meeting of HansaMatrix, in addition to the existing Supervisory Council members Andris Bērziņš, Ingrida Blūma, Dagnis Dreimanis and Gundars Strautmanis, elected new Supervisory Council member Ivars Ķirsons, simultaneously Krišs Osmanis left the Supervisory Board position. This decision shall take effect as of the date of its adoption.

#### Major shareholders

AS HansaMatrix major shareholders as of October 21, 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%
<b>TOTAL:</b>	<b>1 829 381</b>	<b>100.00%</b>





## 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. Postponed tariff increase has calmed market situation and it become more stable.

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.

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 third quarter (Q3 further in document) of 2019 the Company reported turnover of 6.118 million EUR, which is historically highest quarterly turnover, representing increase by 22% in comparison to the same period of 2018. The 2019 Q3 sales results showed 2% sales volume increase in comparison with previous quarter – 2019 Q2.

During first 9 months (“9m” further in the document) of 2019 the Company reported sales volume increase by 12% compared to the same period of 2018 and reached 17.999 million EUR.

During 2019 Q3 the Company reported quarterly EBITDA result of 0.942 million EUR and small quarterly net loss of 0.028 million EUR. The reported EBITDA result shows slight 21% increase in comparison with Q3 2018 and 2% decrease compared to previous quarter of 2019 Q2. The company operated with small net loss in 2019 Q3, resulting in negative net profit margin. Results represent quarterly EBITDA margin of 15.40%.

During first 9 months of 2019 (“9m”) the Company reported historically highest 9 month EBITDA result of 3.018 million EUR and 9m net profit result of 0.118 million EUR. The reported EBITDA result shows 8% increase in comparison with

2018 9m. The 9 month net profit results for 2019 demonstrate 89% decrease in comparison with 2018 9m. Results represent 9 month EBITDA margin of 16.8% and 9 month net profit margin of 0.7%.

EBITDA margin in 2019 9m 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 capital equipment depreciation, interest payments, where interest payment provisions for European Investment Bank financing is included and explained by the increased share of losses included in the consolidated financial statements from the associate companies due to increased ownership.

Both EBITDA and net profit margins in 2019 were also influenced by significant direct manufacturing labor wage increases.

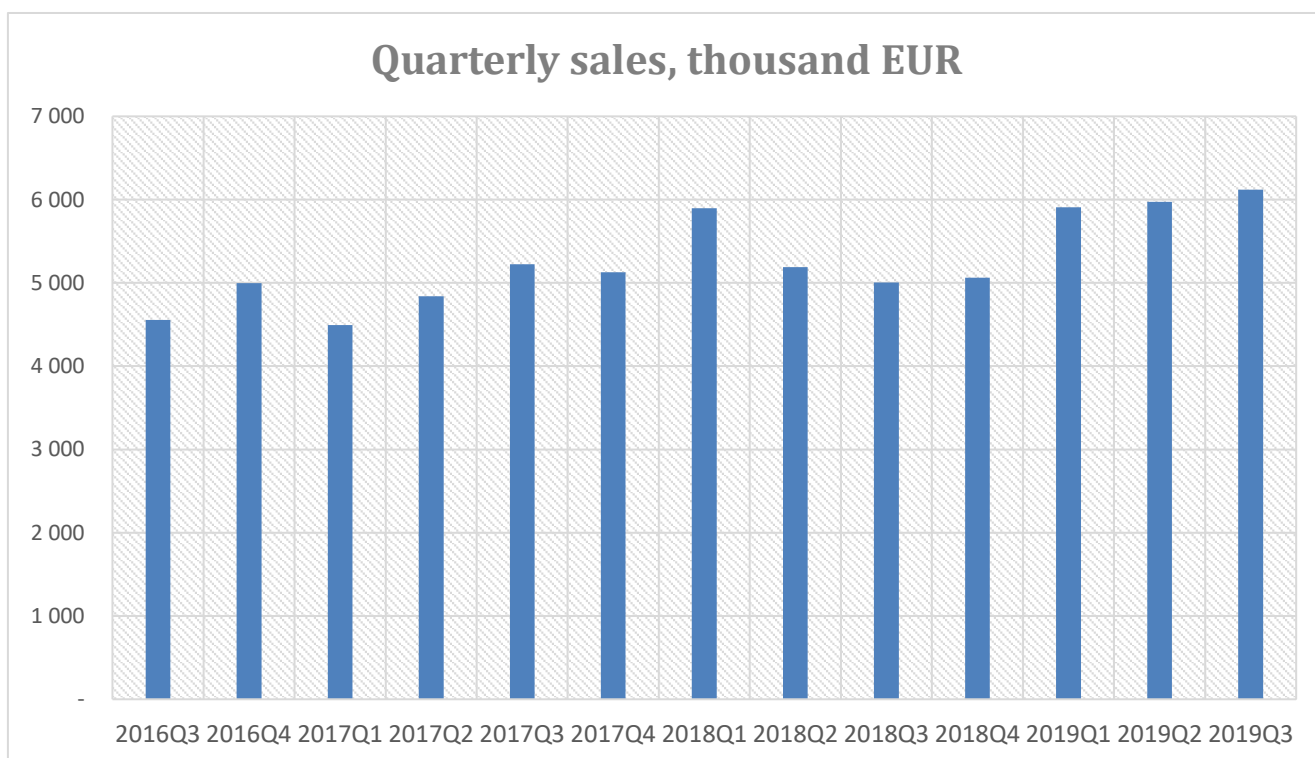
Profitability in 2019 Q3 at smaller than expected degree was negatively influenced by the planned and executed warehouse reorganization, inventory count as well as introduction of a new warehouse inventory control system. Successful reorganization process required a one-week interruption of the production process.

2019 Q3 R&D turnover increased by 51% compared with 2018 Q3 R&D turnover but decreased by 15% compared to the previous quarter Q2 2019 turnover, and is accounting for 8% share of Company's consolidated sales in 2019 Q3. R&D grant income has not been included in reported R&D sales figures. Substantial increase in R&D sales volumes in 2019 Q3 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 October 1, 2018 and ending with September 30, 2019) at 2019 Q3 reported to be at historically highest level of 23.061 million EUR, showing 5.07% increase compared to TTM sales for the period ended at 2019 Q2. EBITDA result for the TTM 12 month period reported to be 3.535 million EUR, an increase of 4.92% in comparison with 12 month period ended at 2019 Q2. Net profit for TTM period reported slightly negative 0.068 million EUR. Averaged EBITDA margin for TTM period is reported to be 15.3%.

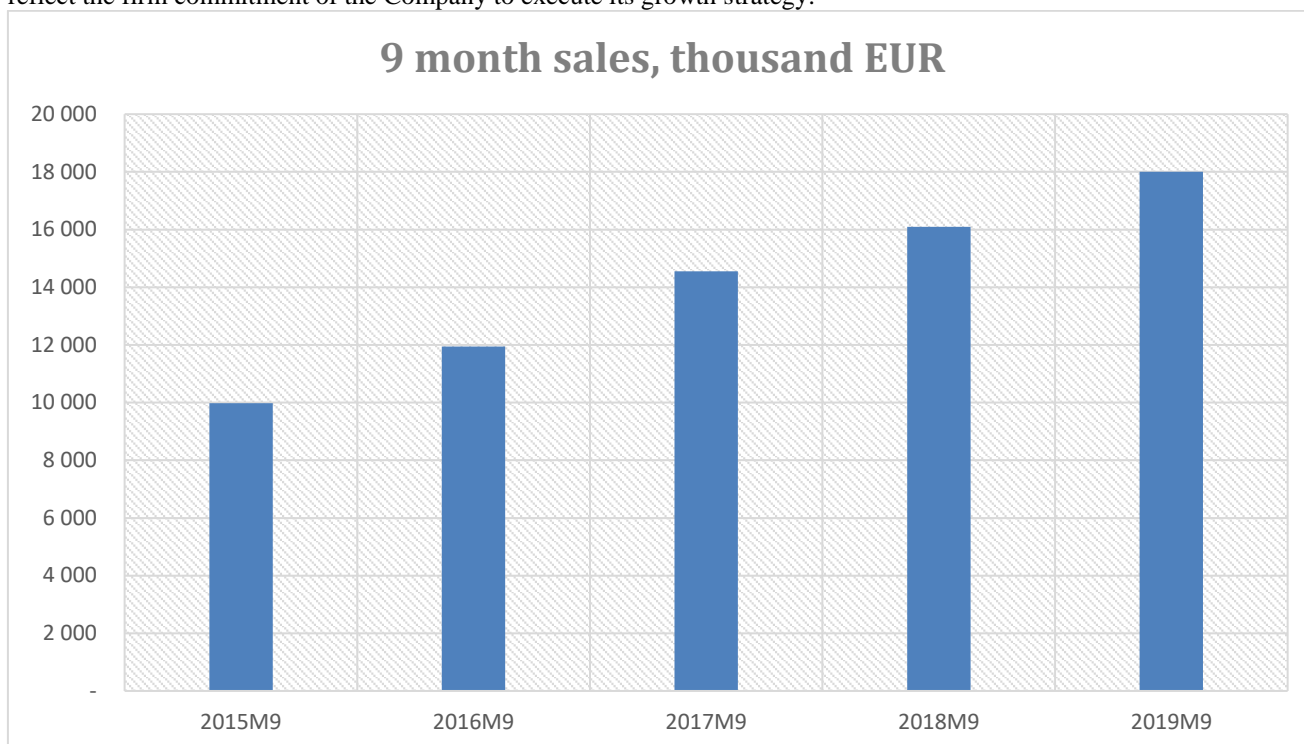
### Quarterly sales results for 2019 Q3

During Q3 of 2019 the Company reported turnover of 6.118 million EUR, which is historically highest quarterly turnover, representing increase by 22% in comparison to the same period of 2018. The 2019 Q3 sales results showed 2% sales volume increase in comparison with previous quarter – 2019 Q2. 2019 third quarter sales demonstrate substantial increased on year on year basis and is a result of the Company growth strategy execution.



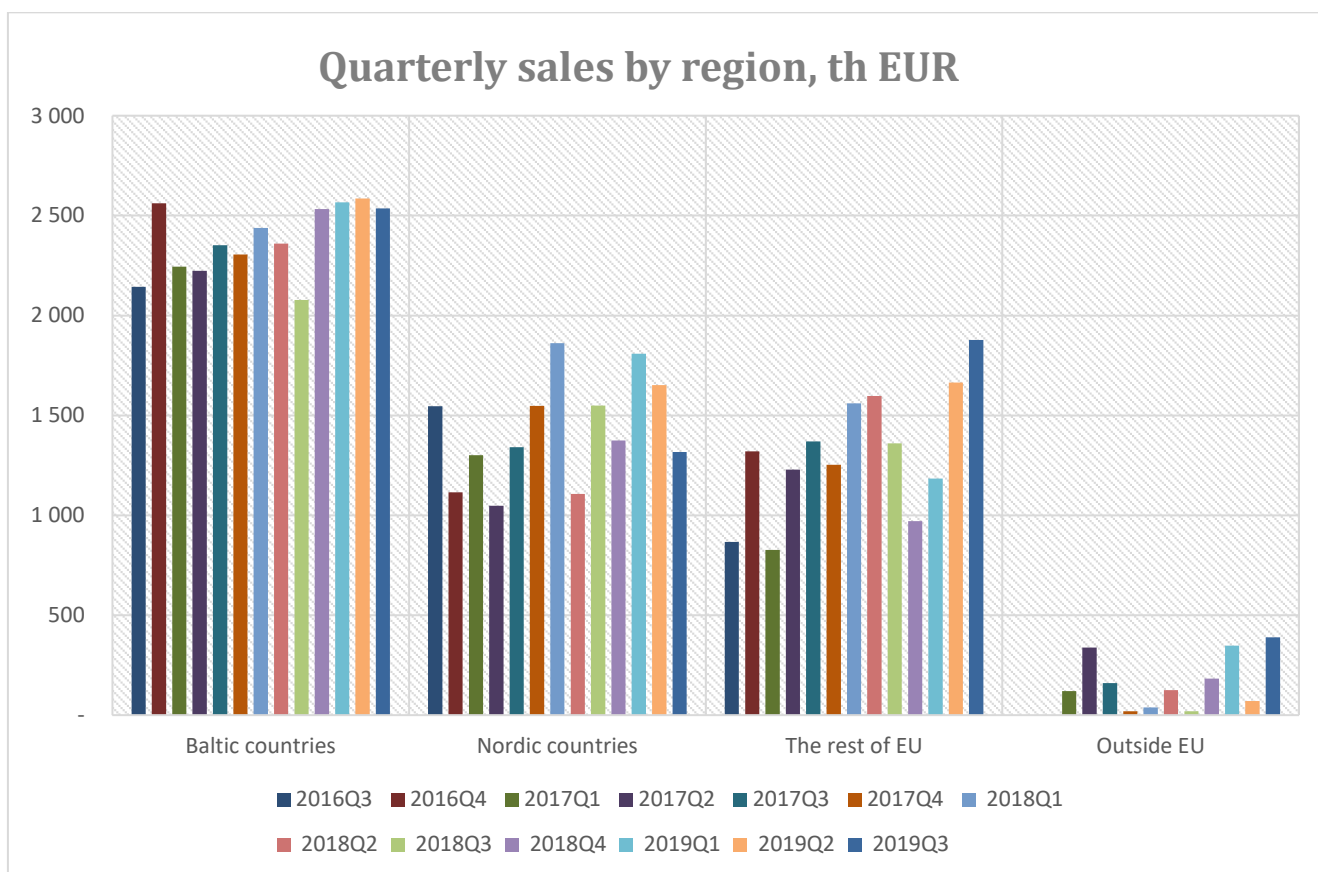
**2019 9 month sales results**

During first 9 months (“9m” further in the document) of 2019 the Company reported sales volume increased by 12% compared to the same period of 2018 and reached 17.999 million EUR. 2019 9m results and the achieved y-o-y growth level reflect the firm commitment of the Company to execute its growth strategy.

**Quarterly sales by market region results for 2019 Q3**

During 2019 Q3 Baltic states continue to be the largest market region with 41% share of turnover. Nordic and other EU sales respectively reported 22% and 31% of total sales. HansaMatrix during 2019 Q3 continued to deliver small amounts to customer locations outside EU. This market share in 2019 Q3 amounts to 6% of the total sales volume.

Sales dynamics of regions – Baltic sales were 22% up compared to 2018 Q3 but 2% down compared to 2019 Q2; Nordic sales were 15% down from 2018 Q3 and 20% down in comparison with 2019 Q2. Other EU region sales reported 38% increase from 2018 Q3 and 13% increase from 2019 Q2. Outside EU deliveries decreased by 1980% from 2018 Q3 and increased by 450% from 2019 Q2. 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	2017Q3
Baltic countries	1 382	1 603	2 143	2 562	2 244	2 224	2 351
Nordic countries	1 200	1 345	1 546	1 115	1 302	1 048	1 341
The rest of EU	748	1 109	867	1 319	827	1 229	1 370
Outside EU	-	-	-	-	121	339	161
Total	3 330	4 057	4 557	4 996	4 494	4 839	5 222

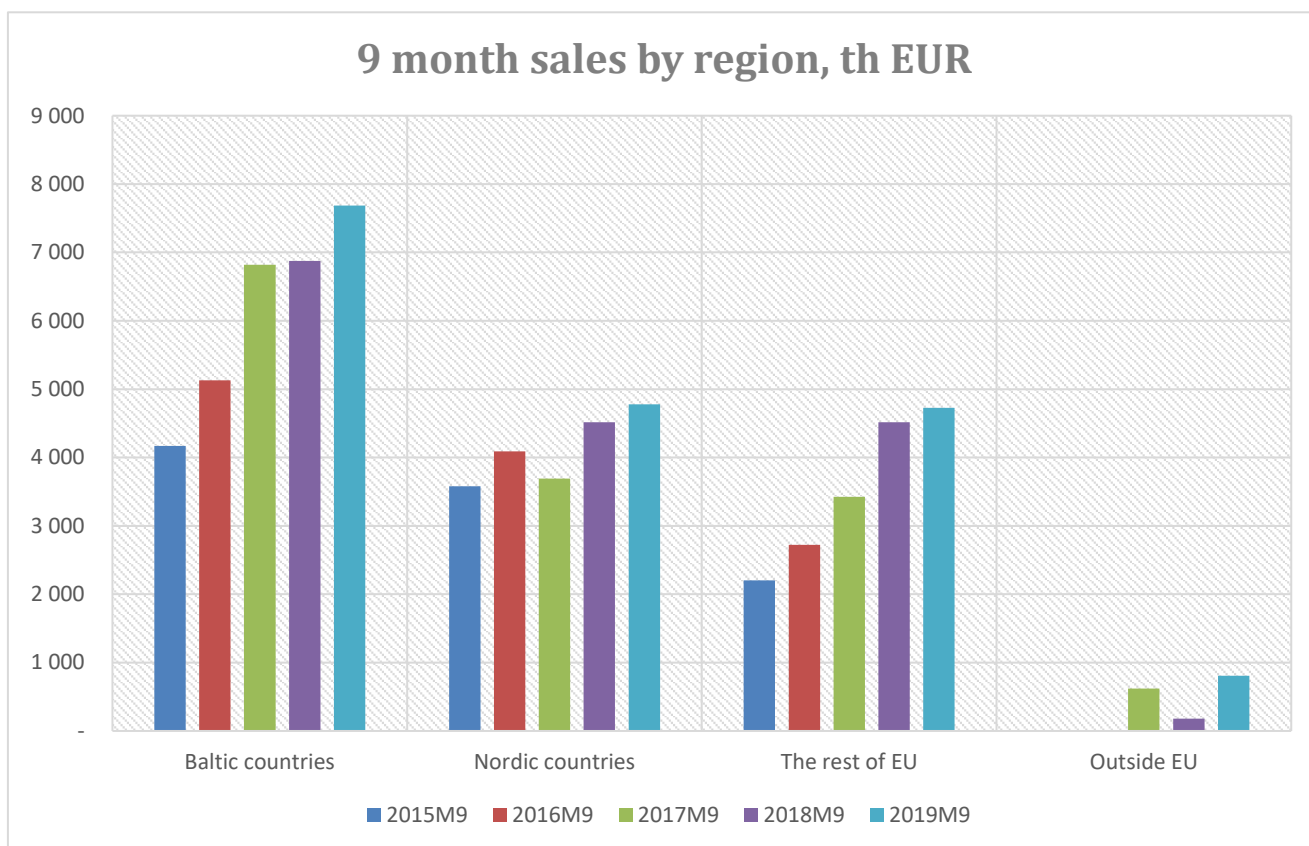
2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3
2 305	2 438	2 359	2 078	2 533	2 566	2 586	2 536
1 548	1 861	1 106	1 549	1 375	1 809	1 652	1 317
1 253	1 560	1 597	1 360	971	1 184	1 665	1 877
20	39	124	19	182	348	71	389
5 126	5 898	5 188	5 005	5 061	5 908	5 973	6 118

**2019 9 month sales by region results**

During 2019 9m main sales drivers continue to be Baltic customers with 43% market share of sales. Nordic and other EU sales reported as 27% and 26% of total sales. Product deliveries to customer locations outside EU amounted to 4% of total sales in 2019 9m.

Sales dynamics of regions – Baltic sales were 12% up from 2018 9m; Nordic sales were 6% up from 2018 9m. Other EU sales were reported with 5% volume increase from 2018 9m. Outside EU sales exhibited substantial 344% year on year growth, explained by sales volume growth with new customers, including commencing of deliveries to the industrial segment corporate customer with location outside EU; the conclusion of contract with this customer in amount of 3 million USD to

supply high complexity electronic assemblies over period of years 2019-2020 was reported publicly by the Company on October 31, 2018.

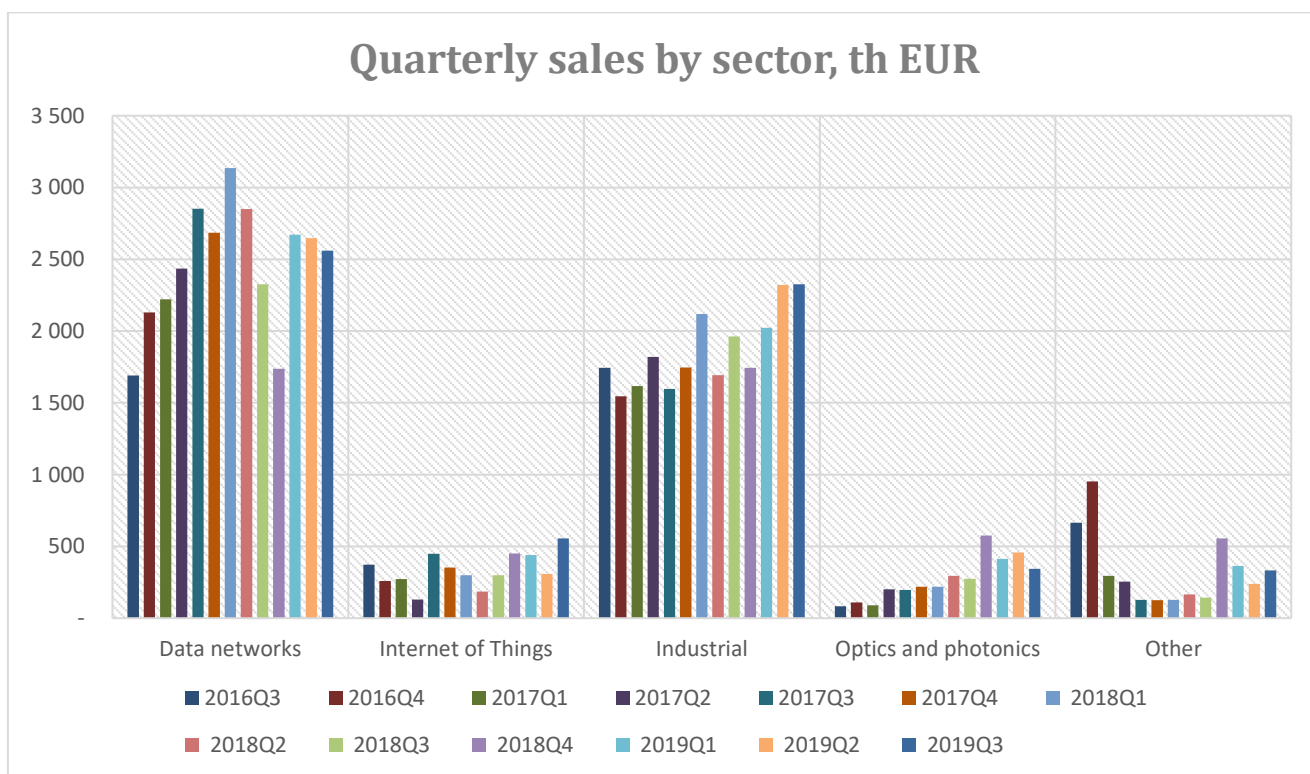


### Quarterly sales by market sector results for 2019 Q3

During 2019 Q3 data network product sales and industrial product sales were dominating sales drivers respectively with 42% and 38% sales market share. Internet-of-things sales amounted to 9%, other products 5% and optics and photonics products reported with 6% share.

2019 Q3 data network product sales show increase by 10%; industrial sector product sales – increase by 19%; internet-of-things – increase by 86%, optics and photonics products sales – increase by 25% and other product sector – increase by 134% in comparison with 2018 Q3. Comparison with sales results with previous - 2019 Q2 demonstrates 3% decrease in data networks; no change in industrial sector; increase of 79% in Internet of things products; 25% decrease in optics and photonics products and 39% 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 Q3

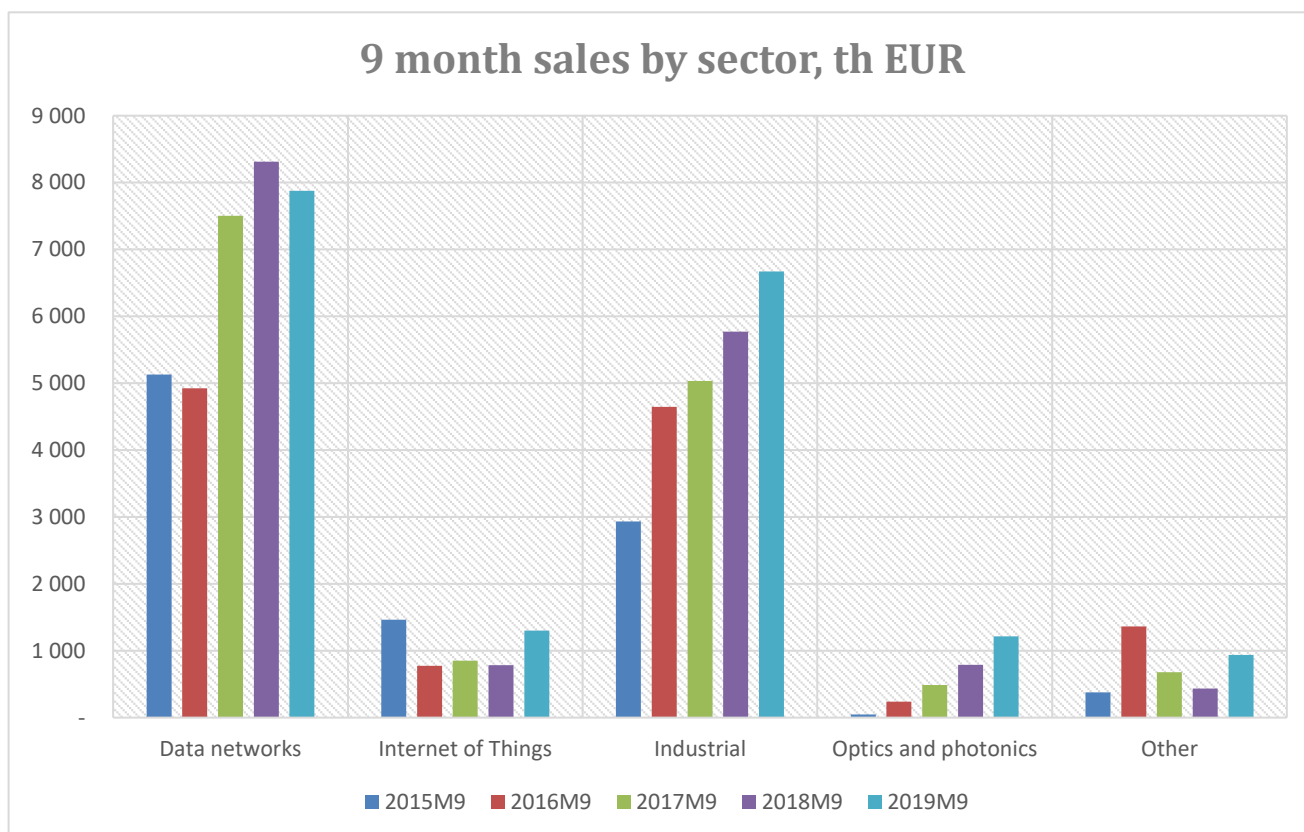
Sales, thEUR	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4
Data networks	1 375	1 859	1 691	2 130	2 220	2 434	2 852	2 685
Internet of Things	261	138	374	258	272	129	449	353
Industrial	1 280	1 621	1 745	1 544	1 617	1 820	1 597	1 746
Optics and photonics	60	94	82	110	91	201	197	218
Other	354	345	665	953	295	256	128	124
<b>Total</b>	<b>3 330</b>	<b>4 057</b>	<b>4 557</b>	<b>4 996</b>	<b>4 494</b>	<b>4 839</b>	<b>5 222</b>	<b>5 126</b>

2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3
3 134	2 851	2 327	1 737	2 670	2 646	2 559
299	185	298	450	439	309	555
2 118	1 693	1 962	1 744	2 022	2 321	2 327
220	294	276	575	412	457	344
127	165	142	556	364	240	333
<b>5 898</b>	<b>5 188</b>	<b>5 005</b>	<b>5 061</b>	<b>5 908</b>	<b>5 973</b>	<b>6 118</b>

### 2019 9 month sales by market sector results

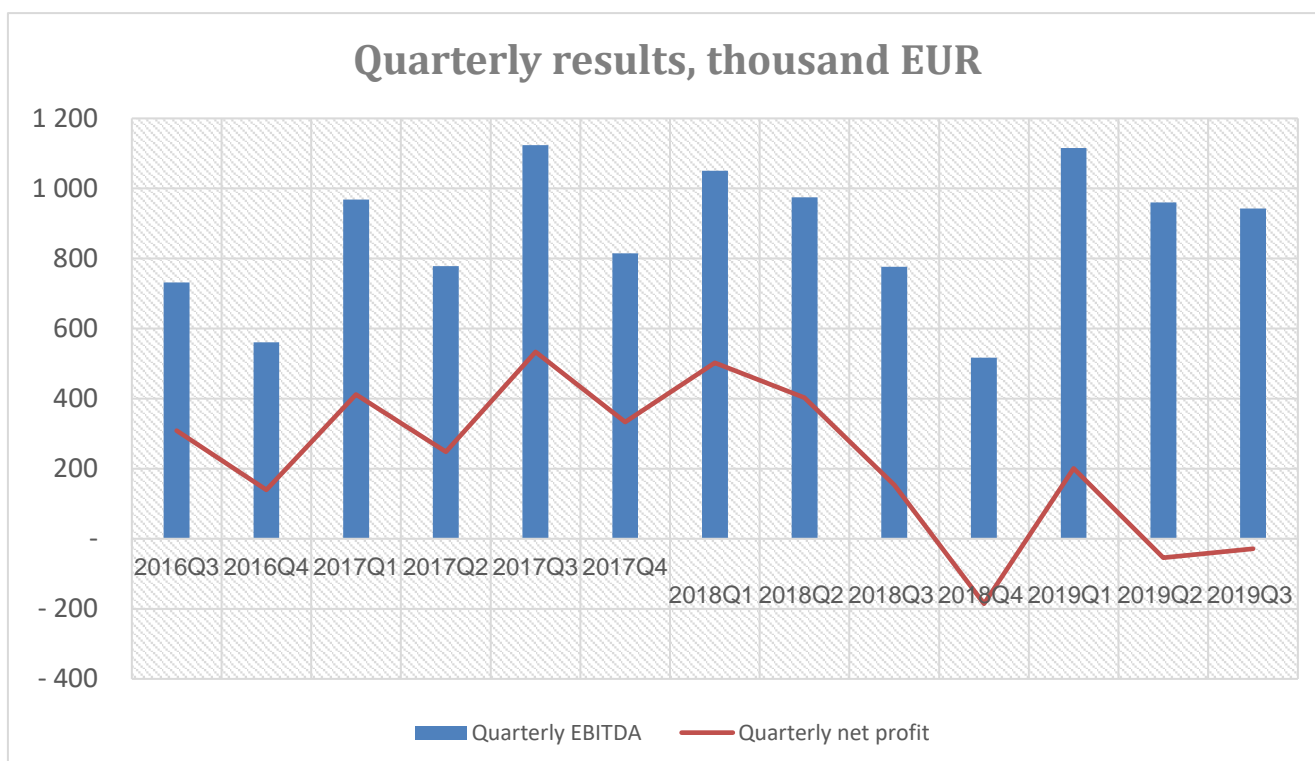
During 2019 9m main sales contributors continue to be data network products with 44% sales share, followed by industrial product sales with 37% share in turnover. Internet of things product share in sales was 7%, optics and photonics products – 7% and other product share – 5%. Sales dynamics of market segments – data network sales were 5% down from 2018 9m; industrial product sales were 16% up from 2018 9m; optics and photonics product sales were 54% up from 2018 9m. Internet of things product sales were 67% up from 2018 9m, other product sales reported 116% increase from 2018 9m.





### Quarterly EBITDA and net profit results in 2019 Q3

During 2019 Q3 the Company reported quarterly EBITDA result of 0.942 million EUR and quarterly net loss of 0.028 million EUR. The reported EBITDA result shows 21% indecrease in comparison with Q3 2018 and 2% decrease compared to previous quarter of 2019 Q2. The company operated with small net loss in 2019 Q3. Results represent quarterly EBITDA margin of 15.40%.





EBITDA margin in 2019 Q3 still 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 Q3 were also influenced by significant direct manufacturing labor wage increases.

Profitability in 2019 Q3 at smaller than expected degree was negatively influenced by the planned and executed warehouse reorganization, inventory count as well as introduction of a new warehouse inventory control system. Successful reorganization process required a one-week interruption of the production process.

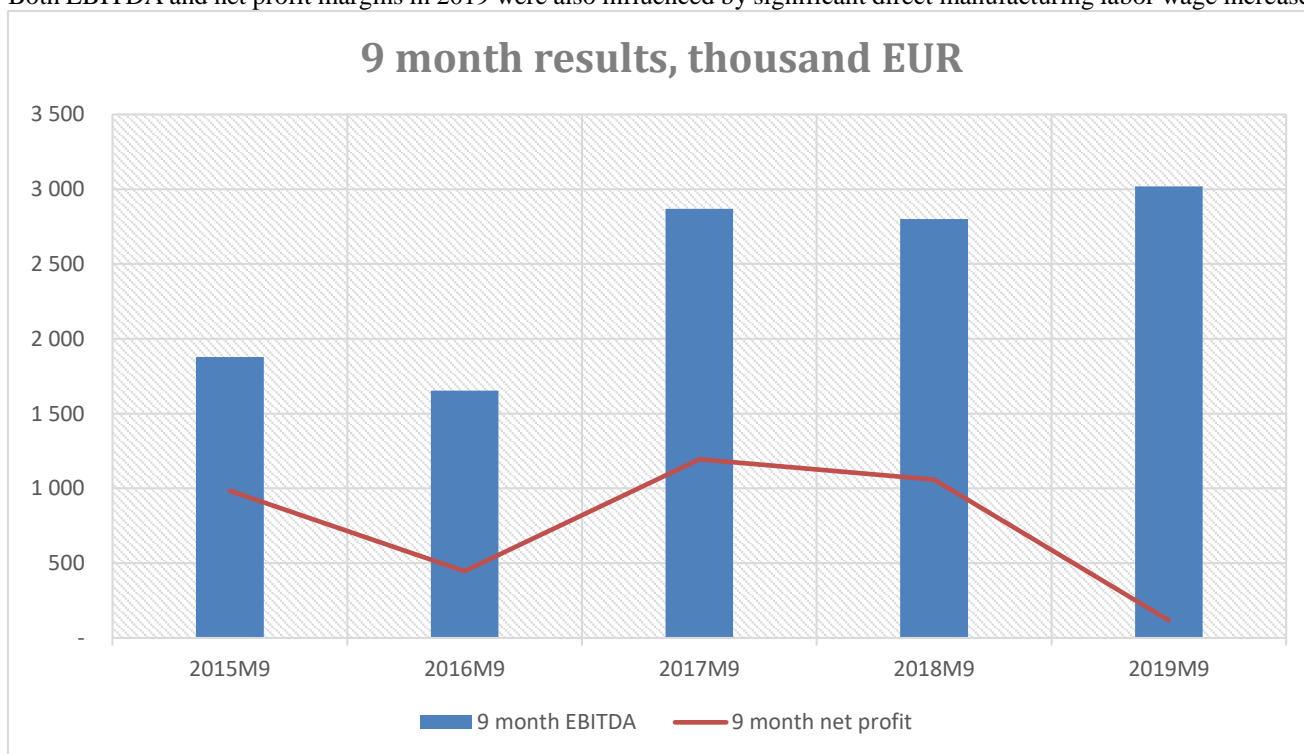
### 2019 9 month EBITDA and net profit results

During first 9 months of 2019 ("9m") the Company reported historically highest EBITDA result of 3.018 million EUR and 9m net profit result of 0.118 million EUR. The reported EBITDA result shows 8% increase in comparison with 2018 9m. The 9 month net profit results for 2019 demonstrate 89% decrease in comparison with 2018 9m. Results represent 9 month EBITDA margin of 16.8% and 9 month net profit margin of 0.7%.

Comparably high level of 9 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-Q3 as well as increasing utilization of recently invested new production capacities in production fulfilment.

Net profit margin exhibits decreasing trend, explained by the increased capital equipment depreciation, interest payments, where interest payment provisions for European Investment Bank financing is included and explained by the increased share of losses included in the consolidated financial statements from the associate companies due to increased ownership.

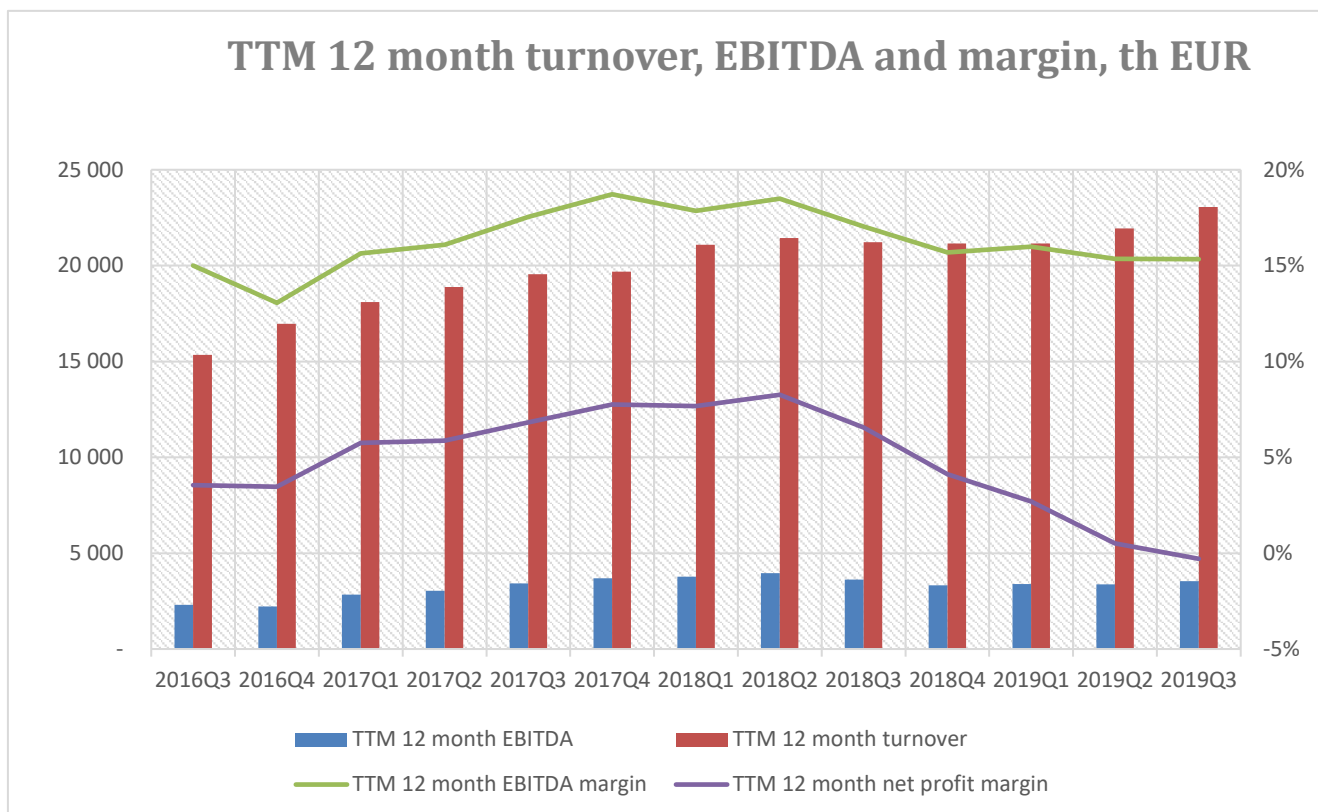
Both EBITDA and net profit margins in 2019 were also influenced by significant direct manufacturing labor wage increases.



### TTM (trailing twelve months) turnover, EBITDA and margin results in 2019 Q3

TTM - 12 month period sales (period starting in October 1, 2018 and ending with September 30, 2019) at 2019 Q3 reported to be at historically highest level of 23.061 million EUR, showing 5.07% increase compared to TTM sales for the period ended at 2019 Q2. EBITDA result for the TTM 12 month period reported to be 3.535 million EUR, an increase of 4.92% in

comparison with 12 month period ended at 2019 Q2. Net profit for TTM period reported slightly negative 0.068 million EUR. Averaged EBITDA margin for TTM period is reported to be 15.3%.



### Summary of financial indicators for Q3 and 9 months of 2019

The comparison of financial indicators for the periods of 2019 Q3 and 2018 9 months with the respective periods of 2018 are reported in the following exhibits:

Financial indicators for period	2019Q3	2018Q3	% to previous period
Sales, thousand EUR	6 118	5 005	22%
EBITDA, thousand EUR	942	777	21%
Net profit, thousand EUR	-28	153	-119%
EBITDA margin	15,4%	15,5%	
Net profit margin	-0,5%	3,1%	
EPS, EUR	-0,02	0,08	

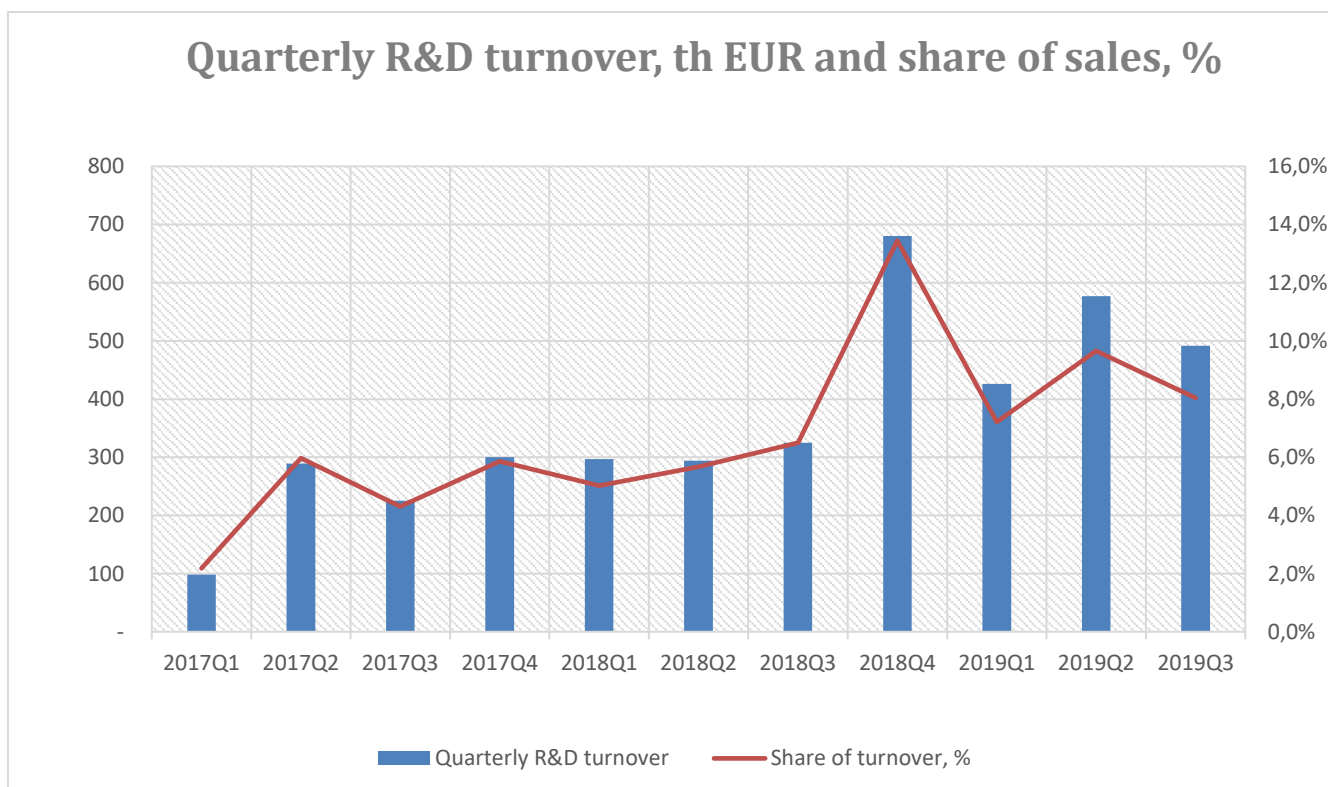
Financial indicators for period	2019 9m	2018 9m	% to previous period
Sales, thousand EUR	17 999	16 090	12%
EBITDA, thousand EUR	3 018	2 801	8%
Net profit, thousand EUR	118	1 058	-89%
EBITDA margin	16,8%	17,4%	
Net profit margin	0,7%	6,6%	
EPS, EUR	0,06	0,58	

## Research and development

2019 Q3 R&D turnover increased by 51% compared with 2018 Q3 R&D turnover and decreased by 15% compared to the previous quarter Q2 2019 turnover, and is accounting for 8% share of Company's consolidated sales in 2019 Q3. R&D grant income has not been included in reported R&D sales figures.

Substantial increase in R&D sales volumes in 2019 Q3 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 October 1, 2018 and ending with September 30, 2019) at 2019 Q3 reported to be 2.175 million EUR, showing 8% increase compared to TTM sales for the period ended at 2019 Q2 and 79% increase compared to TTM sales for the period ended at 2018 Q3.



### Data table - quarterly R&D turnover for 2019 Q2

Quarterly R&D turnover, th EUR	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2
Quarterly R&D turnover	98	289	225	300	297	294

2018Q3	2018Q4	2019Q1	2019Q2	2019Q3
325	680	426	577	492

HansaMatrix Innovation has starting realization of Ministry of Education and Science managed applied research project: Project 1.1.1.1/18/A/179 "Development of a compact, high-brightness laser image projection system for application in volumetric 3D displays". The project shall be carried out in cooperation with a partner Lightspace Technologies SIA and University of Latvia. The duration of the project is 24 months, starting on April 1st, 2019. The total planned cost of the project is 817 thousand EUR, consisting of 553 thousand EUR (67.7%) public ERDF funding and 237 thousand EUR (29%) private funding.

## Investment activities

During 2019 Q3 HansaMatrix made 264 638 EUR investments and during 2019 9m 2 315 155 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 Q3 of 2019, HansaMatrix made investments in a form of convertible loan into SIA Lightspace Technologies in the amount of 811 350 EUR. In 9m of 2019 the aggregate HansaMatrix investments into SIA Lightspace Technologies amounted to 3 138 952 EUR in a form of convertible loan.

In order to strengthen the paid-up capital of SIA Lightspace technologies, on September 30, 2019 HansaMatrix has increased its capital participation in the SIA Lightspace technologies to 49.86% by paying up (carrying out the convertible loan conversion) according to September 30, 2019 decision of SIA Lightspace technologies shareholders newly issued 2730 (two thousand seven hundred thirty) capital shares of SIA Lightspace technologies in amount of 1 501 500 EUR or 550 EUR per 1 share.

The aforementioned SIA Lightspace technologies paid up capital increase is planned to be registered with the the Register of Enterprises of the Republic of Latvia in November. Following the transaction, SIA Lightspace technologies shareholder structure is the following: HansaMatrix 49.86%, BaltCap Latvia Venture Capital Fund 27.07%, Ilmārs Osmanis 12.77%, Imprimatur Capital Technology Venture Fund 7.8%, Imprimatur Capital Seed Fund 2.5%.

At the end of the reporting period, the total HansaMatrix investment in SIA Lighstapce Technologies amounted to 7 801 464 EUR, consisting of convertible loan in amount of 4 091 575 EUR and paid up capital in amount of 3 709 889 EUR.

During Q3 2019 HansaMatrix has provided additional 73 000 EUR funds in form of convertible loan to associated company – SIA Zinātnes 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 9m of 2019 the aggregate HansaMatrix investments into SIA Zinatnes parks amounted to 318 000 EUR in a form of convertible loan and paid up capital. At the end of the reporting period, the total HansaMatrix investment amounted to 1 527 660 EUR, consisting of convertible loan in amount of 726 700 EUR and paid up capital 800 960 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 Zinātnes 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 Zinātnes 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.

**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 12 new patent applications.

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

During Q3 of 2019 LightSpace announced a new – Gen3 volumetric display technology, which will allow to develop compact volumetric 3D image displays.

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, HTC, Amazon and others. One of Tier1 global display manufacturers has chosen LightSpace technology to develop its new media 3D image displays.

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**

	9m 2019 EUR	2018 EUR
Net turnover	286 872	392 480
Cost of sales	(1 195 755)	(1 125 308)
<b>Gross profit / (loss)</b>	<b>( 908 883)</b>	<b>( 732 828)</b>
Distribution costs	( 405 542)	( 205 846)
Administrative expense	( 269 634)	( 148 691)
Other operating income	140 531	9 405
Other operating expense	( 4 804)	( 46 536)
<b>Operating profit</b>	<b>(1 448 332)</b>	<b>(1 124 496)</b>
Loss from investments in related company	-	-
<b>Profit / (loss) before tax</b>	<b>(1 448 332)</b>	<b>(1 124 496)</b>
Corporate income tax	-	( 422)
<b>Net profit / (loss) for the period</b>	<b>(1 448 332)</b>	<b>(1 124 918)</b>
Profit attributable to:		
Equity holders of the Parent Company	(1 336 496)	( 967 462)
Non-controlling interest	( 111 836)	( 157 456)
	(1 448 332)	(1 124 918)

**SIA Lightspace Technologies consolidated \*) balance sheet, EUR**

ASSETS	30.09.2019. EUR	31.12.2018. EUR
<b>NON-CURRENT ASSETS</b>		
Property, plant, equipment and other intangible assets	7 019 640	5 551 825
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7 019 640</b>	<b>5 551 825</b>
<b>CURRENT ASSETS</b>		
Inventory	124 425	179 585
Receivables	866 282	797 066
Cash and cash equivalents	15 609	85 654
<b>TOTAL CURRENT ASSETS</b>	<b>1 006 316</b>	<b>1 062 305</b>
<b>TOTAL ASSETS</b>	<b>8 025 956</b>	<b>6 614 130</b>
<b>EQUITY AND LIABILITIES</b>	<b>30.09.2019. EUR</b>	<b>31.12.2018. EUR</b>
<b>EQUITY</b>		
Share capital	16 601	13 871
Share premium	5 025 712	3 526 942
Other reserves	2 387	2 776
Retained earnings/ (accumulated deficit)	(2 424 225)	(1 162 729)
Non-controlling interest	301 776	413 612
<b>TOTAL EQUITY</b>	<b>2 922 251</b>	<b>2 794 472</b>
<b>LIABILITIES</b>		
Non-current and current liabilities	5 103 705	3 819 658
<b>TOTAL LIABILITIES</b>	<b>5 103 705</b>	<b>3 819 658</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8 025 956</b>	<b>6 614 130</b>

\*) Consolidated 100% SIA LightSpace Technologies, 100% LightSpace Technologies Inc. and 76.12% SIA Euroleds (83.81% from 01.07.2019.)



**Business development overview of associated company – SIA Zinātnes Parks**

In the reporting period SIA Zinātnes Parks has invested 90.05 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 1.783 million EUR.

It is planned to complete construction project development work in Q4 2019.

**SIA Zinātnes Parks profit loss statement, EUR**

	9m 2019 EUR	2018 EUR
Net turnover	-	-
Cost of sales	(66 254)	(85 717)
<b>Gross profit / (loss)</b>	<b>(66 254)</b>	<b>(85 717)</b>
Administrative expense	(6 508)	(7 437)
Other operating expense	(178)	(691)
<b>Operating profit</b>	<b>(72 940)</b>	<b>(93 845)</b>
Interest and similar expense	(1 367)	(5 305)
<b>Profit / (loss) before tax</b>	<b>(74 307)</b>	<b>(99 150)</b>
Corporate income tax	-	-
<b>Net profit / (loss) for the period</b>	<b>(74 307)</b>	<b>(99 150)</b>

**SIA Zinātnes Parks balance sheet, EUR**

ASSETS	30.09.2019. EUR	31.12.2018. EUR
<b>NON-CURRENT ASSETS</b>		
Construction in progress	1 782 998	1 692 949
Non-current financial assets	6 690	6 690
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1 789 688</b>	<b>1 699 639</b>
<b>CURRENT ASSETS</b>		
Receivables	9 094	6 915
Cash and cash equivalents	1 707	3 099
<b>TOTAL CURRENT ASSETS</b>	<b>10 801</b>	<b>10 014</b>
<b>TOTAL ASSETS</b>	<b>1 800 489</b>	<b>1 709 653</b>
<b>EQUITY AND LIABILITIES</b>	<b>30.09.2019. EUR</b>	<b>31.12.2018. EUR</b>
<b>EQUITY</b>		
Share capital	12 000	4 000
Share premium	792 000	-
Retained earnings/ (accumulated deficit)	(387 153)	(312 845)
<b>TOTAL EQUITY</b>	<b>416 847</b>	<b>(308 845)</b>
<b>LIABILITIES</b>		
Non-current and current liabilities	1 383 642	2 018 498
<b>TOTAL LIABILITIES</b>	<b>1 383 642</b>	<b>2 018 498</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 800 489</b>	<b>1 709 653</b>

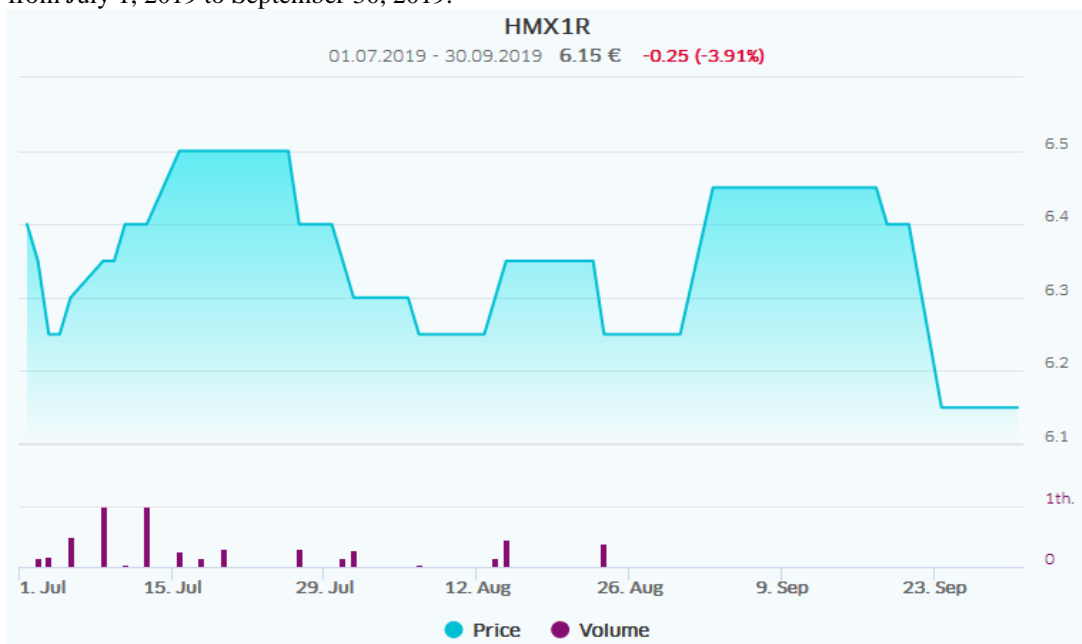


## Shares and stock market

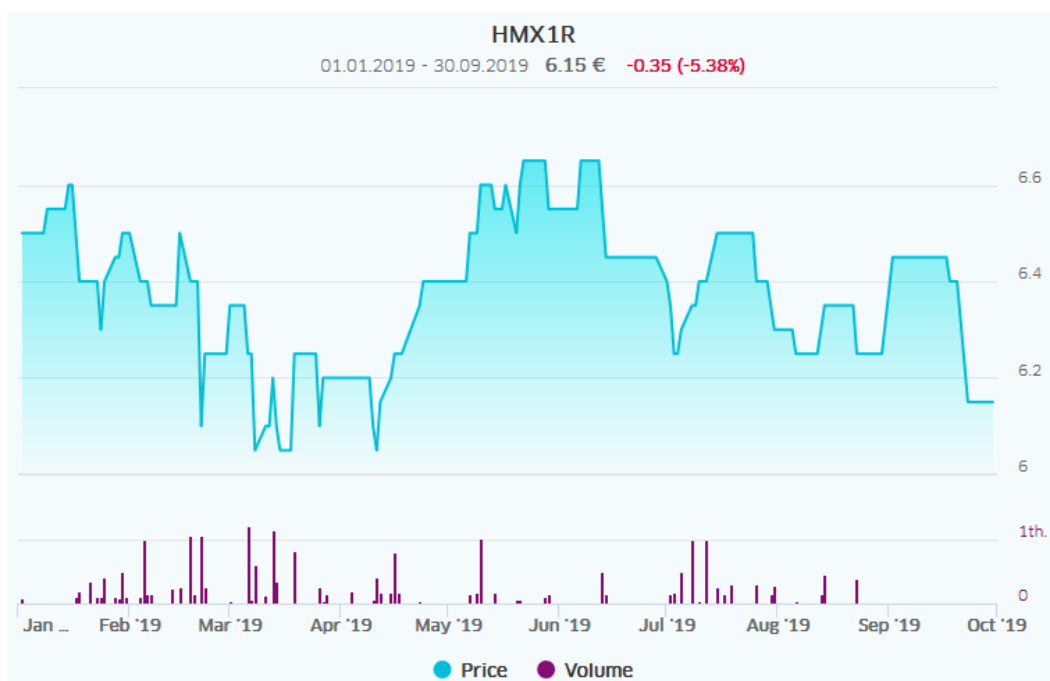
On August 08 the shareholding of Macro Riga in HansaMatrix has decreased by 275 562 shares or 15.06% to 34.03% in a transaction where Macro Riga repaid shareholder loan to HansaMatrix with HansaMatrix shares owned by Macro Riga. The applied value of one share in the transaction amounted to 7.2579 EUR 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 Q3 HansaMatrix (HMX1R) share price decreased by 3.91% - see the stock price movement chart for the period from July 1, 2019 to September 30, 2019.



During 2019 9m HansaMatrix (HMX1R) share price slightly decreased by 5.38% - see the stock price movement chart for the period from January 1, 2019 to September 30, 2019.



**Security trading history**

Price	2016	2017	2018	2019 9m
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	6.15
Traded volume	19 574	72 941	137 505	21 361
Turnover, million	0.15 EUR	0.51 EUR	0.94 EUR	0.14 EUR
Capitalisation, million	14.54 EUR	14.89 EUR	11.89 EUR	11.26 EUR

In 9m 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 0.14 million EUR.

**Other significant events in the 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.

**Significant events after end of reporting period**

To strengthen the Company management to facilitate and efficiently manage the growing business the extraordinary General Meeting of shareholders on October 29, 2019 approved the amendments to the Articles of Association of the Company that the Board of Directors consists of 5 (five) members – the Chairman of the Board of Directors and four Members of the Board of Directors. The additional Management Board Members have not been appointed yet.

On October 29, 2019 extraordinary shareholder meeting of HansaMatrix, in addition to the existing Supervisory Council members Andris Bērziņš, Ingrida Blūma, Dagnis Dreimanis and Gundars Strautmanis, elected new Supervisory Council member Ivars Ķirsons, simultaneously Krišs Osmanis left the Supervisory Board position. This decision shall take effect as of the date of its adoption.

On October 29, 2019 extraordinary shareholder meeting approved remuneration policy of the Board of Directors and the Supervisory Council. The goal of the remuneration policy is to lay down basic remuneration principles for the Company's Board of Directors and Council members considering, inter alia, remuneration and employment conditions of the Company's staff, thereby facilitating the Company's business strategy, long-term interests and sustainability.

The Management Board of the Company has decided to change the Company's fixed assets depreciation policy with regard to manufacturing equipment and machinery in order to ensure that the residual values of the fixed assets are better matched with the actually observed useful lives and fair values of these fixed assets. The aforementioned changes in fixed asset depreciation policy will be applied retrospectively in the financial statements for the year 2019 and will be reflected in the Company's unaudited interim condensed consolidated financial statements for the year 2019. The Company has estimated that the above changes in the Company's depreciation policy are expected to have a positive impact on the Company's net profit in 2019 of approximately EUR 310 thousand. More detailed information on changes in the Company's depreciation policy will be provided in the Company's Consolidated and Parent Company's Annual Report for 2019.

November 22, 2019



Ilmārs Osmanis  
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 September 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.

November 22, 2019



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Ilmārs Osmanis  
Chairman of the Board



## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Interim consolidated statement of comprehensive income

	2019 Q3 EUR	2018 Q3 EUR	2019 9m EUR	2018 9m EUR
Revenue from contracts with customers	6 118 110	5 005 213	17 999 337	16 090 268
Cost of sales	(5 304 918)	(4 250 206)	(15 459 056)	(13 254 382)
<b>Gross profit</b>	<b>813 192</b>	<b>755 007</b>	<b>2 540 281</b>	<b>2 835 886</b>
Distribution costs	(127 096)	(121 545)	(382 392)	(474 741)
Administrative expense	(439 532)	(438 663)	(1 317 990)	(1 374 783)
Other operating income	122 630	120 009	367 838	484 016
Other operating expense	(93 031)	(22 293)	(172 543)	(76 522)
<b>Operating profit</b>	<b>276 163</b>	<b>292 515</b>	<b>1 035 194</b>	<b>1 393 856</b>
Loss from investments in associates	(177 804)	(112 680)	(575 526)	(233 291)
Finance income	6 371	11 792	30 010	34 991
Finance costs	(133 152)	(37 433)	(371 981)	(135 222)
<b>Profit before tax</b>	<b>(28 422)</b>	<b>154 194</b>	<b>117 697</b>	<b>1 060 334</b>
Corporate income tax	-	(1 154)	-	(2 732)
<b>Net profit for the reporting period</b>	<b>(28 422)</b>	<b>153 040</b>	<b>117 697</b>	<b>1 057 602</b>
<b>Other comprehensive income for the reporting period after tax</b>	-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>	<b>(28 422)</b>	<b>153 040</b>	<b>117 697</b>	<b>1 057 602</b>
Comprehensive income attributable to:				
Equity holders of the Parent Company	(28 422)	153 040	117 697	1 057 602
Non-controlling interests	-	-	-	-
	<b>(28 422)</b>	<b>153 040</b>	<b>117 697</b>	<b>1 057 602</b>

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

November 22, 2019

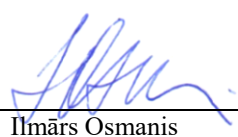
Ilmārs Osmanijs  
Chairman of the Board

**Interim consolidated statement of financial position****ASSETS**

	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
ODM assets	68 001	16 113
Other intangible assets	242 463	179 814
<b>Total intangible assets</b>	<b>310 464</b>	<b>195 927</b>
<b>Property, plant and equipment</b>		
Land and buildings	3 644 205	3 560 905
Equipment and machinery	5 601 913	5 310 730
Other fixtures and fittings, tools and equipment	726 920	649 194
Leasehold improvements	39 039	44 539
Construction in progress	403 038	284 160
Rights to use assets	1 317 167	
<b>Total property, plant and equipment</b>	<b>11 732 282</b>	<b>9 849 528</b>
<b>Non-current financial assets</b>		
Investments in subsidiaries	3 725 554	1 675 977
Investments in associates	35 069	20 333
Investments in other companies	4 420 552	3 588 703
Other investment loans	537 565	2 502 240
Loan to shareholder	130 376	123 987
Other financial assets	52 177	52 566
Other non-current receivables	8 901 293	7 963 806
<b>Total non-current financial assets</b>	<b>18 812 286</b>	<b>15 283 602</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>20 944 039</b>	<b>18 009 261</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials and consumables	3 669 262	2 496 197
Work in progress	2 149 913	1 083 825
Finished goods	9 358	185 187
<b>Total inventories</b>	<b>5 828 533</b>	<b>3 765 209</b>
<b>Receivables and prepayments</b>		
Trade receivables from contracts with customers	722 285	857 198
Prepayments for goods	202 551	33 676
Prepaid expense	40 402	50 848
Corporate income tax	2 151	-
Other receivables	490 372	257 008
<b>Total receivables and prepayments</b>	<b>1 457 761</b>	<b>1 198 730</b>
<b>Cash and cash equivalents</b>	<b>570 688</b>	<b>2 376 781</b>
<b>TOTAL CURRENT ASSETS</b>	<b>7 856 982</b>	<b>7 340 720</b>
<b>TOTAL ASSETS</b>	<b>28 801 021</b>	<b>25 349 981</b>
*Available unused credit line	499 282	EUR
*Available unused factoring limit	1 079 627	EUR

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

November 22, 2019


  
 Ilmārs Osmanis  
 Chairman of the Board

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

<b>EQUITY</b>	<b>30.09.2019 EUR</b>	<b>31.12.2018 EUR</b>
Share capital	1 829 381	1 829 381
Share premium	2 435 579	2 435 579
Reserves	4 301	1 324
Non-current asset revaluation reserve	2 069 569	2 162 339
Retained earnings/ (accumulated loss):		
a) brought forward	2 361 463	1 560 850
b) for the period	117 697	781 018
<b>TOTAL EQUITY</b>	<b>8 817 990</b>	<b>8 770 491</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	7 998 991	6 503 051
Finance lease liabilities	623 554	662 796
Finance lease liabilities under IFRS 16	845 029	-
Other financial liabilities	1 345 930	1 345 930
Prepayments received from customers	154 593	463 638
Deferred income	929 397	403 130
<b>Total non-current liabilities</b>	<b>11 897 494</b>	<b>9 378 545</b>
<b>Current liabilities</b>		
Loans from credit institutions	1 090 300	2 037 520
Finance lease liabilities	242 012	193 046
Finance lease liabilities under IFRS 16	481 287	-
Prepayments received under contracts with customers	1 192 928	689 486
Trade payables	3 878 739	3 090 852
Taxes payable	388 126	564 012
Other liabilities	431 581	206 362
Deferred income	169 577	169 577
Accrued liabilities	210 987	250 090
<b>Total current liabilities</b>	<b>8 085 537</b>	<b>7 200 945</b>
<b>TOTAL LIABILITIES</b>	<b>19 983 031</b>	<b>16 579 490</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>28 801 021</b>	<b>25 349 981</b>

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

November 22, 2019

  
Ilmārs Osmanis  
Chairman of the Board

**Interim consolidated statement of cash flow**

	<b>2019 Q3 EUR</b>	<b>2018 Q3 EUR</b>	<b>2019 9m EUR</b>	<b>2018 9m EUR</b>
<b>CASH FLOWS TO/ FROM OPERATING ACTIVITIES</b>				
Profit before tax	(28 422)	154 194	117 697	1 060 334
Adjustments for:				
Depreciation and amortization	707 812	484 056	2 046 119	1 407 273
Interest expense	116 846	34 844	344 798	113 985
Interest income	(6 371)	(11 792)	(30 011)	(34 991)
Decrease in allowances for slow-moving items and receivables	(48 075)	(4 486)	26 127	(44 299)
Income from grant recognition	(42 394)	(42 394)	(127 183)	(143 321)
Gain on disposal of property, plant and equipment	-	-	(1 034)	-
Group's share of loss of an associate recognized in the statement of comprehensive income	177 804	112 680	575 526	233 291
Adjustments for:				
(Increase)/ decrease in inventories	(714 659)	(145 998)	(2 063 323)	(880 453)
(Increase)/ decrease in receivables	(103 934)	(36 892)	(291 158)	(714 103)
Increase/ (decrease) in payables	414 890	6 431	1 397 277	822 790
<b>Cash generated from operations, gross</b>	<b>473 497</b>	<b>550 643</b>	<b>1 994 835</b>	<b>1 820 506</b>
Interest paid	(116 846)	(34 844)	(344 798)	(113 985)
Corporate income tax paid	-	-	-	-
<b>Net cash flows to/ from operating activities</b>	<b>356 651</b>	<b>515 799</b>	<b>1 650 037</b>	<b>1 706 521</b>
<b>Cash flows to/ from Investing activities</b>				
Purchase of intangible assets and property, plant and equipment	(264 638)	(668 455)	(2 315 155)	(1 459 603)
Proceeds from sale of property, plant and equipment	-	-	50 179	-
Investments in and loans to other companies	1 115 651	(433 127)	(1 456 951)	(1 117 386)
<b>Net cash flows to/ from investing activities</b>	<b>851 013</b>	<b>(1 101 582)</b>	<b>(3 721 927)</b>	<b>(2 576 989)</b>
<b>Cash flows to/ from Financing activities</b>				
Dividends paid	-	-	(73 175)	(73 175)
Loans received from credit institutions	-	317 977	1 939 436	5 911 588
Loans repaid to credit institutions	(643 598)	(249 153)	(1 606 385)	(5 000 483)
Loans from lease companies	-	601 941	172 934	939 457
Loans repaid to lease companies	(57 129)	(69 331)	(167 013)	(1 107 236)
<b>Net cash flows to/ from financing activities</b>	<b>(700 727)</b>	<b>601 434</b>	<b>265 797</b>	<b>670 151</b>
<b>Change in cash and cash equivalents for the period</b>	<b>506 937</b>	<b>15 651</b>	<b>(1 806 093)</b>	<b>(200 317)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>63 751</b>	<b>43 217</b>	<b>2 376 781</b>	<b>259 185</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>570 688</b>	<b>58 868</b>	<b>570 688</b>	<b>58 868</b>

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
<b>Balance as at 31 December 2017</b>	<b>1 829 381</b>	<b>2 435 579</b>	<b>313</b>	<b>2 286 031</b>	<b>1 583 508</b>	<b>8 134 812</b>
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)
<b>Balance as at 31 December 2018</b>	<b>1 829 381</b>	<b>2 435 579</b>	<b>1 324</b>	<b>2 162 339</b>	<b>2 341 868</b>	<b>8 770 491</b>
Profit for the reporting year	-	-	-	-	117 697	117 697
Total comprehensive income	-	-	-	-	117 697	117 697
Depreciation of revalued items of property, plant and equipment	-	-	-	(92 770)	92 770	-
Share option reserves	-	-	2 977	-	-	2 977
Dividends paid	-	-	-	-	(73 175)	(73 175)
<b>Balance as at 30 September 2019</b>	<b>1 829 381</b>	<b>2 435 579</b>	<b>4 301</b>	<b>2 069 569</b>	<b>2 479 160</b>	<b>8 817 990</b>

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 September 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 9m 2019 fixed asset depreciation increased by 400 244 EUR leased assets depreciation and interest expense increased by 44 158 EUR discounting interest expense. Lease payments in amount of 435 253 EUR are reflected in the consolidated cash flow statement of 9m 2019

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.

The Management Board of the Company has decided to change the Company's fixed assets depreciation policy with regard to manufacturing equipment and machinery in order to ensure that the residual values of the fixed assets are better matched with the actually observed useful lives and fair values of these fixed assets. The aforementioned changes in fixed asset depreciation policy will be applied retrospectively in the financial statements for the year 2019 and will be reflected in the Company's unaudited interim condensed consolidated financial statements for the year 2019. The Company has estimated that the above changes in the Company's depreciation policy are expected to have a positive impact on the Company's net profit in 2019 of approximately EUR 310 thousand. More detailed information on changes in the Company's depreciation policy will be provided in the Company's Consolidated and Parent Company's Annual Report for 2019.

**4. Related party disclosures**

			Amount of transactions		Balance	
			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	-
		30.09.2019	318 000	-	726 700	-
SIA Lightspace Technologies (AS HansaMatrix share: 40% / 49.86%)	Loan	31.12.2018	2 231 916	-	2 454 123	-
		30.09.2019	1 637 452	-	4 091 575	-
	Services, purchase of materials, sales	31.12.2018	1 362 034	717	499 299	-
		30.09.2019	2 991	-	502	-
	TOTAL	31.12.2018	3 956 950	717	4 162	-
	TOTAL	30.09.2019	1 958 443	-	4 818 777	-
2. Entities with significant influence over the Parent Company						
SIA MACRO RĪGA (shareholder)	Loans	31.12.2018	46 783	-	2 502 240	-
		30.09.2019	30 010	-	537 565	-
	Purchase of services; sale of materials	31.12.2018	1 422	-	-	-
		30.09.2019	-	-	-	-
	TOTAL	31.12.2018	48 205	-	2 502 240	-
	TOTAL	30.09.2019	30 010	-	537 565	-
3. Other related companies						
	Services, purchase of materials, sales	31.12.2018	54 607	6 805	-	1 325
		30.09.2019	9 257	9 369	-	720
	TOTAL	31.12.2018	54 607	6 805	-	1 325
	TOTAL	30.09.2019	9 257	9 369	-	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**

<b>APR, definition, components</b>	<b>Relates to past or future reporting periods</b>	<b>ASR usefulness</b>	<b>The Group uses APM for</b>
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