HANSAMATRIX
Inspired by your trust

JOINT STOCK COMPANY
"HANSAMATRIX"
UNIFIED REGISTRATION
NUMBER 40003454390

CONSOLIDATED AND PARENT COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union together with independent auditors' report*

This is the PDF format of the annual report, on the basis of which the ESEF report is prepared, which is considered to be the official annual report that meets the specified requirements

** This is a translation in pdf format without the European Single Electronics Format (ESEF) markups of the digitally signed original which was prepared in Latvian and submitted in machine-readable xhtml format to the Nasdaq Riga exchange. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.*

Ogre, 2023

Content

General information

Name of the Parent Company	HansaMatrix
Legal statuss of the Parent Company	Joint Stock Company
Registration number of the Parent Company	40003454390
Place and date	Riga, 30 July 1999
Registration in the Commercial Register	Riga, 27 December 2022
Registered office of the Parent Company	Akmeņu street 72, Ogre, Latvia, LV-5001
Major shareholders (over 5%) as at 31 December 2021 (end of the day)	• SIA „MACRO RIGA" (25,78%) • „ZGI-4" AIF, KS (15,02%) • KS „BaltCap Latvia Venture Capital Fund" (9,92%) • KS „FlyCap Investment Fund I AIF" (8,86%) • Funds managed by IPAS „ CBL Asset Management" (6,54%) • Funds managed by Swedbank Investeerimisfondid AS (5,40%) • Funds managed by Swedbank Investment Management Company AS (5,09%)
Subsidiaries	• SIA „HansaMatrix Ventspils" (100%) • SIA „HansaMatrix Innovation" (100%) • SIA „HansaMatrix Pārogre" (100%) • SIA „Zinātnes Parks" (100%) • Lightspace Holding AS (participation 100% of voting shares)
Independent auditor and certified auditor name and address	SIA „Deloitte Audits Latvia" 24 Republikas laukums, Riga Latvia, LV-1010 License No 43 Inguna Staša Latvian Certified Auditor Certificate No 145
Financial year	1 January – 31 December 2022

Address by the Chairman of the Board

I would like to thanks all our customers for their contribution to the growth HansaMatrix experienced despite challenges we faced through all 2022 caused by difficulties with material availability. HansaMatrix achieved all-time record high revenue. It would not be possible without engaged professional team I am personally grateful.

Our strong growth was mainly driven by high demand from existing customers, mostly coming from data network and IoT segment. Entering in to new segment, as aquaculture, ensured additional revenue and new experience.

Compared to 2022, this year we are planning to deliver higher revenue and profitability figures thanks to the extra capacity we prepared for the future and industrial excellence we are demonstrating in day to day operational activities.

Chairman of the Board
Jānis Sams

Management Board

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

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

At the reporting date, Management Board of the Company was composed of four members - Chairperson of the Board and three Board Member.

Jānis Sams

CHAIRMAN OF THE BOARD OF THE PARENT COMPANY

Date of appointment:
17 May 2021

Positions held in other companies:

- HansaMatrix Parogre, SIA – Member of the Board
- HansaMatrix Ventspils, SIA – Member of the Board
- Latvian Electrical Engineering and Electronics Industry Association – Member of the Board

Number of shares owned: 0
Number of share options held: 2400 (as of 31.12.2022.)

Participation in other companies: no participation.

Prior to joining HansaMatrix, Jānis Sams' professional activity for 12 years has been related to the production of electronics, holding the position of head of functions in international companies. In addition, Jānis currently serves on the Board of the Latvian Electrical Engineering and Electronics Industry Association. He holds a Master's Degree in Comprehensive Quality Management from the Riga Technical University, as well as an engineering degree in production automation.

Vitauts Galvanauskas

MEMBER OF THE MANAGEMENT BOARD AND OGRE PLANT MANAGER

Date of appointment:
17 May 2021

Positions held in other companies:

- HansaMatrix Parogre, SIA - Member of the Board

Number of shares owned: 0
Number of share options held : 1200 (as of 31.12.2022.)

Member of the Board Vitauts Galvanauskas joined HansaMatrix in January 2021 and holds the position of manager of Parogre factory. He has more than 10 years of previous experience in various production management positions, responsible for improvements in quality, processes and efficiency, operational performance of companies. Vitauts Galvanauskas was responsible for the implementation of operational excellence processes in the Consolis group of companies, as well as acting as the manager of the Consolis factory in Latvia. Vitauts Galvanauskas holds a Bachelor's Degree in Communication Science from the University of Latvia.

Management Board

Gatis Grava

MEMBER OF THE MANAGEMENT BOARD AND VENTSPILS PLANT MANAGER

Date of appointment:
17 May 2021

Positions held in other companies:

- HansaMatrix Ventspils, SIA - Member of the Board

Number of shares owned: 0
Number of share options held: 1200 (as of 31.12.2022.)

Member of the Board Gatis Grava has been working with HansaMatrix since March 2020 and holds the position of Ventspils factory manager. Gatis Grava has more than 14 years of professional work experience in Schneider Electric group companies in Europe, various management positions, procurement, supplier strategic development management, as well as developing supply chains in Scandinavia and Eastern Europe. Gatis Grava holds an engineering degree from Riga Technical University.

Māris Macijevskis

MEMBER OF THE MANAGEMENT BOARD AND FINANCE DIRECTOR OF THE GROUP

Date of appointment:
16 Feburary 2018

Positions held in other companies:
- Zinātnes Parks, SIA – Member of the Board
- HansaMatrix Innovation, SIA – Member of the Board
- IQ Capital, SIA – Member of the Board
- Latvian Squash Federation, Society – Chairman of the Board
- FTG, SIA – Member of the Board
- Road Traffic Safety Directorate, VAS - Member of the Council
- European Lingerie Group, AB- Alternate member of the Management Board
- Corvus Finance, SIA - Chairman of the Board

Number of shares owned: 300 (as of 31.12.2022.)

Number of share options held: 3500 (as of 31.12.2022.)

Participations in other companies:
- IQ Capital, Ltd. (100%)
- FTG, SIA (50%)
- Corvus Finance, SIA (50%)

Māris Macijevskis has been working for the Group since 2017. Māris' previous experience has been related to the banking sector for 15 years, and he has been the head of the Large Business Service Division/Directorate at AS Citadele banka. Māris Macijevskis holds a Bachelor's Degree in Economics and Business Administration from the Stockholm School of Economics in Riga, a Master's Degree in International Economics from the University of Latvia and a CFA (Certified Financial Analyst) certificate.

Changes in the Management Board of the Company

During the reporting year, there were no changes in the Board of directors of the Company.

Supervisory Council

The Supervisory Council of the Company is a collegial body exercising supervision over the key activities of the Company and, where appropriate, decision making by the Management Board. At the reporting date, the Supervisory Council consisted of five members, elected at the shareholders' meeting for the maximum term of office of five years. The members of the Supervisory Council elect from amongst themselves the Chairperson and one Deputy Chairperson of the Supervisory Council.

At the reporting date, the Company's Supervisory Council was composed of five members: Chairperson, Deputy Chairperson and three members of the Supervisory Council.

Baiba Anda Rubesa

CHAIRWOMAN OF SUPERVISORY COUNCIL OF THE PARENT COMPANY

Appointment date: 31 May 2022
Term of office: 30 May 2027

Number of shares owned: 0
Baiba Rubesa is an independent member of the Council.

Positions held in other companies:

- Lightspace Holding AS – Chairwoman of the Supervisory Board
- Novatore, SIA – Member of the Board
- RFactor, SIA - Member of the Board
- Coffee Address Holding, Ltd. - Member of the Supervisory Board

Participations in other companies:

- RFactor, Ltd. (100%)

Baiba Anda Rubesa is an experienced international company manager with extensive experience in corporate governance, leadership skills and sustainability requirements and a significant addition to the Company's Management Board in the areas of management, leadership and public relations, acting as an independent member of the Supervisory Council.

Rubesa works as a consultant and has been appointed to the Council of Stockholm School of Economics in Riga since 2019. From 2016 to 2019, Baiba Rubesa was a member of the Human Resources Committee of the Supervisory Board of the Latvian electricity company Latvenergo. From 2015 to 2018, Baiba Rubesa was the Chairman of the Board and executive director of the joint venture RB Rail, which implements the largest railway infrastructure project in the European Union Rail Baltica in the Baltics. Since 2014, she has been the owner of the consulting company RFactor. Prior to that, she held the position of Vice President of Corporate Social Responsibility at Statoil ASA from 2010-2013, and from 2008 to 2010 Baiba Rubesa was director of Statoil Azerbaijan for cooperation with state institutions. From 2011 to 2013, Baiba Rubesa was a member of the Board of the EITI (Extractive Industries Transparency Initiative) and from 2012 to 2015 – a member of the Supervisory Board of Citadele banka. From 2004 to 2007, Baiba Rubesa chaired the Foreign Investors Council in Latvia, as well as was vice-president of the Latvian Chamber of Commerce and Industry in Latvia, and from 2002 to 2009 Baiba Rubesa was on the Supervisory Board of DnB Nord Bank. Prior to that, from 2001 to 2008, Baiba Rubesa was the Executive Director of Statoil Latvia, and from 1996 to 2000 - Director of Marketing and Public Relations at Statoil Baltic States.

Supervisory Council

Anders Lennart Borg

DEPUTY CHAIRMAN OF SUPERVISORY COUNCIL OF THE COMPANY

Appointment date: 31 May 2022
Term of office: 30 May 2027

Number of shares owned: 0

Anders Lennart Borg is an independent member of the Supervisory Board.

Anders Lennart Borg is an experienced professional in the electronics industry. Graduated from Linkoping University in Sweden and is endowed with extensive knowledge in engineering. His long work experience has allowed him to develop strong leadership skills. For 11 years he worked at the electronics manufacturing plant Eljo AB in Sweden, of which he was its director for almost five years. Later, for 5 years he managed Schneider Electric electronics factory in Latvia and for another 5 years the same company's factory in Sweden.

Aleksis Orlovs

MEMBER OF SUPERVISORY COUNCIL OF THE COMPANY

Appointment date: 31 May 2022
Term of office: 30 May 2027

Aleksis Orlovs is an independent member of the Supervisory Council.

Number of shares owned: 0

Positions held in other companies:
- AbducO, SIA – Member of the Board
- Sonarworks, SIA – Chief Financial Officer
- Participations in other companies:
- AbducO, SIA (100%)

Aleksis Orlovs holds a higher education in business administration from the Riga Business School, as well as a higher education from the University of Latvia. He has worked in leadership positions for more than 15 years and is currently CFO at Sonarworks, a high-tech company. Prior to that, he worked at Visma Enterprise Latvia, Riga Commercial Port, ITHAL Grup, SAF tehnika and Delfi, holding managerial and financial managerial positions. Aleksis Orlovs is a professional with a focus on high-quality result, ethics of conducting business and honesty.

Supervisory Council

Dagnis Dreimanis

MEMBER OF SUPERVISORY COUNCIL OF THE COMPANY

Appointment date: 31 May 2022
Term of office: 30 May 2027

Number of shares owned: 0

Dagnis Dreimanis represents the interests of minority institutional shareholders and the interests of BaltCap investment fund in SIA Lightspace Technologies.

Positions held in other companies:
- DD Ventures SIA, Member of the Board
- Vika Wood, SIA Member of the Council
- BaltCap AIFM SIA, Chairman of the Board
- SOLVINA AS, Member of the Board
- Latvian Capital Ventures SIA, Member of the Board
- Coffee Address Holding, SIA, Member of the Supervisory Board

Participations in other companies:
- DD Ventures Ltd. (100%)
- Latvian Capital Ventures SIA (57.5%)

Dagnis Dreimanis is an investment professional with 18 years of experience. He has managed investments in more than 20 companies in a broad range of industries. Dagnis holds a bachelor's degree in business administration from Slippery Rock University in Pennsylvania and is a CFA charter holder. He holds a dual EMBA degree from the University of California Los Angeles / National University of Singapore (2016) and has completed the Professional Board Member Education program at the Baltic Institute of Corporate Governance.

Normunds Igolnieks

MEMBER OF SUPERVISORY COUNCIL OF THE COMPANY

Appointment date: 31 May 2022
Term of office: 30 May 2027

Number of shares owned: 0

Represents 275 562 shares owned by ZGI-4, a growth venture capital fund managed by ZGI Capital.

Positions held in other companies:
- Mārupes Metālmeistars, SIA – Chairman of the Council
- ZGI Capital, SIA alternative fund manager – Chairman of the Board
- I factor, SIA - Member of the Board

Participations in other companies:
- ZGI Capital, SIA alternative fund manager (26%)
- I factor, Ltd. (95%)

Normunds Igolnieks has been Chairman of the board and partner of ZGI Capital since 2011, which is one of the most experienced venture capital fund managers in the Baltics. From 2001 to 2011, Normunds Igolnieks was Chairman of the Board of the asset management company SEB Investment Management, as well as held several other positions related to the financial sector.

Changes in the Supervisory Council of the Company

During the reporting period, at the annual shareholders' meeting of HansaMatrix on May 31, 2022, a new composition of the Supervisory Council was elected, in which, in addition to the previous members of the Supervisory Council Anders Lennart Borg, Dagnis Dreimanis, Normunds Igolnieks and Baiba Anda Rubesa, Aleksis Orlovs was elected. Ingrīda Blūma, who has been an independent member of the Supervisory Council and has served on the Supervisory Council since 2016, and has served as Deputy Chairperson of the Supervisory Council for the past two years, has left the Supervisory Council of HansaMatrix.

Information on shares and dividends

Information about the shares of the Parent Company:

ISIN code	LV0000101590
Listed	Nasdaq Riga Baltic Main List
Exchange code	HMX1R
Type of shares	100% ordinary shares
Rights attached to the shares	Right to receive dividends, receipt of liquidation quota and voting rights at the general meeting
Rights resulting from one share	One share has 1 vote
Nominal value share	1 EUR
Total number of shares	1 834 881
Number of sharesholders	1 535 of 31 December 2022
Dividends per share	No dividends were paid in 2022
Dividends/Normalized earnings	0% (31 December 2022)
P/E ratio	-6.36 (31 December 2022)

Ratios are explained in the Note "Definitions of alternative performance measures" under the section "Other information".

As at 31 December 2022 (end of the day), the following were the major shareholders of the Company:

Major shareholders (above 5%)	Number of shares and votes	Equity interest
SIA "Macro Riga"	472 953	25.78%
"ZGI-4" AIF KS	275 562	15.02%
KS "BaltCap Latvia Venture Capital Fund"	182 000	9.92%
KS "FlyCap Investment Fund I AIF"	162 632	8.86%
Funds managed by IPAS "CBL Asset Management"	120 000	6.54%
Funds managed by AS "Swedbank Investeerimisfondid"	99 038	5.40%
Funds managed by AS "Swedbank Ieguldījumu Pārvaldes Sabiedrība"	93 369	5.09%
Other (below 5%)	429 327	23.40%
TOTAL:	**1 834 881**	**100.00%**

Management report

Introduction

Joint Stock Company "HansaMatrix" (hereinafter – HansaMatrix or Parent Company) is one of the leading electronic system products developer and manufacturer in the Baltic States, listed on Nasdaq Baltic's main list. HansaMatrix Group (hereinafter referred to as Group) includes the following 100% subsidiaries of HansaMatrix:

- **SIA Hansamatrix Pārogre**
- **SIA Hansamatrix Ventspils**
- **SIA Hansamatrix Innovation**
- **SIA Zinātnes parks**
- **AS Lightspace Holding**

The Parent Company is active in industrial systems, data network infrastructure, the Internet of Things, as well as medical, and several other B2B (business-to-business) market sectors. HansaMatrix actively develops knowledge-based business, product development competencies, engineering teams and creates an innovation platform for future business development. HansaMatrix has 23-years of experience in the electronics manufacturing industry, and its business mission is to develop world-class technology products and to assist its customers be competitive on global markets.

Business environment

The demand for data transmission network products and industrial products is stable and growing, which ensures high availability of production orders for these products.

In the second half of 2022, high inflation, rising interest rates, rising energy prices and the spread of the COVID-19 pandemic in China, which affected many global supply chains, led to a slowdown in the global economy. In order to reduce expenses, the demand for computers and smartphones among consumers decreased, and companies began to do the same in preparation for a global recession, all of which affected the growth of the semiconductor industry as a whole (http://bit.ly/318okTE). However, this risk for the Group has not yet materialized, but it could have some impact on 2023, depending on the elasticity of demand for the range of products manufactured by HansaMatrix. For part of the Group's products, demand could be considered inflexible, e.g., industrial or data network sector products that are difficult to replace.

According to Gartner, in 2022, global semiconductor industry revenues reached $602 billion, up just 1.1% compared to year 2021. In 2021, the semiconductor industry's global revenue reached $595 billion, up 26.3% from 2020. Global semiconductor industry revenue growth has slowed significantly in 2022, compared to an increase in 2021, which indicates better availability of electronic components in 2023 (http://bit.ly/318okTE).

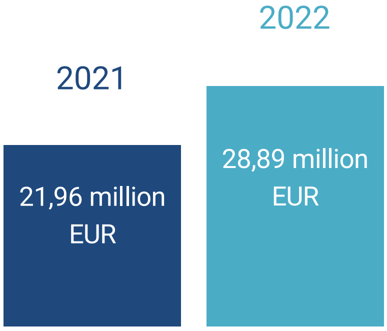
At the end of 2022, the Group felt a slight improvement in the availability of semiconductors, which had a positive impact on the Group’s revenue and profitability at the end of 2022. Nevertheless, for a significant part of the semiconductors required for the production of the Group's customer product portfolio, the lead time is still quite long.

To alleviate component shortages, HansaMatrix has a diversified supplier base, applies an alternative component management approach, cooperates with component brokers, and makes purchases of manufacturing components for engaging customer orders in a timelier manner.

As 2023 begins, the global shortage of semiconductors is coming to an end, which will gradually improve delivery times and possibly also prices for the semiconductor components used in the production of electronic systems. According to a Q4 2022 survey of KPMG LLP and the Global Semiconductor Alliance (GSA) semiconductor industry, a majority (65%) of executives indicated that the shortage of semiconductor supply would decrease in 2023, and 15% believed that supply and demand were already in balance for most products. Only 20% indicated that the deficit would continue until 2024. In addition, the executives surveyed also did not see that the Russian-Ukrainian war would have a significant impact on the semiconductor supply chain in 2023 (http://bit.ly/3YoPZhA).

Looking ahead, the Group's management expects a new business trend with the increasing use of technology in economic processes (more data bandwidth, more robotics and automation, more remote work, more independence of the EU in production), recovering from the COVID-19 pandemic and preparing for more market demand and faster business growth after that.

Group's results of operations



In 2022, HansaMatrix Group's revenue from contracts with customers (hereinafter referred to as sales, revenue or turnover) amounted to EUR 28,89 million, which is a 32% increase compared to year 2021 revenue of EUR 21.96 million.

In the reporting period, EBITDA amounted to EUR 2,912 million, which is a 22% decrease compared to EUR 3,732 million in 2021. The Group's net profit was negative at EUR 2,146 million. EUR compared to a net loss of EUR 1,821 million in 2021.

For a better comparison of interim profitability, the Group calculates the normalized profit, which amounted to EUR 0.404 million in 2022 and was 65% less than the corresponding indicator for 2021 of EUR 1,165 million.

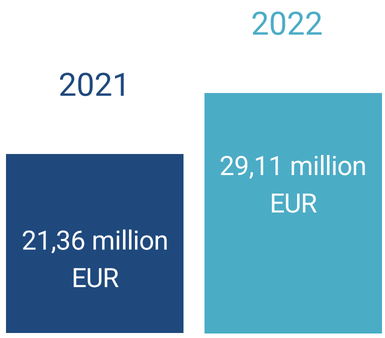
The Group's revenue growth was driven by high demand in key industries, which, together with the active sales process and the still existing global semiconductor shortage, has delivered a significant volume of orders at the end of 2022 of 24.2 million EUR.

The decrease in EBITDA in 2022 compared to 2021 is explained by the relatively smaller share of high value-added products in the range of manufactured products, which was affected by the global component deficit in Q2 and Q4 of 2022.

The Group's significant losses for 2022 can be explained mainly by the Group's determination of fair value for investments in SIA Zinātnes Parks amounting to EUR 0.806 million and with losses from the associate company SIA Lightspace technologies, recognized in the Group's 2022 statement of comprehensive income of EUR 1,421 million.

An explanation of the indicators referred to in this section is available in the Other information section "Definitions of alternative performance measures".

Performance of Parent Company



HansaMatrix Parent company closed the reporting period of 2022 with a net turnover of EUR 29.11 million, which is 36% more than EUR 21.36 million in the previous period.

In the reporting period, EBITDA in the total amount of EUR 0.918 million decreased by 51% compared to EUR 1,877 million in 2021. Net profit was negative and amounted to EUR 3,468 million compared to a net loss of EUR 1,453 million in 2021. In 2022, the increased losses are mainly explained by the creation of provisions, revising the fair value of HansaMatrix investments in AS Lightspace Holding and the loan to SIA Zinātnes Parks.

Performance of the associated company

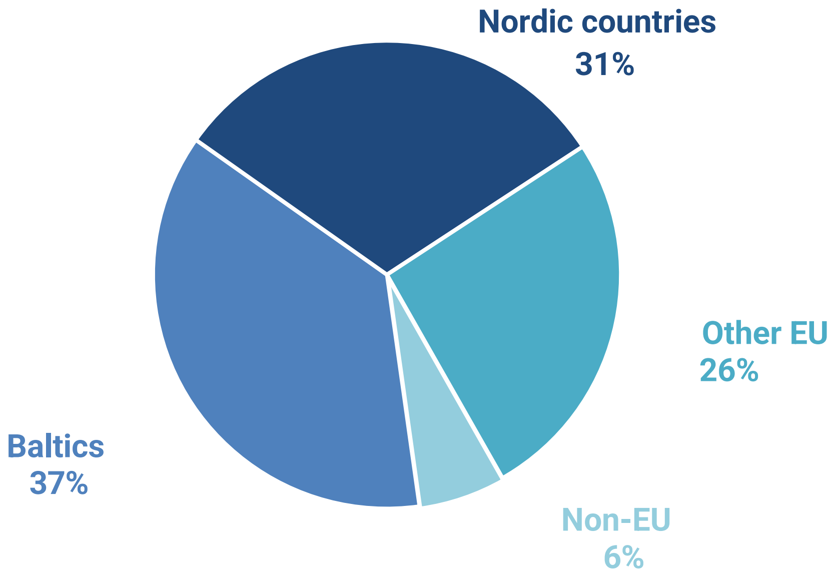
In 2022, consolidated unaudited revenue of SIA Lightspace Technologies reached EUR 0.56 million (2021: EUR 0.71 million), and the reporting year was ended with a net loss of EUR 2,42 million, compared to the net loss result of 2021, EUR 1.42 million. As of 31 December 2022, SIA Lightspace Technologies had total assets amounted to EUR 11.6 million. EUR compared to EUR 11.7 million EUR at the end of the previous year.

SIA Lightspace Technologies plans to cover the losses of the reporting period and previous periods by attracting new investments in research and development, product development and commercialization.

Group revenue from contracts with customers in the reporting period

HansaMatrix's majority of revenue from contracts with customers

(hereinafter – revenue, sales or turnover)



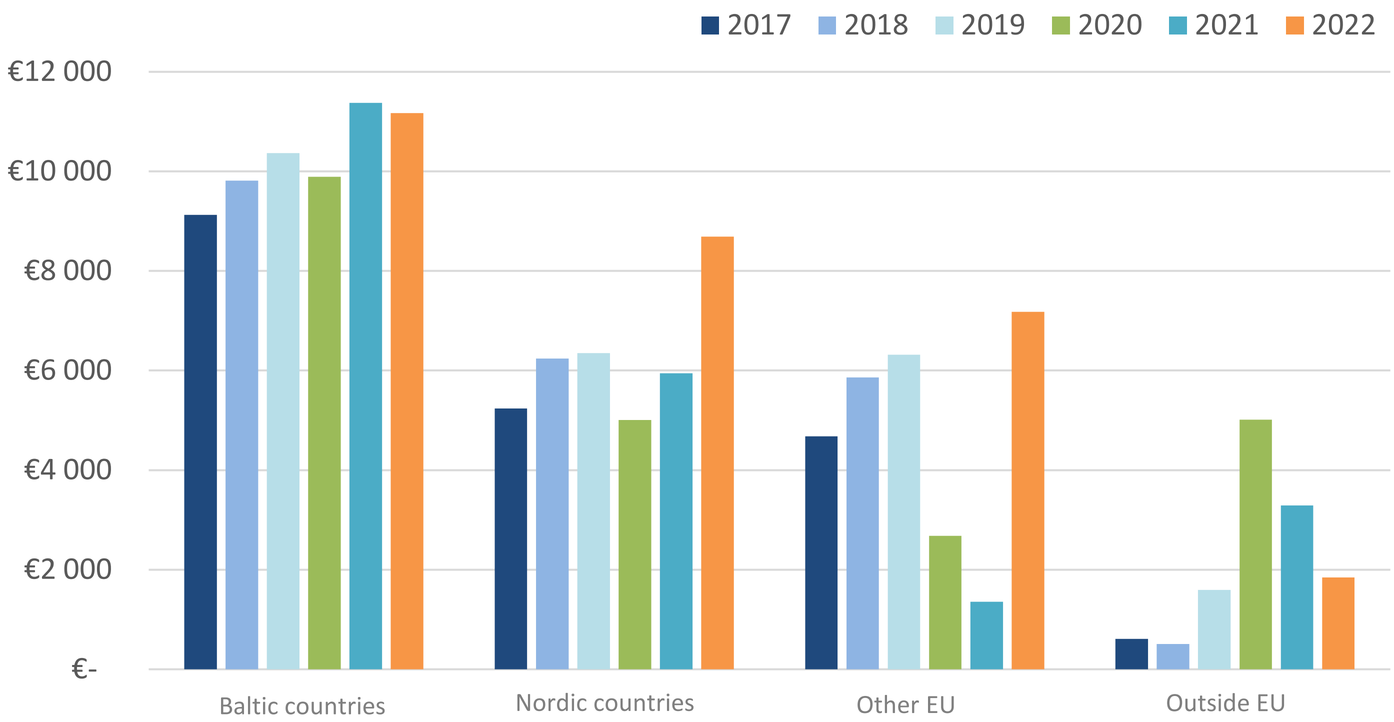
In 2022, turnover growth was observed in the Nordic and other EU countries, but it decreased in all other geographical regions.

Regional sales dynamics compared to 2021 – Baltic sales in the 12 months of 2022 have decreased by 1%, Nordic sales have increased by 46%, sales in the rest of the EU* show a 43% increase, changes in sales volumes outside the EU* show a decrease of 45%.

Group's revenue, th EUR	2018	2019	2020	2021	2022
Baltic region	9 462	10 355	9 890	11 376	11 171
Nordic	5 841	6 348	5 007	5 942	8 691
Other EU countries*	5 777	6 315	2 681	1 353	7 180
Outside the EU*	508	1 593	5 011	3 292	1 842

* according to United Kingdom's withdrawal from the EU, the breakdown of three customers into regions from the 'Rest of the EU' to 'Non-EU' has been reclassified, also adjusting historical data accordingly.

Group revenue geography, th EUR



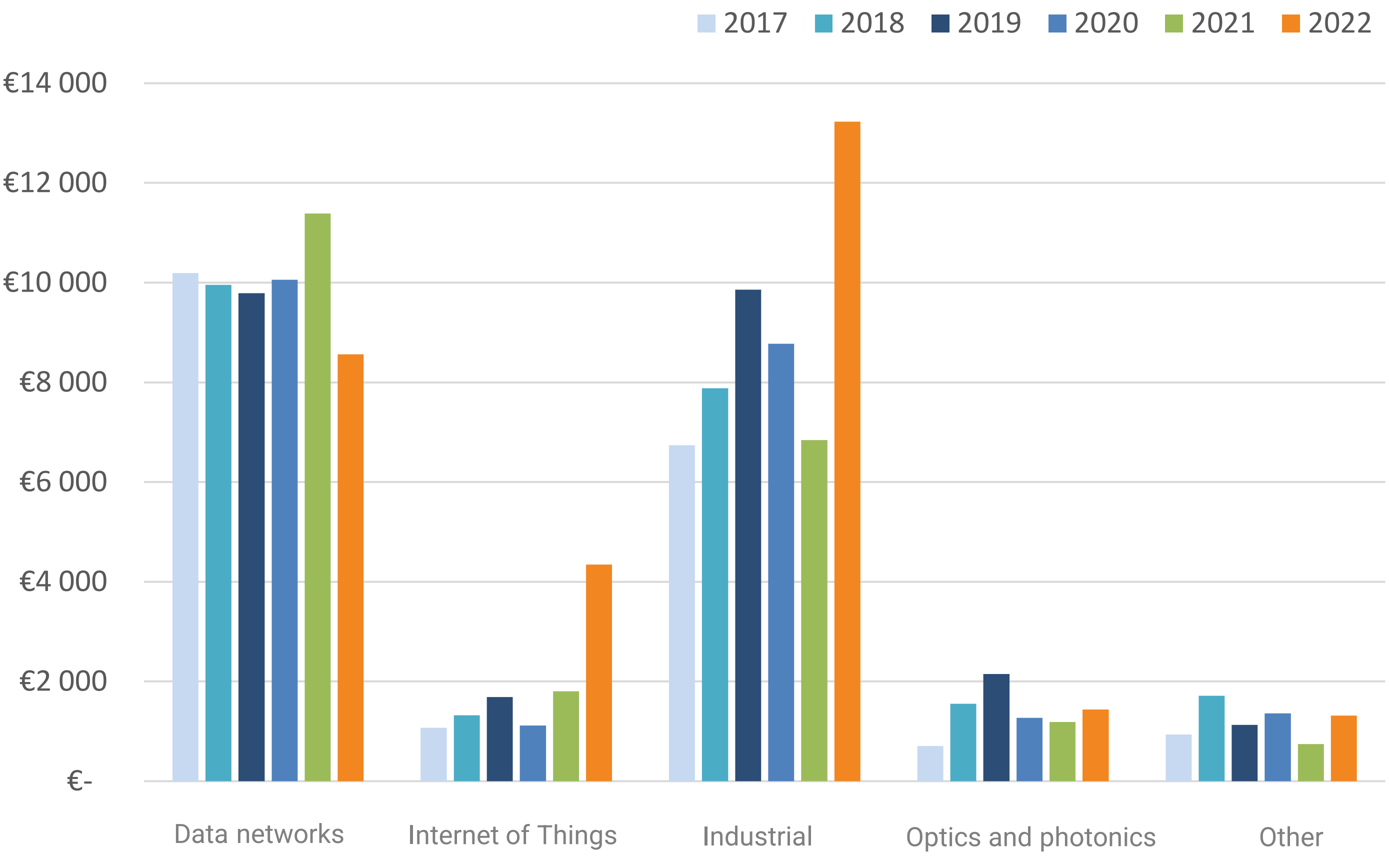
HansaMatrix's revenue is generated in the following five main market sectors:

- Data network infrastructure products
- Internet of Things
- Industrial products
- Optics and photonics products

and other products. The two largest market sectors in 2022 were data network infrastructure clients and industrial clients. Revenue in each of these sectors accounted for 31% and 47% of total turnover, respectively. The Internet of Things sector of devices showed an increase of 141%, and in the industrial products sector, revenue also increased by 93%. Revenue of data networks and optics and photonics sectors in 2022 decreased by 25% and 45%, respectively, compared to the previous year.

Group's revenue, th EUR	2018	2019	2020	2021	2022
Data network infrastructure	9 884	9 788	10 060	11 383	8 561
Internet of Things	1 314	1 686	1 117	1 803	4 346
Industrial products	7 462	9 856	8 777	6 841	13 227
Optics and photonics products	1 429	2 153	1 272	1 187	1 436
Other products	1498	1 128	1 364	748	1 315

Group revenue by market sector, th EUR



Investment

In 2022, investments were made in EUR 1.271 million in production and research fixed assets for maintaining and increasing production capacity, developing test systems and developing the IT systems.

During the reporting period, HansaMatrix, based on strategic considerations, informed the Central Finance and Contracts Agency (CFCA) and discontinued the financing of the European Regional Development Fund (ERDF) "Development of experimental production of 3D volumetric imaging equipment and its components" of the Specific Objective 1.2.1 "Increase private sector investment in R&D" of the Operational Program "Growth and Employment". As a result, the CFCA has informed HansaMatrix about the repayment of the EU funding received in connection with this project in the amount of EUR 748 thousand with a repayment deadline of December 1, 2024. The investments related to this project have mostly been made in production facilities, so HansaMatrix will assess the need and possibilities to refinance these liabilities in one of the credit institutions.

Investments in associates

SIA Lightspace Technologies is a 3D photonics and optical solutions company that has become a global technology leader in the development of AR VR multi-focal head, as well as future 3D image display technologies, with applications in medicine, science, defence industry, as well as in the fields of gaming, entertainment, and multimedia.

In 2022, HansaMatrix has not made any additional investments in SIA Lightspace Technologies.

Since October 6, 2022, as a result of the "flip" transaction of shares of SIA Lightspace Technologies, 100% of the shares are owned by the holding company Lightspace Group Inc (USA, Delaware Corporation). The distribution of shares in the share capital of Lightspace Group Inc with ownership of more than 5% at the end of Q4 2022 is as follows: 53.39% of AS Lightspace Holding; 13,75 % KS BaltCap Latvia Venture Capital Fund AIF KOM; 5.82% SIA Macro Riga; 6.49 % Ilmārs Osmanis.

At the end of the reporting period, the investments of the 100% owned subsidiary of the Parent company AS Lightspace holding in SIA Lightspace Technologies (through Lightspace Group Inc) amounted to 6 677 thousand EUR, which consisted of paid capital.

At the end of the reporting period, the value of the Group's assets related to investments in SIA Lightspace Technologies amounted to 4 818 thousand EUR (for consolidation using the equity method).

Investments in subsidiaries

SIA Zinātnes Parks develops an industrial real estate project, located in the Riga Airport area.

In 2022, HansaMatrix has made an additional EUR 395.9 thousand investment in the form of a convertible loan to SIA Zinātnes Parks, which has been used for the lease of a plot of land from VAS Starptautiskā lidosta Rīga (Riga International Airport) and loan payments to AS SEB banka.

In 2022, the Group and the Parent Company carried out a fair value revaluation for investments in SIA Zinātnes Parks of EUR 0,806 million due to significantly increased construction costs of new industrial facilities, as well as the general interest of investors in this industrial facility under the influence of the macroeconomic situation.

At the end of the reporting period, the value of the Group's assets related to investments in SIA Zinātnes Parks amounted to 250 thousand EUR, which consists 100% of the capitalized costs of establishing fixed assets.

In 2022, the Parent Company carried out a fair value revaluation for investments in SIA Zinātnes Parks EUR 1,001 million for the above reasons for write-offs at the Group level.

As of the end of the reporting period, the total investments of the Parent Company in SIA Zinātnes Parks amounted to EUR 150 thousand, which 100% consists of a convertible loan.

The investments received from HansaMatrix were used for land lease payments to VAS Starptautiskā lidosta Rīga (Riga International Airport), development of industrial building construction projects and repayment of the loan to AS SEB banka.

Lightspace Holding AS is a holding company that owns assets related to SIA Lightspace Technologies. In 2022, HansaMatrix has not made any additional investments in Lightspace Holding AS.

Business development overview of associated company – SIA Lightspace Technologies

Business development activity

In the 4th quarter of 2022, the team of SIA Lightspace Technologies (hereinafter referred to as Lightspace) participated in several marketing events, among the most important, mentioning SHIFT MEDICAL 2022, which took place in Heidelberg, Germany.

On October 21, 2022, Lightspace participated in the Go Global Awards 2022 event in Tallinn, organized by the International Trade Council and Enterprise Estonia, where it received the prestigious Go Global Award in the Hi-tech and MedTech categories.

In November, the Company participated in NATO and U.S.-Baltic Defence Industry Days, receiving positive feedback and gaining contacts for further activities. Among other things, 5G military application days organized by LMT were held at Ādaži base in Latvia, where interested parties could also see Lightspace technologies.

«Go Global Awards 2022»

Product sales

In Q4, sales of iG1050 R&D product kits, launched in the middle of the year, continued. 5 more kits have been sold and 4 more organizations have joined the Lightspace application development partners, among them Global Medtech and Robotic Surgery leaders.

Investment attraction activity

In the 4th quarter of 2022, Lightspace attracted additional investments for its bridge financing phase of EUR 400 thousand.

As previously reported, the process of attracting investments for the next cycle of development and growth has begun.

To attract investments, Lightspace participated in the Nordic Deeptech Summit 2022 days, as well as in several investment conferences in the field of Electronics and Photonics organized by TechTour in Eindhoven, Deeptech – Leuven, Belgium, as well as in the EIC Summit 2022 in Brussels organized by the EIC. Negotiations on an investment opportunity with several Deeptech funds have been initiated.

Research and development

During the reporting period, an agreement was signed for the implementation of the Horizon 2020 R&D project SHARESPACE, in which Lightspace is one of the project partners. Enforcement will start from 1 January 2023.

Events after the end of the period

In January 2023, 3 more equipment was delivered to customers.

In response to the Defence Industry's desire to urgently launch AM product integration, Lightspace will focus more on addressing the challenges facing the defence industry in the next 12 months. Initial talks have begun with two global players with whom it is planned to agree on joint projects.

Product development

In the 4th quarter of 2022, Lightspace team continued to work on improving the original R&D model of AR displays, iG1050, facilitating their manufacturing process, as well as improving its technical specification and ease of use.

As a result of the work, an improved model iG1055 was developed, for which a number of technical improvements are incorporated, power consumption is reduced, weight is reduced, and heating of the device is reduced. The start of production is planned for the month of February, March 2023.

Product development continues with long-term goals. The short-term goals are to address the challenges of ease of use, while a more ambitious goal is to develop a headset machine with an improved and more compact optical solution, wireless connection streaming functionality, which could reach the first customers as early as the end of 2023.

Key Growth and Financial Ratios

The Group's compound annual growth rate (CAGR) for the last five years was 6% at the end of 2022. The Group's growth in 2020 and 2021 years has been significantly hampered by the COVID-19 pandemic and the global shortage of semiconductors, hindering the fulfilment of production orders.

Ratio, EUR '000	**2018**	**2019**	**2020**	**2021**	**2022**	***CAGR***
Turnover	21 587	24 611	22 589	21 962	28 885	*+6%*
EBIT (Operating Profit)	1 395	1 316	656	1 145	364	
EBIT (Operating Profit) Margin	6,46%	5,35%	2,90%	5,21%	1,30%	
EBITDA	3 297	3 761	3 034	3 732	2 912	-2%
EBITDA Margin	15,27%	15,28%	13,43%	16,99%	10,41%	
Net profit	781	208	-847	-1 820**	-2 146	
Normalized net profit*	1 216	1 253	352	1,165	404	
Normalized net profit margin*	5,63%	5,09%	1,56%	5,30%	1,40%	
Normalized ROA*	4,80%	4,20%	1,22%	4,08%	1,33%	
Normalized ROE*	13,87%	13,88%	4,15%	18,05%	9,09%	
Liquidity ratio	1,02	0,85	0,79	0,73	0,59	
Normalized return on capital employed (ROCE)*	6,70%	5,91%	1,74%	6,89%	4,06%	
Earnings per share	0,43	0,11	-0,46	-1,00**	-1,17	
Adjusted earnings per share	0,38	0,10	-0,42	-0,89**	-1,04	

* In 2022, the methodology for calculating normalized profit was changed by making adjustments to net profit/loss with the following main additional non-cash flow related expenses/revenues – provisions for materials, currency exchange expenses, employee option expenses, adjusting historical normalized profit ratios and also other indicators related to normalized profit accordingly.

** Net losses for 2021 have been adjusted by reducing the audited annual financial result of SIA Lightspace Technologies in 2021 (smaller losses).

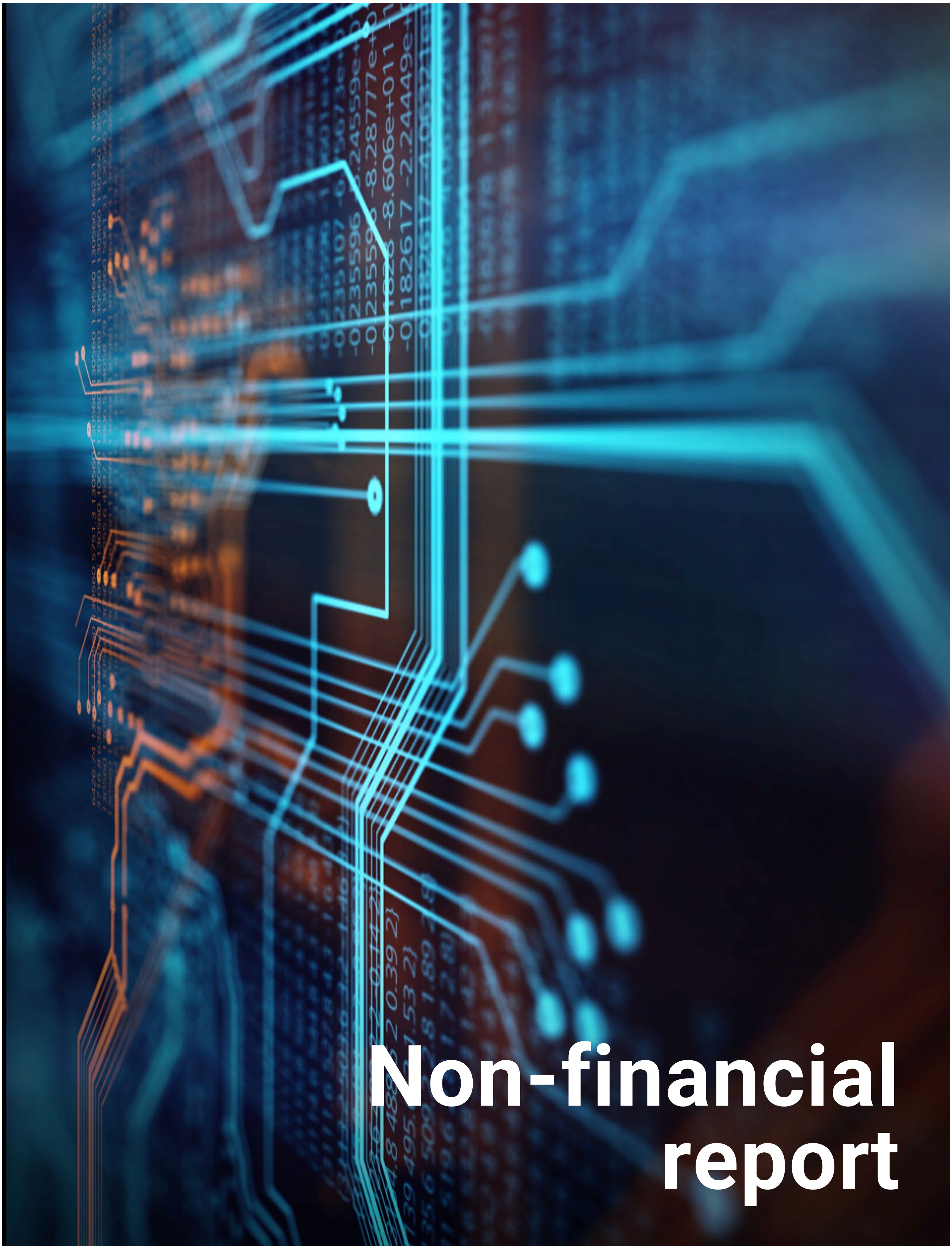
An explanation of the indicators is available in the section Other information "Definitions of alternative performance measures".

Stock and Securities Market

In 2022, HansaMatrix share price decreased by 20.23%, and as of December 31, 2022, the price of one HansaMatrix share was 6.98 EUR. The highest share price this year was EUR 8.80, while the lowest was EUR 5.96. The graph below shows the trading trends of HansaMatrix stocks in 2022:

Securities trading history is summarized in the following table:

Price	2017	2018	2019	2020	2021	2022
First	7,95	8,14	6,5	6,25	9,10	8,80
Max	8,83	8,5	6,65	9,05	16,80	8,80
Min	6,90	6,05	5,93	5,00	8,50	5,96
Most recent transaction	8,14	6,5	6,25	9,05	8,90	6,98
Number	72 941	137 505	32 591	38 141	175 092	218 704
Turnover (millions)	EUR 0,51	EUR 0,94	EUR 0,20	EUR 0,26	EUR 1,78	EUR 1,64
Capitalization (millions)	EUR 14,89	EUR 11,89	EUR 11,43	EUR 16,56	EUR 16,28	EUR 12,81



Non-financial report

Non-financial report

The Group's non-financial report has been prepared in accordance with the guidelines developed by Nasdaq (ESG Reporting Guide 2.0, available at: https://www.nasdaq.com/docs/2019/11/26/2019-ESG-Reporting-Guide.pdf) (hereinafter referred to as the ESG Guidelines), published in May 2019.

The Group performs new electronic products and systems development, industrialization and provides a full range of manufacturing services for data network equipment, the Internet of Things, industrial systems and other products in high value-added market segments. The majority of the Group's revenues are generated by providing manufacturing services in electronics sector, including the industrialization of electronic products, assembly of components on electronic boards and assembly of end products, component supply chain management services and plastic parts production. The Group also has revenues from research and development services in the electronics industry and the production and assembly of high-precision metal, plastic and various composite components, which complement its core business- electronics manufacturing services.

HansaMatrix is the Group's parent company, which performs the Group's strategic and financial management, sales process management, as well as the strategic management of customer and supplier relations and the management of legal relations. HansaMatrix management office is located in Marupe, Ziedleju street 6. HansaMatrix manufactures high-precision products of various materials in Mārupe, Zemzaru Street 3. In addition, HansaMatrix, upon receiving production orders in accordance with production service agreements, assigns them to its subsidiary HansaMatrix Pārogre, which is the Group's Ogre plant, at Akmeņu Street 72, Ogre and HansaMatrix Ventspils, which is the Group 's Ventspils plant, located at Ventspils High Technology Park 1, Ventspils.

HansaMatrix's subsidiary HansaMatrix Innovation is the holder and manager of the Group's research and development assets. HansaMatrix subsidiary SIA Zinātnes parks is developing an industrial real estate project located in Rigas International Airports area.

On February 24, 2021, the Group approved a sustainability policy and targets, in accordance with the core business of providing electronic manufacturing services, in line with the Group's values and considering resolution adopted by the UN General Assembly in 2015 "Transforming Our World: the 2030 Agenda for Sustainable Development" specified framework of the set of 17 sustainable development targets and priorities, in which the Group can make the most significant contribution:

Target group	Group's values		Target
Economical development	Clients experience	• Quality • Costs • Reliability	• Good work and economical growth • Innovation and infrastructure
Social development	Expertise	• Knowledge • Competencies • Continous learning	• Good health • Gender diversity and eqality • Quality education
Environmental protection	Responsibility	• Employees • Population (near the Group) • Latvian society	• Systematic reduction of the impact on climate change

In 2021, HansaMatrix's 5-year strategy was developed and approved, setting goals for business growth, finance, customer experience, human resources and sustainability for this period. The Group's strategy for the next 5 years foresee significant business growth with an emphasis on increasing the share of high value-added products, focusing on the industrial, data network, medical, optical and aviation sectors in international markets, primarily in the Scandinavian and Baltic countries.

EU Taxonomy

To mitigate climate change and address environmental degradation, the European Union (EU) has set ambitious targets to reduce greenhouse gas (GHG) emissions by 55% by 2030 and to become climate neutral by 2050. The European Green Deal is a strategy by which Europe aims to achieve climate neutrality.

Significant financial resources will be needed to achieve the set goals. The *Taxonomy Regulation 2020/852* is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU climate goals as the Taxonomy is a classification system for environmentally sustainable economic activities.

On the voluntary bases, HansaMatrix as a non-financial undertaking presents the share of the Group's turnover, capital expenditure (Capex) and operating expenditure (Opex) for the reporting period 2022, which are associated with Taxonomy-eligible and Taxonomy-non-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with *Taxonomy Regulation 2020/852* Article 8 and *Delegated Regulation 2021/2178* Article 10 Section 2.

HansaMatrix Group economic activities – Taxonomy-non-eligible

HansaMatrix Group has examined all Taxonomy-eligible economic activities listed in the Delegated Regulation 2021/2139. The Delegated Regulation 2021/2139 focuses on economic activities and sectors that have the greatest potential to achieve the objective of climate change mitigation – that is, the need to avoid producing GHG emissions, to reduce such emissions or to increase GHG removals and long-term carbon storage.

After a thorough review involving all relevant divisions and functions, we concluded that economic activities of the Group at this point of time are not covered by the *Delegated Regulation 2021/2139* and consequently they are Taxonomy-non- eligible, thus, the share of Taxonomy-eligible economic activities in total turnover is 0%.

In addition, the capital and operating expenditure to be reported also include those that are related to the purchase of output from other Taxonomy-eligible economic activities and certain individual measures enabling the activities to become low-carbon, or to lead to GHG reductions. Based on accounting policy regarding these individually Taxonomy-eligible Capex/Opex which are related to installation, maintenance and repair of energy efficiency equipment (see the section "Explanations on the numerator of the Capex KPI and the Opex KPI"), the Group discloses the following indicators:

Proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in total turnover, Capex and Opex

	Total (million euro)	Economic activities belonging to the taxonomy (%)	Economic activities not belonging to the taxonomy (%)
Turnover	28,89	0%	100%
Capital investment (Capex)	1,27	3%	97%
Operational costs (Opex)	1,10	2%	98%

[1]*Regulation (EU) 2020/85 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088*
[2]*Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation*
[3]*Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives*

Explanations on the numerator of the Capex KPI and the Opex KPI

Since HansaMatrix Group has not identified Taxonomy-eligible economic activities, The Group did not record Capex/Opex related to assets or processes that are associated with Taxonomy-eligible economic activities ("category a" acc. to Sect. 1.1.2.2 of Annex I to the *Delegated Regulation 2021/2178*) in the numerator of the Capex KPI and the Opex KPI. Furthermore, there are no Capex plans to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-eligible economic activity at this point of time ("category b" acc. to Sect. 1.1.2.2 of Annex I to the *Delegated Regulation 2021/2178*).

Only "category c" Capex and Opex can therefore qualify as Taxonomy-eligible, i.e. Capex/Opex related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling the target activities (our non-eligible activities) to become low-carbon or to lead to greenhouse gas reductions (Sect. 1.1.2.2. (c) of Annex I to the *Delegated Regulation 2021/2178*). These individual measures correspond to economic activities listed in the delegated acts supplementing the Taxonomy Regulation (as of today, the *Delegated Regulation 2021/2139*) and must be implemented and operational within 18 months.

HansaMatrix Group has identified the following purchased outputs and individual measures that correspond to eligible economic activities and, thus, result in Taxonomy-eligible Capex/Opex:

Individually Taxonomy-eligible Capex/Opex and the corresponding economic activities

Individually Taxonomy- eligible Capex/Opex	**Corresponding economic activity (Annex I to Delegated Regulation 2021/2139)**
Installation, maintenance and repair of energy efficiency equipment in the production plants, including: • addition of insulation components • installation, maintenance, and repair of ventilation and air-conditioning (HVAC) systems • installation and replacement of energy efficient light sources • maintenance and repair of heating system	7.3. Installation, maintenance and repair of energy efficiency equipment

Environmental management indicators

The Group complies with the requirements of all environmental quality regulations, all activities performed by the Group's companies are assessed in accordance with the established requirements, regularly following their changes/ amendments. Before starting a new planned activity, environmental protection specialists are consulted in order to minimize the possible negative impact on the environment.

HansaMatrix Pārogre, which is the Group's Ogre plant, environmental activities are regulated by certificate issued on November 21, 2019 by the State Environmental Service Lielrīga Regional Environmental Board for category C polluting activity No.RI19IC0098, types of polluting activities: equipment for production of electrical products, except equipment transformer or printed circuit for the production of combustion equipment with a rated thermal input equal to or greater than 0.2 and less than 5 megawatts and using biomass, peat or gaseous fuels as fuel. Until 07.11.2019 Environmental activities at the Group's Ogre plant were regulated by the Group's parent company HansaMatrix category C polluting activity certificate No. 1460 issued on March 14, 2017 (with amendments on 10.11.2017).

The environmental activities of HansaMatrix Ventspils, which is the Group's Ventspils plant, are regulated by the State Environmental Service for the C category polluting activity No. 2700-07-26 issued on September 24, 2007, for these types of polluting activities: equipment for the production of electrical products, except equipment for the production of transformers or printed circuits.

Greenhouse gas (GhG) emissions (E1)

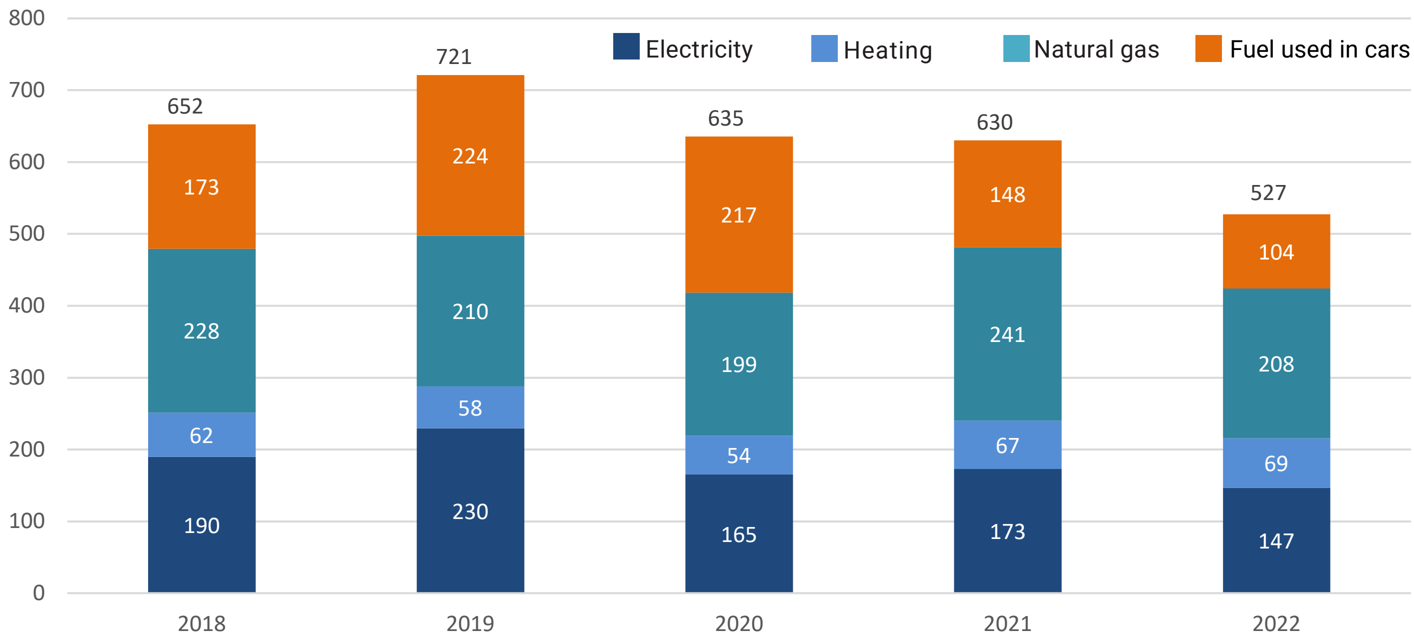
Carbon dioxide emissions in the Group are calculated in accordance with the methodology of the Latvian Environment, Geology and Meteorology Centre, which is reviewed and updated annually, as well as in accordance with the common methodology for calculating the impact of measures and projects on climate change developed in Latvian specified in regulations of Minister Cabinet No. 42 "Methodology for Calculating Greenhouse Gas Emissions" issued on January 23, 2018.

The Group's GhG emissions are generated by consuming electricity by the Group's companies, purchased from electricity suppliers and used in the Group's offices and production facilities, including the operation of production facilities, by using district heating services for the premises of the Ventspils plant, consuming natural gas for heating the Ogre plant premises, the management office and the Mārupe metal plant, as well as consuming fuel for the needs of the Group's employees cars.

In 2022, compared to 2021, the Group's total greenhouse gas emissions decreased significantly. The decrease of 16% is explained by the decrease in electricity and natural gas consumption. A decrease was also observed in the consumption of automotive fuels, which is explained by the decrease in the number of company cars and the possibility for employees to work remotely.

Environmental management indicators

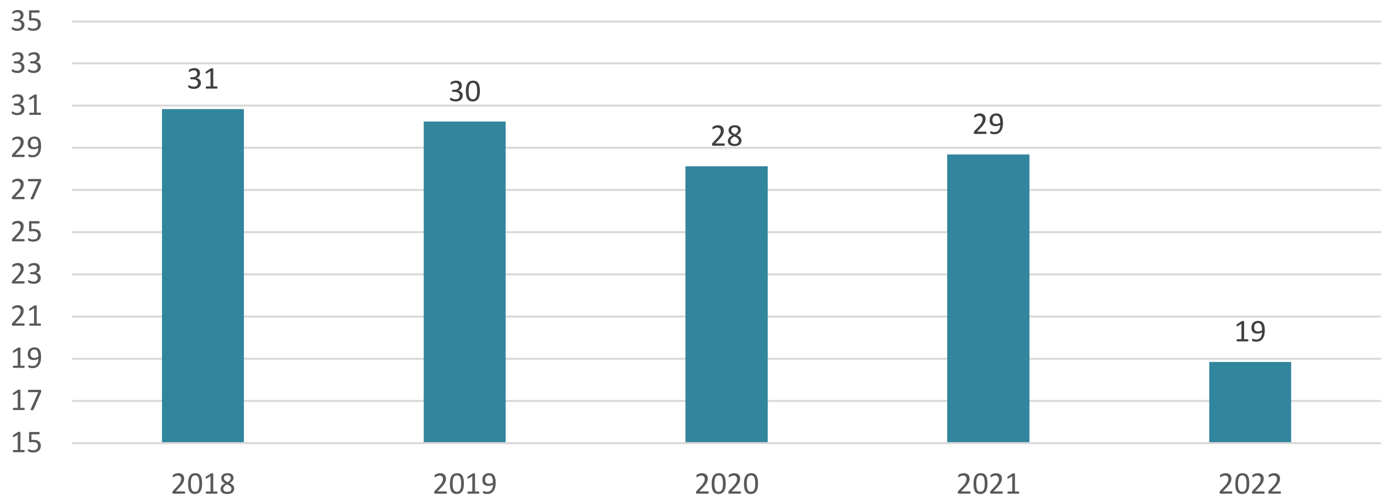
GhG emissions, t/CO2



Greenhouse gas emission intensity (E2)

Since 2018, the Group's greenhouse gas emission intensity has tended to decrease. In 2022, compared to 2021, this indicator has decreased, mainly as a result of a decrease in the consumption of natural gas used for heating the Ogre plant, which is mainly explained by the duration of the heating season in 2022 and air temperature. In addition to natural gas, a decrease was also observed in the consumption of electricity and car fuel.

Greenhouse gas emission intensity, gCO2/Revenue EUR



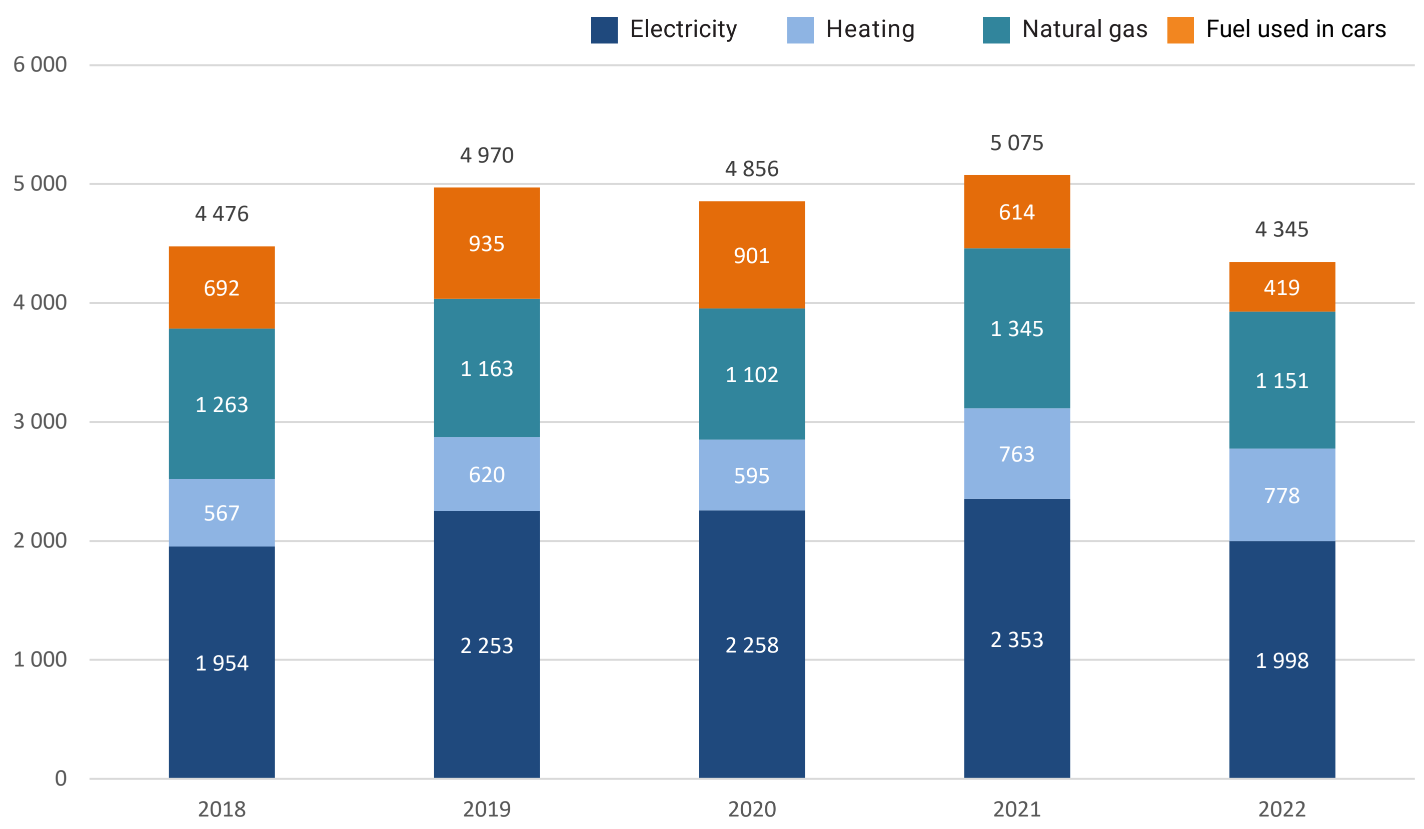
Energy usage (E3) and energy mix (E5)

The Group's energy consumption has been calculated based on meter readings and documentation of energy volumes purchased from suppliers.

In 2022, consumption of energy resources decreased by 16%, which was mainly influenced by the volumes of natural gas used, decrease in electricity and fuel consumption.

The Group consumes primary and secondary energy resources, evaluating them according to the type of extraction. The primary energy resources used are natural gas, electricity, diesel, gasoline, as well as nitrogen, which is used in the production process. Secondary energy resources used: thermal energy (heating water); water (drinking water). In 2022, the largest share in the total energy consumption was for electricity – 46%, natural gas – 27%, heating and fuel – 18% and 10%, respectively.

Energy usage, MWh



Social development indicators

According to the ESG guidelines, social responsibility indicators are mainly related to responsibility towards employees and compliance with general human rights norms. Taking into account discussions with stakeholders, the Group's goal in the field of social development is to ensure a healthy life and promote the well-being of society, achieve gender diversity and provide full and equal opportunities for employees, provide inclusive, fair and high-quality education, promote lifelong learning opportunities.

In 2022, the Group has continued to conduct regular surveys of employees of Ventspils and Ogre plant to obtain the Employee Net Promoter Score (ENPS) with the aim of receiving measurable data and feedback on the satisfaction of most of the Group's employees with the working environment and loyalty to the company, its goals and values. The net promoter indicator is regularly tracked at the group's management level and appropriate decisions and actions are evaluated and taken with the aim of solving the issues topical for the Group's employees, thus ensuring the fulfilment of the Group's social development goals.

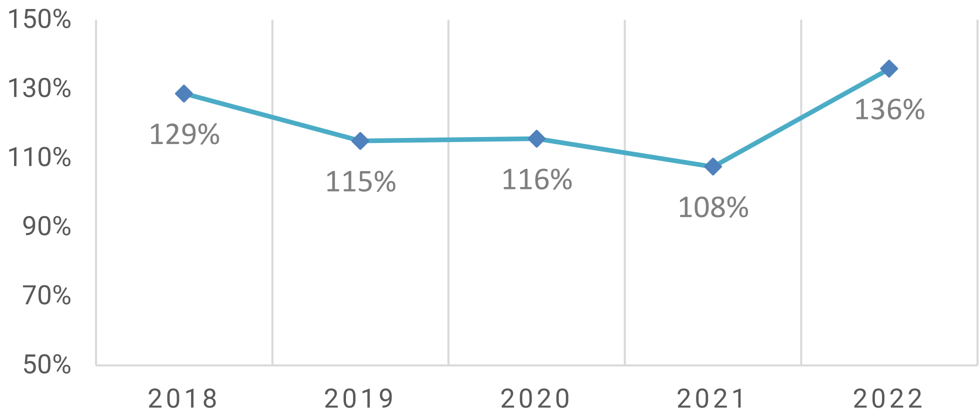
Taking into account that 2022 is the second year in which the Group starts publishing ESG indicators, this time only the most important (not all) environmental, social and corporate governance indicators that are expected to be published in accordance with ESG guidelines are published in the sustainability report, balancing the costs of collecting and publishing the Group's data against the additional information provided by the specific indicators.

Remuneration of employees ratio (S1 and S2)

The Group complies with all laws and regulations in force in the Republic of Latvia applicable to employment. In addition to their monthly salary, employees receive bonuses and social guarantees. Employees are granted fully paid health insurance and life insurance with a value of 1 net annual salary. The Group provides material help to employees in a variety of life situations. Since 2018, the Group's key employees for achieving their work KPI's have been entitled to receive employee stock options, which after 3 years of vesting period provide them employees with the right to acquire HansaMatrix shares listed in Nasdaq Riga free of charge.

The ratio of the total remuneration of the Chairman of the Board of HansaMatrix (S1) to the median remuneration of employees in 2022 was 7:1. The remuneration of the Chairman of the Management Board amounted to 2.6% of the total remuneration of all employees of the Group.

Gender pay ratio, full time engineers and manufacturing



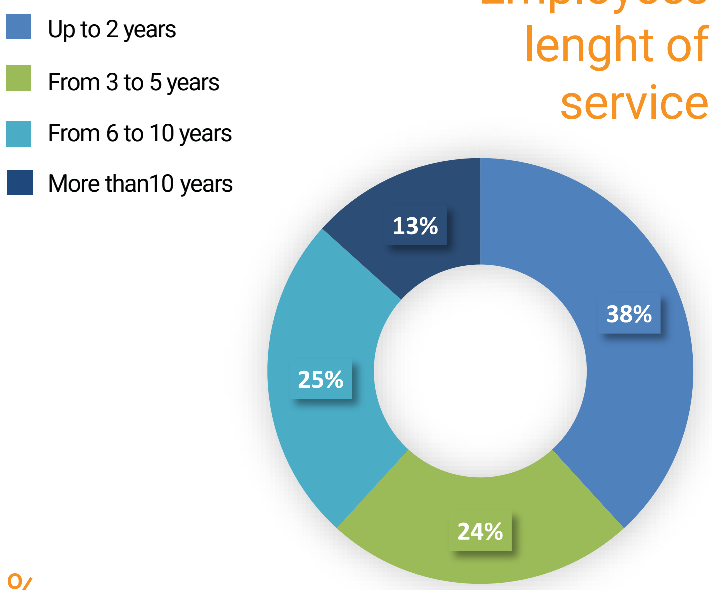
The analysis of gender equality in the Group shows the median remuneration ratio (S2) of full-time engineers and manufacturing personnel of men and women, the dynamics of which have remained unchanged over the past five years and showed 136% in 2022. In the Group, the remuneration of employees in the same position does not differ depending on gender, but the difference between the average remuneration of men and women is formed by the relatively higher proportion of men in the positions of higher salary.

Employee turnover (S3)

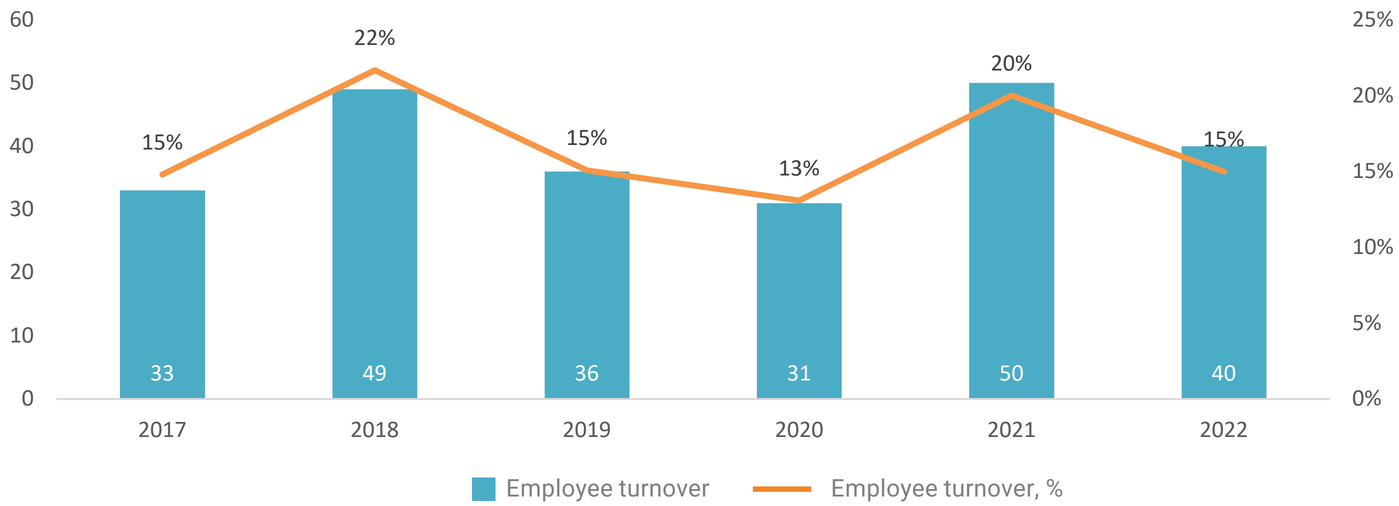
The majority (62%) of employees in the Group work for more than 3 full years: 24% of employees work from 3 to 5 years, 25% from 6 to 10 years, and 13% for more than 10 years, which indicates that HansaMatrix is a stable, long-term employer.

The value of HansaMatrix's employee turnover rate has fluctuated between 13% and 22% over the last five years. During 2021, employee turnover increased due to the Group's strategic focus on improving operational efficiency and the impact of the Covid-19 pandemic. Due to the restriction set by the Latvian government to employ only vaccinated employees in a certain period, the employment termination rates of employees who did not want to be vaccinated increased, however, in 2022 employee turnover decreased.

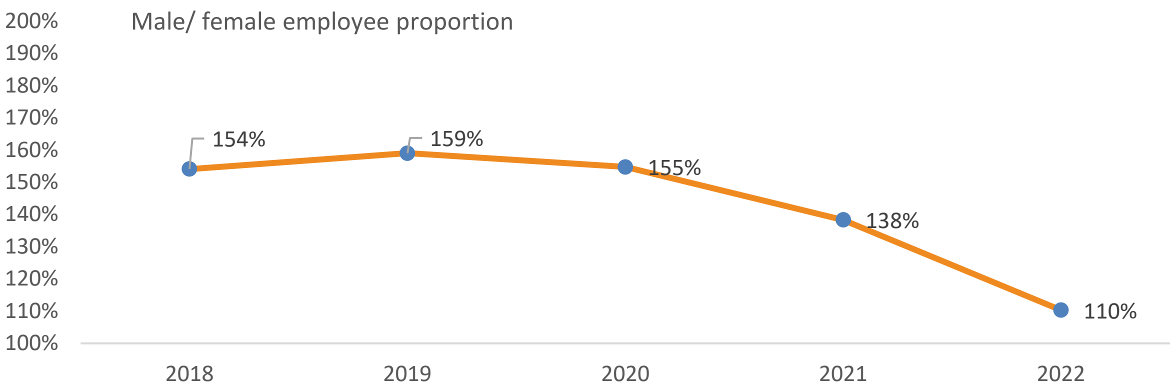
Employees lenght of service



Employees turnover, number and %



Gender diversity (S4)



Overall the Group historically has employees more males employees than female employees although in 2022 this proportion has decreased significantly.

Corporate governance indicators

In accordance with the requirements of the Financial Instruments Market Law, HansaMatrix prepares a corporate governance report, which is publicly available on the HansaMatrix and Nasdaq Riga websites.

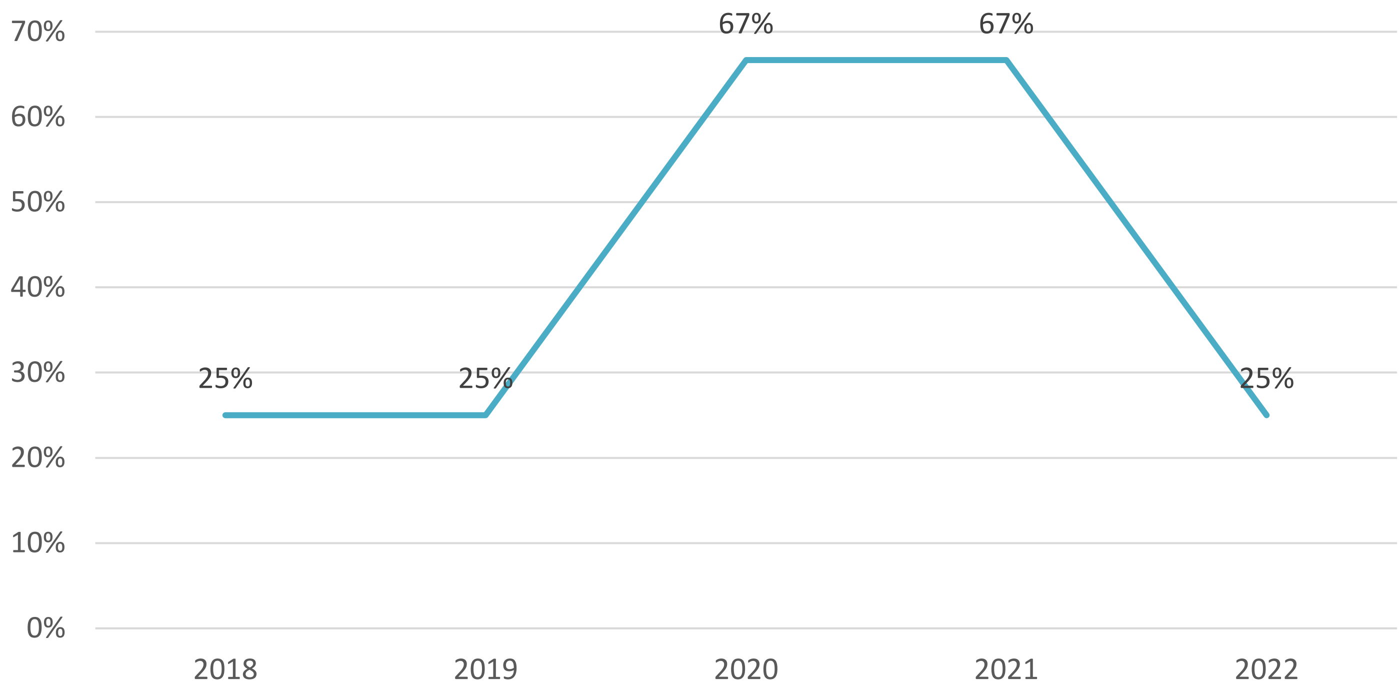
Board Diversity and Board independence (G1 and G2)

According to the Supervisory Board rules of the procedure approved by the Supervisory Board of HansaMatrix on November 25, 2019, the main responsibilities of the Supervisory Board are to make strategic and management decisions in the best interests of the Company and shareholders, based on complete information, good faith and high ethical standards as a good and diligent owner. The Group's Council and Management Board aims to manage the Group in accordance with the Latvian Corporate Governance Code established by the Corporate Governance Advisory Board of the Ministry of Justice of the Republic of Latvia (available at: https://bit.ly/3pLWVGH), thereby promoting and ensuring the Group's long-term value creation, its efficient management and transparency.

Board Diversity (G1)

The dynamics of the Council's diversity ratio, the number of women to men in the board in percentage terms, improved slightly over the past 5 years in 2020 and 2021, and showed 25% in 2022.

Ratio of the number of women members of the Council to the number of men, %



Corporate governance indicators

Independence of the Council (G2)

The Group's Supervisory Board has 5 members, 3 of whom are independent, which matches the criteria for an independent member of the Supervisory Board proportion of the total number of the board members as set out in the Latvian Corporate Governance Code.

The connection of management's variable remuneration to non-financial indicators (G3)

On May 22, 2020, the Annual General Meeting of HansaMatrix approved the remuneration policy of the Management Board and the Supervisory Board of HansaMatrix, which also provides for variable remuneration of the members of the Management Board if pre-determined financial and / or non-financial targets are met. In accordance with the financial and non-financial goals approved by the Supervisory Board, appropriate goals are set for the heads of the Group's structural units, thus ensuring more efficient implementation of the Group's strategy and goals, involving employees from administration, customer service, supplier management, product industrialization and production. The goals set for the Group's management and employees also include those that promote the improvement of environmental indicators, social responsibility indicators and corporate governance.

A vision for the future in an environmental context

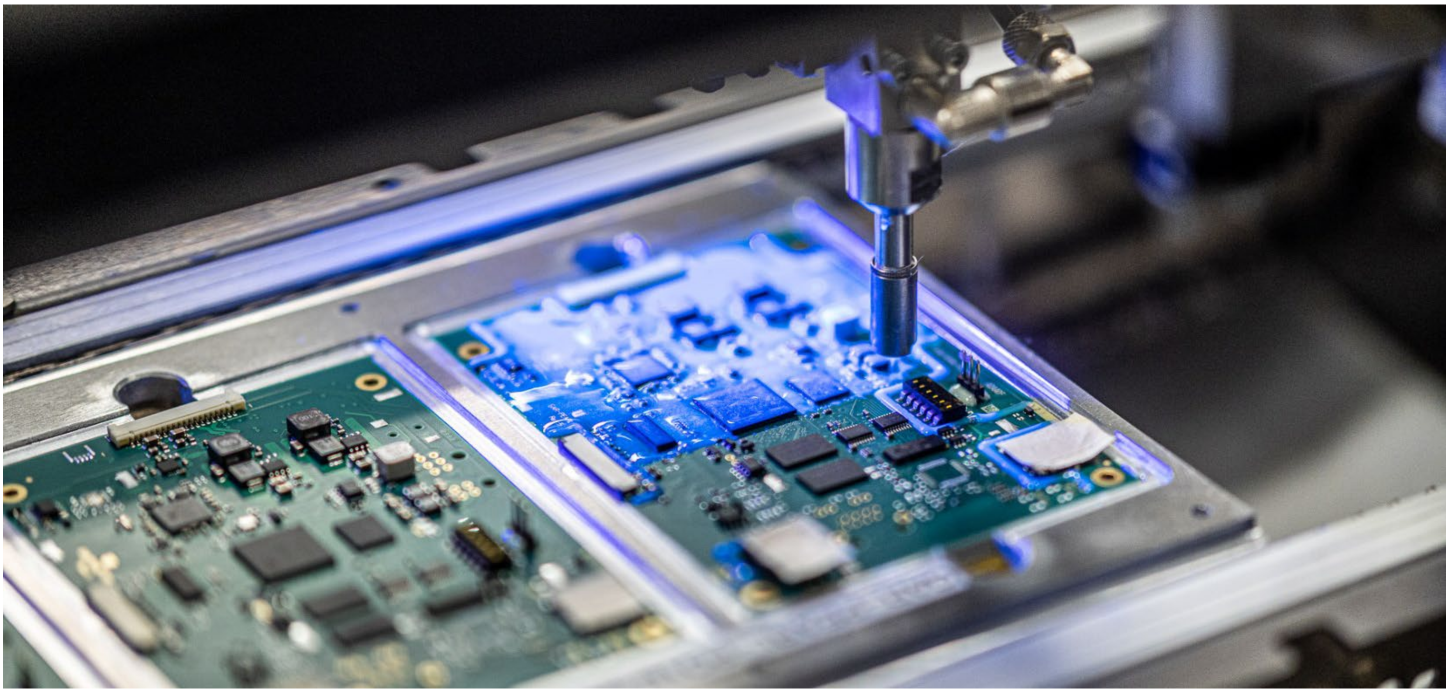
HansaMatrix has included a number of sustainability goals in its 5-year strategy, focusing specifically on reducing the CO2 emission intensity and kilowatt-hours consumed. Emphasis is also placed on the normalization of the employee turnover and the promotion of gender equality, equalizing the proportion of men and women in job categories where possible.

Impact of Covid-19

The possible further development of the COVID-19 pandemic and its possible containment measures may negatively affect the Group's operations in the short term. In the countries where the Group operates, restrictions have been lifted and HansaMatrix factories operate without restrictions and strict safety measures are followed to protect the safety and health of personnel. However, since pandemic conditions can change rapidly, it may still pose a short-term risk to the Group's business, affecting the development of various industries in which the Group's customers operate, affecting staff health and availability, as well as supply chains and logistics.

The impact of the Russian-Ukrainian conflict

The Russian-Ukrainian military conflict (hereinafter – Conflict), launched in 2022, has changed the environment of macroeconomic activity and may affect the availability of components and other materials and global logistics. The Group has worked closely with customers to better identify and understand the potential impact of the Conflict on production order volumes. The Group has no customers in Russia, Ukraine or Belarus, and HansaMatrix customers also do not have significant revenue exposure to the markets directly involved in the conflict. HansaMatrix has a diversified supplier base and the Group has no suppliers in Russia, Ukraine or Belarus. The Group has contacted and discussed the Conflict and related risks with key suppliers and logistics partners.



Significant events after the end of the reporting period

On January 4, 2023, the Company informs that HansaMatrix has signed agreements with SEB bank and SEB leasing on the extension of factoring, overdraft, guarantee line, reverse factoring and loan terms until November 30, 2023 for the total amount of EUR 5.92 million, which are used for investments, working capital financing and business needs, including export transactions.

Upon realization of the conversion of employee stock options, on January 20, 2023, the Board of the Company adopted a decision on increasing the share capital of the Company by EUR 1500 (one thousand five hundred euros) by issuing new 1500 (one thousand five hundred) bearer shares with a nominal value of one share of EUR 1 (one euro), registered in the Commercial Register of the Republic of Latvia on February 7, 2023. After the increase of the share capital, the total share capital of the Company is EUR 1 836 381 (one million eight hundred thirty six thousand three hundred eighty one euros).

HansaMatrix reported that on February 17, 2023, Latvijas Banka has received an application from SIA Emsco for permission to make a voluntary share buy-back offer of joint stock company "HansaMatrix" in accordance with Section 15, Paragraph one of the Share Buyback Law of the Republic of Latvia. HansaMatrix informed that SIA Emsco intends to acquire at least 75% of HansaMatrix's voting shares and, in the event that the voluntary share buy-back offer is successful, SIA Emsco intends to propose the exclusion of HansaMatrix from the regulated market. Please see the full notice in English: http://bit.ly/3ScPMMs.

On March 2, 2023, HansaMatrix reported that on March 1 of this year, the Supervisory Committee of the Bank of Latvia had decided to allow SIA Emsco (registration No. 40203437904; legal address – Jaunmoku street 34, Riga, LV-1046) to make a voluntary share buy-back offer of joint stock company "HansaMatrix". The repurchase price of one share according to the information provided in the prospectus is 8.50 EUR. The offer is valid for 30 days, that is, from March 2 to March 31 at 4pm. According to the information specified in the prospectus, the offeror SIA Emsco does not own the voting rights arising from the shares of the joint stock company "HansaMatrix" either directly or indirectly on the basis of a holding. The Board of directors of the Company considers that the Offer complies with the applicable regulatory enactments and the interests of all shareholders of the Company are taken into account. The shareholders of the Company, including minority shareholders, have the opportunity to evaluate the Offer and make a free and economically justified decision to use it and sell the shares at the price indicated in the Offer, or to withdraw from it. The Board believes that placing a controlling stake in the hands of a single, financially strong, shareholder, will contribute to more dynamic development and realization of the Company's strategy, improve the efficiency of the Company's operations, and contribute to the inflow of investments. The Board of the Company evaluates the Offer positively and, on the basis of the published Prospectus, it has reason to believe that changes in the type of activity and change of the location of the Company are not planned. Also, there are no plans to reduce the existing jobs, which means that the employment relationship with the Company's employees is planned to continue in accordance with the concluded employment contracts.

On March 28, 2023, HansaMatrix reported that taking into account the additional challenges caused by the overall macroeconomic situation, the Board of SIA EUROLCDS (reg. no. 41203040030) (hereinafter – EUROLCDS), a subsidiary of SIA Lightspace Technologies, which has been manufacturing liquid crystal display products in Ventspils since 2013, has submitted a request to the court to initiate legal protection proceedings (hereinafter – LPP). LPP EUROLCDS was initiated at the Kurzeme District Court on March 16 this year and its main goal is to restructure the activities of EUROLCDS with the attraction of additional funding in order to stabilize the company's activities. Lightspace Technologies Ltd. (40103758550 reģ.nr) owns 83.81% of the shares of EUROLCDS. In turn, AS HansaMatrix owns 100% of Lightspace Holding AS, which owns 53.39% of Lightspace Group Inc., which is the 100% shareholder of SIA Lightspace Technologies.

On April 3, 2023, it was reported that the Baltic private equity fund manager "BaltCap" will become the largest shareholder of the Company's 100% parent company HansaMatrix through 100% subsidiary SIA "Emsco". Emsco Ltd. has entered into a voluntary share buyback offer and will purchase 93.1% of HansaMatrix shares. The new ownership structure will allow the Company and HansaMatrix to better raise additional capital in order to effectively exploit future growth potential.

Further development

In 2023, the Group and the Parent Company continue to implement already set strategic development goals, increasing the volumes of knowledge-intensive product development and production.

Jānis Sams*
Chairman of the Board
April 28, 2023

Statement of Management's Responsibility

The Management Board of AS HansaMatrix prepares separate and consolidated financial statements for each financial year which give a true and fair view of the AS HansaMatrix (hereinafter – the Parent Company) and the AS HansaMatrix group's (hereinafter - the Group) financial position at the end of the respective period, and the financial results and cash flows of the Parent Company and the Group for that respective period. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

In preparing those financial statements, the management selects suitable accounting policies and then apply them consistently; makes judgments and estimates that are reasonable and prudent; prepares the financial statements on the going concern basis unless it is inappropriate to presume that the going concern principle may be applied.

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 European Union.

For the Management Board of AS HansaMatrix:

Jānis Sams*
Chairman of the Board
April 28, 2023

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Financial
statements

Statement of comprehensive income

		Group		Parent company	
	Note	2022	2021* restated	2022	2021
		EUR	EUR	EUR	EUR
Revenue from contracts with customers	4	28 885 166	21 962 274	29 114 080	21 358 818
Cost of sales	5	(25 226 959)	(18 826 011)	(28 139 414)	(19 534 281)
Gross profit		**3 658 207**	**3 136 263**	**974 666**	**1 824 537**
Distribution costs	6	(884 990)	(817 858)	(161 875)	(151 856)
Administrative expense	7	(2 507 560)	(2 075 107)	(1 427 649)	(1 380 297)
Other operating income	8	364 548	1 004 595	475 333	494 854
Other operating expense	9	(266 640)	(103 265)	(186 883)	(82 738)
Operating profit		**363 565**	**1 144 628**	**(326 408)**	**704 500**
Share of loss of associates accounted using the equity method	20	(1 420 907)	(705 687)	-	-
Impairment loss on non-financial assets	10	(811 112)	(1 389 709)	(2 023 706)	(838 076)
Finance income	11	555 932	11 421	614 088	88 620
Finance costs	12	(833 256)	(867 609)	(1 731 759)	(1 394 645)
Profit/(loss) before tax		**(2 145 778)**	**(1 806 956)**	**(3 467 785)**	**(1 439 601)**
Corporate income tax	13	-	(13 720)	-	(13 720)
Profit/loss for the reporting period		**(2 145 778)**	**(1 820 676)**	**(3 467 785)**	**(1 453 321)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:					
Income from the revaluation of fixed assets		-	214 959	-	214 959
Total comprehensive income/(loss) for the year		**(2 145 778)**	**(1 605 717)**	**(3 467 785)**	**(1 238 362)**
Profit/(loss) attributable to:					
Equity holders of the Parent company		(2 145 778)	(1 820 676)	(3 467 785)	(1 453 321)
Non-controlling interests		-	-	-	-
		(2 145 778)	**(1 820 676)**	**(3 467 785)**	**(1 453 321)**
Combined income/(loss) attributable to:					
Equity holders of the Parent Company		(2 145 778)	(1 605 717)	(3 467 785)	(1 238 362)
Non-controlling interests		-	-	-	-
		(2 145 778)	**(1 605 717)**	**(3 467 785)**	**(1 238 362)**
Basic earnings per share, EUR	15	(1.17)	(1.00)*		
Diluted earnings per share, EUR	15	(1.04)	(0.89)*		

* See note 3.2
The accompanying notes form an integral part of these financial statements.

Chairman of the Board JĀNIS SAMS ____________** April 28, 2023
Chief Accountant VINETA GRECKA ____________** April 28, 2023

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Statement of financial position

Assets

	Note	Group 31.12.2022 EUR	Group 31.12.2021* restated EUR	Parent company 31.12.2022 EUR	Parent company 31.12.2021* restated EUR
LONG-TERM INVESTMENTS					
Intangible assets					
ODM assets		1 190 693	394 813	-	-
Other intangible assets		444 008	562 911	434 989	541 581
Goodwill		-	-	-	-
Total intangible assets	16	**1 634 701**	**957 724**	**434 989**	**541 581**
Property, plant and equipment					
Land and buildings		3 571 194	3 789 000	3 571 194	3 789 000
Equipment and machinery		2 913 190	3 716 385	2 051 802	2 549 692
Other fixtures and fittings, tools and equipment		423 796	480 117	87 202	72 790
Right-of-use assets		3 622 217	3 659 998	1 176 455	692 644
Leasehold improvements		110 125	120 659	1 706	-
Construction in progress		261 388	1 070 305	-	-
Total property, plant and equipment	17	**10 901 910**	**12 836 464**	**6 888 359**	**7 104 126**
Non-current financial assets					
Investments in subsidiaries	18	-	-	8 304 535	10 323 130
Investment in associates	20	4 817 526	6 238 433	-	-
Investments in other companies	21	95 090	61 582	94 805	61 298
Loan to related company	19	-	-	801 033	954 855
Other non-current receivables		52 852	42 333	38 605	35 496
Total non-current financial assets		**4 965 468**	**6 342 348**	**9 238 978**	**11 374 779**
TOTAL NON-CURRENT ASSETS		**17 502 079**	**20 136 536**	**16 562 326**	**19 020 486**
CURRENT ASSETS					
Raw materials and consumables	23	7 482 883	3 955 773	7 141 079	3 635 996
Trade receivables from contracts with customers	24	1 918 709	1 653 701	981 880	794 462
Receivables from related companies from contracts with customers	25	-	-	27 219	12 264
Prepayments for goods		102 013	82 935	89 138	26 986
Loan to subsidiary	19	-	-	-	756 000
Loan to shareholder	41	575 028	563 201	575 028	563 201
Prepaid expense		61 214	55 909	43 236	42 313
Contract assets	4	1 806 592	1 487 173	1 806 592	589 232
Other receivables	26	171 818	282 324	157 423	110 075
Cash and cash equivalents	27	739 741	451 210	654 702	290 136
TOTAL CURRENT ASSETS		**12 857 998**	**8 532 226**	**11 476 297**	**6 820 665**
TOTAL ASSETS		**30 360 077**	**28 668 762**	**28 038 623**	**25 841 151**

* See note 3.2
The accompanying notes form an integral part of these financial statements.

Chairman of the Board JĀNIS SAMS ____________* * April 28, 2023

Chief Accountant VINETA GRECKA ____________* * April 28, 2023

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Statement of financial position

Equity and liabilities

		Group		Parent company	
	Note	31.12.2022	31.12.2021** restated	31.12.2022	31.12.2021* restated
EQUITY		**EUR**	**EUR**	**EUR**	**EUR**
Share capital	28	1 834 881	1 829 381	1 834 881	1 829 381
Share premium	28	2 465 994	2 435 579	2 465 994	2 435 579
Reserves	29	32 393	50 659	32 393	50 659
Non-current asset revaluation reserve	30	1 862 727	2 006 222	1 862 727	2 006 222
Retained earnings / (accumulated loss):					
(a) brought forward		387 666	2 064 847	309 292	1 619 118
(b) for the period		(2 145 778)	(1 820 676)	(3 467 785)	(1 453 321)
TOTAL EQUITY		**4 437 883**	**6 566 012**	**3 037 502**	**6 487 638**
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	31	1 000 000	4 373 083	1 000 000	4 373 083
Lease liabilities	32	2 411 098	2 455 353	697 814	454 706
Other financial liabilities	22	-	1 880 003	-	1 880 003
Deferred revenue	34	87 389	603 004	34 854	531 013
Other long-term liabilities		395 227	-	395 227	-
Taxes and mandatory state social insurance contributions – non-current	37	282 505	141 078	-	-
Total non-current liabilities		**4 176 219**	**9 452 521**	**2 127 895**	**7 238 805**
Current liabilities					
Loans from credit institutions	31	7 203 018	3 430 159	7 103 357	3 131 176
Lease liabilities	32	862 242	1 042 451	303 496	207 567
Other financial liabilities	22	1 335 898	-	1 335 898	-
Prepayments received under contracts with customers	35	3 123 669	1 185 335	3 022 276	1 064 113
Trade payables	36	7 203 191	5 717 775	5 287 803	3 914 353
Payables to related companies	41	-	-	4 627 337	3 352 237
Taxes and mandatory State social insurance contributions	37	775 896	534 893	35 389	24 351
Corporate income tax	38	7 762	799	1 343	195
Other liabilities	39	636 909	177 282	390 663	32 775
Deferred revenue	34	85 929	192 666	50 905	142 075
Accrued liabilities	40	511 461	368 869	714 759	245 866
Total current liabilities		**21 745 975**	**12 650 229**	**22 873 226**	**12 114 708**
TOTAL LIABILITIES		**25 922 194**	**22 102 750**	**25 001 121**	**19 353 513**
TOTAL EQUITY AND LIABILITIES		**30 360 077**	**28 668 762**	**28 038 623**	**25 841 151**

* See note 3.2
The accompanying notes form an integral part of these financial statements.

Chairman of the Board JĀNIS SAMS ____________** April 28, 2023

Chief Accountant VINETA GRECKA ____________** April 28, 2023

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Statements of cash flows

	Note	Group 2022 EUR	Group 2021* restated EUR	Parent company 2022 EUR	Parent company 2021 EUR
CASH FLOWS TO/FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(2 145 778)	(1 806 956)	(3 467 785)	(1 439 601)
Adjustments for:					
Depreciation and amortization	16,17	2 548 721	2 587 401	1 245 249	1 172 076
Interest expense	12	567 388	565 415	465 328	427 582
Interest income	11	(11 827)	(11 421)	(69 983)	(88 620)
Allowances for slow-moving items and receivables		(22 400)	74 896	(6 127)	120 728
Revenue from recognition of grant funding	8	(93 854)	(192 859)	(58 830)	(157 835)
Losses from repayment of grant funding	12	216 246	-	216 246	-
Profit from the sale of fixed assets	8	(8 697)	(2 454)	-	(263)
Loss on impairment, disposal of property, plant and equipment		681 959	1 390 054	(21 809)	51 288
Fair value change for warrants	11, 12	(544 105)	227 518	(544 105)	227 518
Losses related to investment in subsidiary	20	1 420 907	705 687	3 020 574	1 471 673
Adjustment for:					
(Increase) / decrease in inventories		(3 497 198)	(1 994 348)	(3 504 068)	(2 148 936)
(Increase) / decrease in receivables		(493 574)	(395 185)	(1 505 389)	(979 104)
Increase / (decrease) in payables		4 426 301	2 358 746	5 165 210	3 584 473
Cash generated from operations, gross		**3 044 089**	**3 506 494**	**934 511**	**2 240 979**
Interest paid		(283 813)	(281 840)	(124 129)	(82 503)
Corporate income tax paid		-	(13 720)	-	(13 720)
Net cash flows to/from operating activities		**2 760 276**	**3 210 934**	**810 382**	**2 144 756**
CASH FLOW TO/FROM INVESTING ACTIVITIES					
Acquisition of intangible assets and property, plant and equipment	16, 17	(1 271 489)	(1 120 591)	(215 552)	(560 087)
Proceeds from sale of property, plant and equipment		45 310	5 972	-	3 848
Investments in subsidiaries		-	-	-	(35 000)
Investments in other companies		(38 620)	(19 656)	(38 620)	(19 496)
Proceeds from the sale of investments		-	21 174	-	21 174
Loans to subsidiaries		-	-	(34 000)	(316 300)
Net cash flow to/from investing activities		**(1 264 799)**	**(1 113 101)**	**(288 172)**	**(905 861)**
CASH FLOW TO/FROM FINANCING ACTIVITIES					
Dividends paid		-	(54 881)	-	(54 881)
Grants received		61 956	432 884	3 479	79 295
Loans received from credit institutions		1 122 567	-	1 122 567	-
Loans repaid to credit institution	33	(1 031 869)	(1 687 488)	(832 547)	(1 488 166)
Lease repayments	33	(1 359 600)	(1 167 381)	(451 143)	(236 740)
Net cash flow to/from financing activities		**(1 206 946)**	**(2 476 866)**	**(157 644)**	**(1 700 492)**
Change in cash and cash equivalent for the year		**288 531**	**(379 033)**	**364 566**	**(461 597)**
Cash and cash equivalents at the beginning of the year	27	**451 210**	**830 243**	**290 136**	**751 733**
Cash and cash equivalents at the end of the year	27	**739 741**	**451 210**	**654 702**	**290 136**

* See note 3.2
The accompanying notes form an integral part of these financial statements.

Chairman of the Board JĀNIS SAMS ____________** April 28, 2023

Chief Accountant VINETA GRECKA ____________** April 28, 2023

Statement of changes in equity

Group

	Share capital	Share premium	Reserves	Non-current asset revaluation reserve	Retained earnings / (accumulated losses)	Non-controlling interest
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2020	**1 829 381**	**2 435 579**	**1 973**	**1 914 956**	**1 996 035**	**8 177 924**
Loss for the reporting period (restated)*	-	-	-	-	(1 820 676)	(1 820 676)
Other comprehensive income	-	-	-	214 959	-	214 959
Total comprehensive income	-	-	-	214 959	(1 820 676)	(1 605 717)
Depreciation of revalued items of property, plant and equipment	-	-	-	(123 693)	123 693	-
Share option reserves	-	-	48 686	-	-	48 686
Dividends paid	-	-	-	-	(54 881)	(54 881)
Balance as at 31 December 2021	**1 829 381**	**2 435 579**	**50 659**	**2 006 222**	**244 171**	**6 566 012**
Losses for the reporting period	-	-	-	-	(2 145 778)	(2 145 778)
Total comprehensive income	-	-	-	-	-	-
Total comprehensive losses	-	-	-	-	(2 145 778)	(2 145 778)
Depreciation of revalued items of property, plant and equipment	-	-	-	(143 495)	143 495	-
Granting share options	5 500	30 415	(35 915)	-	-	-
Share option reserves	-	-	17 649	-	-	17 649
Balance as at 31 December 2022	**1 834 881**	**2 465 994**	**32 393**	**1 862 727**	**(1 758 112)**	**4 437 883**

* See note 3.2
The accompanying notes form an integral part of these financial statements.

Chairman of the Board JĀNIS SAMS ____________* * April 28, 2023
Chief Accountant VINETA GRECKA ____________* * April 28, 2023

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Statement of changes in equity

Parent company

	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 2020	**1 829 381**	**2 435 579**	**1 973**	**1 914 956**	**1 550 306**	**7 732 195**
Loss for the reporting period	-	-	-	-	(1 453 321)	(1 453 321)
Other comprehensive income	-	-	-	214 959	-	214 959
Total comprehensive loss	-	-	-	214 959	(1 453 321)	(1 238 362)
Depreciation of revalued items of property, plant and equipment	-	-	-	(123 693)	123 693	-
Share option reserves	-	-	48 686	-	-	48 686
Dividends paid	-	-	-	-	(54 881)	(54 881)
Balance as at 31 December 20201	**1 829 381**	**2 435 579**	**50 659**	**2 006 222**	**165 797**	**6 487 638**
Loss for the reporting period	-	-	-	-	(3 467 785)	(3 467 785)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(3 467 785)	(3 467 785)
Depreciation of the revalued items of property, plant and equipment	-	-	-	(143 495)	143 495	-
Granting share options	5 500	30 415	(35 915)	-	-	-
Share option reserves	-	-	17 649	-	-	17 649
Dividends paid	-	-	-	-	-	-
December 31st, 2022	**1 834 881**	**2 465 994**	**32 393**	**1 862 727**	**(3 158 493)**	**3 037 502**

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

Chairman of the Board JĀNIS SAMS ____________* April 28, 2023
Chief Accountant VINETA GRECKA ____________* April 28, 2023

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Notes to the financial statements

1. General 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 street 72, Ogre. The shares of the Parent Company are listed on Riga Stock Exchange, Latvia.

There is no parent entity for HansaMatrix.

The HansaMatrix Group (hereinafter – the Group) is a leading Baltic electronic system product developer and manufacturer. Information on the Group's structure and other related party relationships of the Group and the Parent Company is provided in Notes 18 and Note 41.

The financial statement for 2022 was approved by the decision of the Board of the Parent Company on April 28, 2023.

The Parent Company's shareholders have the power to amend the consolidated and separate financial statements after the issue.

2. Important accounting principles

2.1. Basis of preparation

The financial statements present the consolidated financial position of the AS HansaMatrix Group (i.e. AS HansaMatrix and its subsidiaries) and the financial position of AS HansaMatrix on a stand-alone basis.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and standard interpretations published by IFRS Interpretations Committee, i.e. IFRIC as adopted by the European Union. The financial statements are prepared on a historical cost basis, unless stated otherwise in the accounting policies described below.

The monetary unit used in the financial statements is the euro (EUR). The financial statements cover the period 1 January 2022 through 31 December 2022.

2.2. Basis of consolidation

2.2.1 Subsidiaries

The consolidated financial statement includes the financial statements of AS "HansaMatrix" and all subsidiaries under its control for 2022. The financial statements of the Subsidiary of the Group have been prepared for the same reporting period as the financial statements of the Parent Company, applying the same accounting principles.

Subsidiaries are the entities controlled by the parent company. Control is achieved when the Parent Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Parent company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent company considers all relevant facts and circumstances in assessing whether or not the Parent company's voting rights in an investee are sufficient to give it power, including:

- The size of the Parent company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Parent company, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- Any additional facts and circumstances that indicate that the Parent company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company discontinues the control. Reporting periods and dates of the financial statements of the Parent Company and subsidiaries correspond to those of the consolidated financial statements. Accounting policies of the subsidiaries are changed to bring them in line with that of the Group.

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealized gains and losses on transactions between members of the Group are eliminated in full on consolidation.

In the parent company's financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment.

Basis of consolidation

2.2.2. Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The income statement reflects the Group's share in the results of operations of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and it carrying value, and then recognizes the loss within 'Share of profit of an associate' in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

In the Parent Company's financial statements investments in associate are accounted at cost less accumulated impairment.

Basis of consolidation

2.2.3. Business Combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree and previously interest held in acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those unit.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). When the proportion of the equity held by non-controlling interests' changes, the carrying amounts of the controlling and non-controlling interest's area adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

Revaluation of foreign currencies

2.3. Revaluation of foreign currencies

The functional and presentation currency of the Group and Parent company is the euro (EUR), the monetary unit of the Republic of Latvia. Transactions in foreign currencies are translated into the euro at the euro foreign exchange reference rate published by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the euro foreign exchange reference rate published by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the statement of comprehensive income accounts. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The non-monetary items are carried at historical cost and no further retranslation is performed.

Non-financial assets and liabilities

2.4. Intangible assets

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Other intangible assets are comprised of software and licenses. Amortization is calculated on straight line basis. Other intangible assets have a useful life of 3 – 5 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

2.4.1. ODM (Original Design Manufacturing) assets

Intangible assets comprise intellectual property arising from research and development of the Parent Company and the Group in the form of ODM (Original Design Manufacturing) assets. The Parent Company and the Group recognizes and, according to IAS 38, capitalizes the results of development of products, materials, devices, processes and systems derived as a result of targeted projects, which are ODM assets. ODM assets may incorporate tangible elements, such as prototypes of materials or products, samples, devices, systems, and intangible elements, such as project or production documents, documented processes, inventions or innovations which are or are not protected by patents.

The creation of ODM assets is initiated only for a specific identified customer or several such customers after the expected economic result has been evaluated. This process is accurately managed by accounting for all costs, both costs of direct materials used in project development and the full cost of engineering hours spent, including salaries of engineers plus costs incurred to ensure their work, but excluding administrative expense.

When recognizing an ODM asset, the Group determines the amortization charge of each ODM asset per one unit of a product associated with the use of the ODM asset and the total number of units of the product by which the accrued value will be fully amortized. The expected amortization period of ODM assets is 3 years. The selling price per unit of the ODM asset included in the price of delivery of the product may be higher than its amortization expense.

By transforming an ODM asset, adapting it and using the related product research and development knowledge to meet the needs of multiple customers and different products, its amortization period is up to 10 years.

2.4.2. Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability and intention to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Other development expenditure is written off.

After initial recognition, development expenditure is recognized as intangible assets at cost less accumulated amortization and any accumulated impairment losses. Assets are amortized over their expected useful lives. At each reporting date, it is analysed whether there is any indication that the asset may be impaired.

Fixed assets

2.5. Fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, except for land and buildings that are measured at revaluated amount less accumulated depreciation (of the buildings) and impairment losses recognized after date of revaluation. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Buildings	over 20 to 33 years
Equipment and machinery	over 5 to 10 years
Other property, plant and equipment	over 3 to 10 years

Depreciation starts when the asset is ready for its intended use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Group depreciates separately some parts of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the cost of sales caption or in admirative expense caption.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Expenses related to leasehold improvements are capitalized as property, plant and equipment and depreciated over the lease period on a straight-line basis.

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated until the respective assets are completed and available for use.

In cases when computer software is an integral element of hardware that cannot operate without that specific software, computer software is treated as property, plant and equipment.

Revaluation of property, plant and equipment

Revaluations have been made with sufficient regularity (not less frequently than every 5 years) to ensure that the carrying amount of property, plant and equipment items subject to valuation does not differ materially from that which would be determined using fair value at the end of reporting period. Real estate (land and buildings) is revalued. The revaluation is performed by certified valuators.

Increase in the carrying amount arising on revaluation net of deferred tax is recognized in the statement of comprehensive income as changes in the equity caption 'Property, plant and equipment revaluation reserve'. Decreases that offset previous increases of the same asset are charged in the statement of comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to the current year's profit or loss. Property, plant and equipment revaluation reserve is decreased over the useful life of the asset. Revaluation reserve cannot be distributed in dividends, used for indemnity, reinvested in other reserves, or used for other purposes.

Inventories

2.6. Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a first-in, first-out (FIFO) basis

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value is disclosed at the purchase (production) cost less allowances made. Allowances are made for slow moving inventories which have not been sold or used in a 24-month period.

Net realizable value

The Group’s management evaluates the net realizable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories, an allowance is recorded. The Group’s management has evaluated the net realizable value of inventories and considers that it is not necessary to make an additional significant allowance as at 31 December 2022 (Note 23).

Accounting for grants

2.7. Accounting for grants

Grants received from the government and international organizations are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants received from the government and international organizations for the purchase, development or construction of non-current assets are initially recognized as deferred income and taken to the profit or loss on a systematic basis over the useful life of the relevant assets.

Other government grants are recognized as income on a systematic basis over the period when the Group and the Parent Company expense the costs that the grants compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group and the Parent Company with no future related costs is recognized as income of the period in which it becomes receivable.

Provisions

2.8. Provisions

Provisions are recognized when the Group and the Parent Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group and the Parent Company expect some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

The Group manufactured products that malfunction, do not correspond to the specifications or have defects may be returned to the Group. The sole responsibility of the Group under the warranty is to repair or replace the non-confirming or damaged product. This warranty does not apply to:

- -pilot products, prototypes, preproduction units, product testing batches;
- -any products repaired by the seller or third party;
- -any products used wrongfully due to misuse or negligence.

Warranty period is 1 to 2 years and set on an individual basis.

Because the warranty provides the customer with the assurance that the product will work as intended for one year, HansaMatrix accounts for this ‘assurance-type’ warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, i.e. a provision is raised for the expected cost of repairing the product in the next 12 - 24 months. Assurance-type warranties do not result in a change to current practice for the recognition of revenue, i.e. this does not represent a separate performance obligation.

Leases

2.9. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right to use the asset

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery - 2 - 5 years
- Lease of land - up to 50 years
- Motor vehicles and other equipment - 2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. If there are any indications of impairment, the carrying amount of the asset is written down to its recoverable which is the higher of the right-of -use asset's selling price and its value in use recognizing impairment loss as expense in the statement of profit or loss.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases f low-value asset

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group and Parent Company as lessors

Assets that are leased out under operating lease terms are recognized as property, plant and equipment at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis in order to write down each asset over its estimated useful life to its estimated residual value.

Income from operating leases is recognized in the statement of comprehensive income on a straight-line basis over the lease term .

Financial assets and liabilities

2.10. Financial assets

The Group classifies financial assets as follows:

- financial assets at amortized cost,
- equity instruments at fair value with recognition of revaluations in other comprehensive income,
- financial assets at fair value with recognition of revaluations in the income statement,
- debt instruments at fair value with the recognition of a revaluation at fair value through the recognition of revaluation in other comprehensive income.

Financial assets at amortized cost

A financial asset is measured at amortized cost in case it satisfies both of the following requirements and is not classified as at FVTPL:

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b) its contractual terms on specified dates ensures cash flows that are solely payments of principal and interest.

These assets are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, the assets are measured at amortized cost applying the effective interest rate method. The amortized cost value is decreased by impairment losses. Foreign exchange gains and losses, impairment, and interest income are recognized in profit or loss statement. On derecognition, any gain or loss is recognized in profit or loss statement.

Financial assets

Equity investments at fair value through other comprehensive income

Upon initial recognition, the Group can choose to irrevocably classify its equity investments as equity instruments designated at fair value through OCI, in case these investments a) meet the definition of equity instrument under IAS 32 Financial Instruments and b) and are not held for trading. The Group evaluates and applies this classification for each instrument separately. These instruments are initially measured at fair value plus transaction costs, directly attributable to their acquisition. After the initial recognition, these instruments are measured at fair value. Dividends are recorded in profit or loss statement. Other net gains and losses are accumulated in OCI and are never applied or reclassified to profit or loss statement.

Financial assets at fair value through profit or loss

These financial instruments include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial instruments are deemed as held for trading in case they are planned to be sold in the short term. Derivatives are also classified as held for trading, except when they are hedging instruments. Financial instruments with contractual cash flows that are not solely principal and interest payments are classified and measured at fair value through profit or loss. For these instruments, directly attributable transaction costs are recognized in profit or loss as incurred. After the initial recognition, these instruments are measured at fair value. Net value changes are recognized in profit or loss statement.

Debt instruments at fair value through other comprehensive income

A debt instrument is measured at FVTOCI if it meets both of the following requirements and is not classified as at FVTPL: a) it is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell these financial assets; and b) its contractual terms on specified dates ensures cash flows that are solely payments of principal and interest. These assets are initially measured at fair value plus transaction costs directly attributable to their acquisition. After the initial recognition, the assets are measured at fair value. Foreign exchange gains and losses, interest income calculated using the effective interest method, and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income (OCI). In case of derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s and the Parents financial statement of financial position) when:

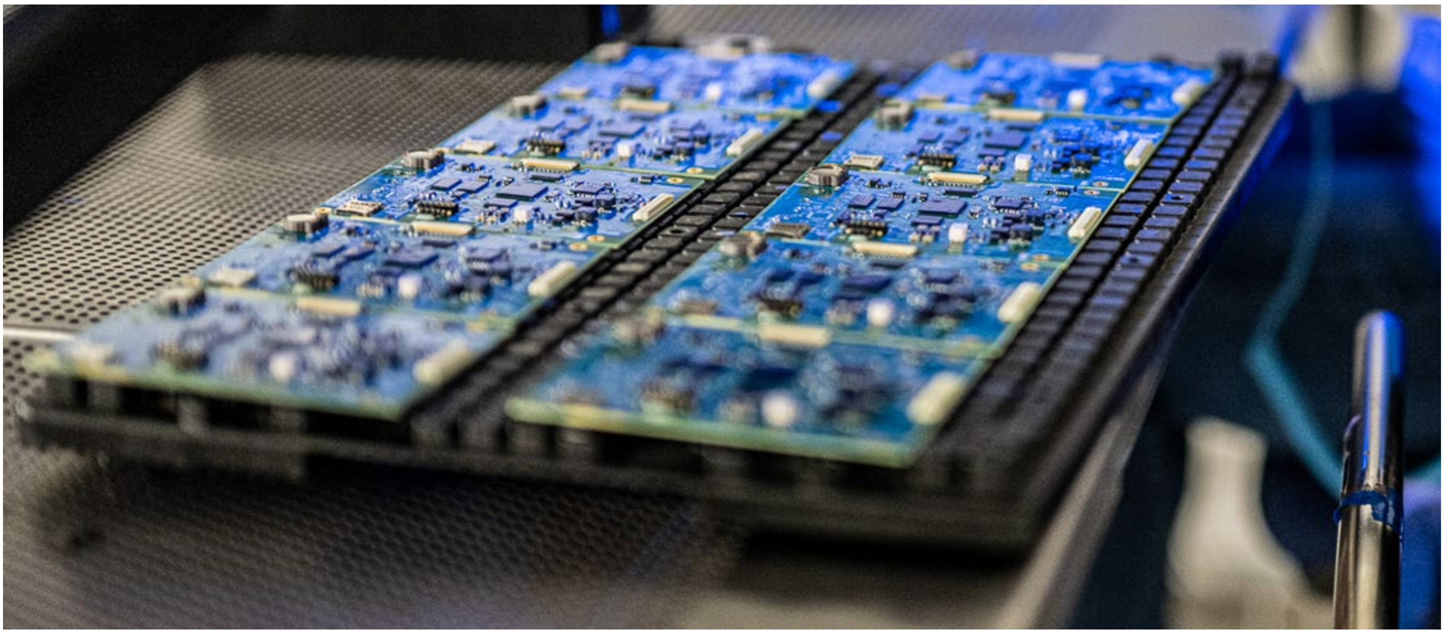
- The rights to receive cash flows from the asset have expired or
- The trade receivable balance is subject to non-recourse factoring arrangement or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Netting of financial instruments

Financial assets and liabilities are off-set and the net amount is presented in the statement of financial position only if there is a legal right to off-set and recognize net amount and there is an intention to settle on net basis or sell the asset and settle the liability at the same time.



Financial liabilities

2.11. Financial liabilities

The Group classifies financial liabilities as follows:

- financial liabilities at amortized cost;
- financial liabilities at fair value through profit or loss (FVTPL).

Financial liabilities at amortized cost

A financial liability is measured at amortized cost in case it is not held-for-trading and is not designated as held-for-trading in the initial recognition. These financial liabilities are initially measured at fair value less directly attributable transaction costs. After the initial recognition, these liabilities are measured at amortized cost, using the effective interest rate.

Derecognition of financial obligations

The Group shall derecognize financial liabilities, then and only when the Group's obligations have been fulfilled, cancelled or terminated. The difference between the carrying amount of a financial liability and the consideration paid and payable is recognized in the income statement.

Financial liabilities at fair value through profit or loss

A financial liability is classified as at FVTPL in case it is held-for-trading or is designated as held-for-trading in the initial recognition. For this type of liabilities, directly attributable transaction costs are recognized in profit or loss statement, as incurred. Liabilities at FVTPL are measured at fair value, with changes in value and interest expense recognized through profit or loss statement.

In case the Group uses derivative financial instruments, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivative embedded in a hybrid contract, with a financial liability is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Determination of fair value

2.12. Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

in the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of a financial instrument using the quoted price in an active public market for that instrument, when available. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In case a financial instrument measured at fair value has a bid price and an ask price, then the Group measures the assets at a bid price and liabilities - at an ask price.

When there is no quoted price in an active market, the Group uses valuation techniques that are appropriate in the circumstances that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair value of a financial instrument applied on initial recognition is normally the transaction price.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognizes transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment of financial instruments and contract assets

The Group recognizes an allowance for expected credit losses (ECLs) for financial assets measured at amortized cost and contract assets. The impairment model is based on the premise of providing for expected credit losses.

Impairment is measured with one of the following approaches:

a) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date;

b) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financials instrument.

For trade receivables and contract assets, the Group and the Parent Company apply a simplified approach – a loss allowance is always established equal to the amount of credit losses expected over the remaining life of the asset (lifetime ECLs).

For individually assessed financial assets that are measured at amortized cost) the IFRS 9 general approach is used, applying the Expected Credit Losses Model, which foresees calculating the financial asset value adjustments as the product of three variables: Exposure at Default (EAD), Loss Given Default (LGD) and the Probability of Default (PD).

For financial assets measured at amortized cost, considered to have acceptable credit risk, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance is based on the lifetime ECLs.

Cash and cash equivalents

2.14. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. The statement of cash flows has been prepared according to the indirect method by making adjustments to reconcile operating profit with cash flows from operating, investing, and financing activities.

Receivables

2.15. Receivables

A receivable represents the Group and Parent Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The Group and the Parent Company split trade receivable balances in two portfolios based on a business model.

- Trade receivables from contracts with customers within a business model with the objective to hold financial assets in order to collect contractual cash flows are accounted at amortized cost and reviewed for impairment;

- Trade receivables from contracts with customers held with the only objective of selling the financial assets are accounted for at FVTPL.

For receivables, the Group and the Parent Company measure the ECLs based on the historical data for the last 3 years, and where the historical data are not available, make assumptions.

Factoring

Proceeds received in accordance with factoring agreements are recognized as liability to the factor when the Group or the Parent Company remain exposed to credit risk associated with the respective debtor. When credit risk remains with the factor, the proceeds are netted against the respective debtor balance. For the existing factoring agreements, the Group and the Parent Company only recognize the portion of the receivable that is not factorized in their statement of financial position - usually 10%.

Considering that the 10% repayment is usually done within a period of 2-3 months, the time value of money does not significantly affect the fair value of the remaining receivable.

During 2022 approximately 69 % of sales were made using factoring arrangement.

Revenue recognition

2.16. Revenue recognition

The Group and the Parent Company have concluded that the performance obligation for provided services is exercised over time.

2.16.1. Sale of goods and services

The Group sells the following products: data network infrastructure, industrial products, Internet of Things, optics and photonics products.

The Group and the Parent Company recognizes revenue from sale of goods and services over time because the goods and services delivered to the clients are highly customized to fulfil the customer needs, and it would take significant rework for the asset to be used alternatively. Moreover, Group and the Parent Company are also entitled for payment of any products made to date. Trade receivables are generally due in 30 - 90 days after delivery.

Due to the specifics of the production cycle of the Group and the Parent Company it is impracticable to reasonably measure the progress towards complete satisfaction of the performance obligation. Therefore, the Group and the Parent Company are recognizing revenue to the extent of the costs incurred.

2.16.2. Volume rebates

The Group and the Parent Company provide retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contra. Rebates are only applied to the aggregate amount of goods purchased in the relevant period (in one calendar month) and are not attributed to other periods.

2.16.3. Significant financing component

Generally, the Group and the Parent Company receive short-term advances from its customers. Using the practical expedient in IFRS 15, the Group and the Parent Company do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

In cases where the period exceeds one year, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

2.16.4. Principal company and agent

In most cases the Group operates as a principal in providing production services to the clients. However, in some cases, the Group and the Parent Company receives from its customers materials that are used in manufacturing the products ordered by customers and returned to customers. These materials are owned by customers and are only intended for executing a particular customer order, the Group and the Parent Company accepts them only for processing. The cost of the materials belonging to customers is recorded off-balance sheet as the Group and the Parent Company does not have the ability to direct the use of the materials or obtain benefits from them.

2.16.5. Contract assets

A contract asset is initially recognized for revenue earned from services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables. Expected credit loss are recognized for contract assets.

2.16.6. Contract liabilities (prepayments received under contracts with customers)

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Parent Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Parent Company transfer goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group and the Parent Company perform under the contract.

2.16.7. Income from investments

The Group and the Parent Company recognize income from investments (dividends) only when the right to receive the payment is established.

Distribution of dividends

2.17. Distribution of dividends

Dividends payable to the shareholder of the Parent Company are recognized as a liability in the financial statements for the period the shareholder of the Parent Company has authorized thereof.

Taxes

2.18. Taxes

2.18.1. Corporate income tax

Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the profit or loss as expense in the reporting period when respective dividends are declared, while as regards other deemed profit items, at the time when expense is incurred in the reporting year.

Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

2.18.2. Deferred corporate income tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Corporate income tax on dividends and deferred income tax expense on dividends of subsidiaries, associates and joint ventures are reported in the consolidated statement of comprehensive income.

2.18.3. Value Added Tax

Expenses and assets are recognized net of the amount of value added tax, except:

- When value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable,

- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Earnings per share

2.19. Earnings per share

Earnings per share are calculated by dividing the net profit after taxation for the year by the average number of ordinary shares in issue during the year. The average number of shares in issue during the year is weighted to consider the timing of the issue of new shares.

Share-based payment

2.20. Share-based payment

Under the Senior Executive Plan (SEP), share options of the Parent are granted to senior executives of the Parent with more than 12 months’ service, given that these senior executives meet their individual or company key performance indicators. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest within three years from the date of grant and the senior executive remains employed on such date.

The fair value of the share options is estimated using the price noted in the issuance regulations of 6.53 EUR. The fair value of the options, determined at the grant date, is expensed over the vesting period, creating equity reserve for SEP share options. Cost is recognized as employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

The share options can be exercised without term limitations, after the three-year vesting period. There are no cash settlement alternatives. SEP after the vesting period is entitled to receive HansaMatrix shares free of charge. The Group accounts for the SEP as an equity-settled plan.

Subsequent events

2.21. Subsequent events

Post-year-end events that provide additional information about the Group’s and Parent Company’s position at the balance sheet data (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2.22 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of judgments and estimates used in the preparation of the financial statements relate to capitalization of development costs, useful life of fixed assets, allowances for doubtful receivables and inventories and contract assets, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

The Group has assessed the potential impact of the COVID-19 pandemic on the financial statement, including the assumption of the Group's ability to continue its activities. The management believes that the situation will not affect the Group's ability to continue as a going concern, as it has not had any significant operational disruptions so far, except for the global deficit of electronic components, and such are not expected in the future, moreover, the Group has a large enough balance of cash and cash equivalents, as well as liquid assets to overcome the difficulties caused by short-term fluctuations in cash flows, should they arise as a result of the situation caused by COVID-19.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

2.22.1. Carrying amount of property, plant and equipment (at cost)

The Group's management reviews the carrying amounts of property, plant and equipment and assesses whether any indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Group's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned disposal or sale of the assets. Considering the planned volumes of economic activities and possible fair values of the assets, Group's management considers that, except for those included in the financial statements, no significant adjustments to the carrying values of property, plant and equipment are necessary (Note 17 and Note 10).

2.22.2. Revaluation of property, plant and equipment

The revaluation of certain fixed assets of the Group (Real Estate-Buildings and Land) is carried out externally, by certified valuers using the revenue method. The valuation is carried out according to property valuation standards and in accordance with IFRS 13 Fair Value, based on the existing use of fixed assets that is considered the best and most efficient. The real estate was revalued as at 31 December 2021 (Note 30). On December 31, 2022, the management of the Group evaluated possible fluctuations in the fair value of the real estate and determined that repeated revaluation is not necessary.

2.22.3. Expected credit loss

For receivables, the Group and the Parent Company measure the ECLs based on the historical data for the last 3 years, and where the historical data are not available, make assumptions using the following matrix:

Absence status	Applied credit loss %
No delays	0,3%
Delayed 1-30 days	1%
Delayed 31-60 days	5%
Delayed 61-90 days	10%
Delayed 91-120 days	15%
Delayed 121-180 days	40%
Delayed 181-270 days	70%
More than 270 days late	100%

Significant accounting judgements, estimates and assumptions

2.22.4. Investment in an associate – classification

The Parent Company shall assess whether it has control or significant influence over its investments and classify them accordingly as investments in the subsidiaries, investments in associates or other investments.

According to this assessment, the Group has established that, although the Group owns more than 50% of the voting shares, it does not have control over SIA Lightspace Technologies, because according to the corporate governance documents of this company all relevant decisions regarding SIA Lightspace Technologies cannot be taken by the representative of the Group in the Supervisory Board alone, as well as the Group's ownership share in Lightspace Technologies does not allow the Group on its own to change the composition of the Supervisory Board of Lightspace Technologies in order to have it under the full control of the Group.

2.22.5. Investment in SIA Lightspace technologies / AS Lightspace Holding – recoverable value

The recoverable value of the Parent company's investment in Lightspace Holding/Lightspace technologies is determined based on the values of one part of the company applied in June 2022 for the investment of the convertible loans of third parties unrelated to the Group in the equity capital of Lightspace technologies. As SIA "Lightspace Technologies" is engaged in the development, production and sale of an innovative product, the most appropriate method of determining the value of the investment is actual market transactions for investments in the company's equity capital.

2.22.6. Deferred tax assets and liabilities

The management of the Group has decided not to distribute the subsidiaries' profit in dividends until 30 June 2024. The Group prepares high level development plan for the next 5 years, which does not provide for the payment of dividends in the foreseeable future. The Group's profit is intended to be used for repayment of credit liabilities and investments both for the renewal of the Group's production equipment and for the digitization of the processes. The Parent Company controls the timing of the reversal of the temporary difference and believes that the latter will not reverse in the foreseeable future. Deferred tax liabilities arising from the subsidiaries profit are not recognized in the Group's financial statements. No deferred tax liability arises from investments in associate as up to the date there are no profits to be distributed..

2.22.7. Determination of the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. In addition the Group applies its reasonable expectations to determine the period during which the underlying asset will be used, by considering: the broader economics of the contract, and not only contractual termination payments (e.g. if either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated) and whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty (if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is enforceable beyond the date on which the contract can be terminated by that party).

2.22.8. Recognition of revenue over time

As the Group and the Parent Company are manufacturing products that are highly customized to fulfill the customer needs, and it would take significant rework for the asset to be used alternatively, the performance creates an asset that the customer controls as the asset is created and finally the Group and the Parent Company are also entitled to payment for the performance completed; the revenue is recognized over time.

2.22.9 Development costs

The Group capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project and the expected future benefits.

Significant accounting judgements, estimates and assumptions

2.22.10 Segments

Reportable segments are operating segments or their aggregation which meet certain criteria. No less frequently than once a year, the Group and the Parent Company assess and identify all potential business segments and determine whether these segments should be accounted for separately. The Company reports the segment if it contributes 10% or more of the entity's total sales (combining internal and inter-segment sales), earns 10% or more of the combined reported profit of all operating segments that did not report a loss (or 10% or more of the combined reported loss of all operating segments that reported a loss), or has 10% or more of the combined assets of all operating segments.

The Group and the Parent Company have one business segment, i.e. the manufacturing services, on which specific financial information is available that is regularly assessed by key decision-makers to allocate resources and evaluate the performance of this segment. In addition to segment reporting, the Group and the Parent Company also disclose the sales results by main market sectors – data network infrastructure products, the Internet of Things, industrial products and other as well as by geographical market sectors.

2.22.11 Useful lives of intangible assets and property, plant and equipment

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8.

Considering the decrease in the production volume and intensity of the use of property, plant and equipment in recent years, in 2019 the Group reviewed the useful lives of the assets and concluded that part of fully depreciated assets is still in active use. A number of assets that have been fully depreciated are still in active use. Please see Note 16 and 17.

3. Changes in accounting policies and disclosures

3.1. Changes in accounting policies and disclosures

NEW AND AMENDED IFRS ACCOUNTING STANDARDS EFFECTIVE FOR THE REPORTING YEAR

In the current year, HansaMatrix has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective for reporting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3;
- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use;
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract;
- Amendments to various standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41) - Improvements to IFRSs - Cycle 2018-2020.

NEW AND REVISED IFRS ACCOUNTING STANDARDS IN ISSUE AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

HansaMatrix has not applied the following new and revised IFRS Accounting Standards that have been issued and adopted by the EU but are not yet effective:

- IFRS 17 "Insurance Contracts" - New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17 (EU effective date: 1 January 2023);
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure of Accounting Policies (EU effective date: 1 January 2023);
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates (EU effective date: 1 January 2023);
- Amendments to IAS 12 "Income Taxes" — Deferred Tax related to Assets and Liabilities arising from a Single Transaction (EU effective date: 1 January 2023).

HansaMatrix do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

NEW AND REVISED IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT ADOPTED BY THE EU

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at date of issuance of these financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current (IASB effective date: 1 January 2023);
- Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants (IASB effective date : 1 January 2024);
- Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback (IASB effective date: 1 January 2024);
- IFRS 14 "Regulatory Deferral Accounts" (IASB effective date: 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded).

HansaMatrix do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Correction of prior period error

3.2. Correction of prior period error

In 2022, the management of the Group/Mother company determined that it is necessary to make corrections to the previously recognized losses from the participation in Lightspace Technologies SIA. The correction applies only to the Group's data. The 2021 annual report of the Group's associate company SIA Lightspace Technologies was approved after the submission of the 2021 annual report of the Group, as a result of which the losses recognized by the Group from the participation in SIA Lightspace technologies decreased by 132 thousand. EUR.

As of December 31, 2021, the Group had not fulfilled the terms (covenants) of a long-term loan issued by a credit institution. Based on the loan agreement, the credit institution had the right to demand early repayment of the loan. In the reports of the financial position of the Group and the Parent company, the distribution of bank loans on December 31, 2021 in the amount of EUR 998,739 (minus the contract conclusion commission EUR 1,614) is specified - it is transferred from long-term borrowings from credit institutions to short-term borrowings from credit institutions.

Group	2021 EUR	Adjustment EUR	2021 Restated EUR
Statement of comprehensive income			
Losses from interests in associates	(837 321)	131 634	(705 687)
Loss for the reporting period	(1 952 310)	131 634	(1 820 676)
Statement of financial position			
Assets			
Equityments in associates	6 106 799	131 634	6 238 433
Equity			
Loss for the reporting period	(1 952 310)	131 634	(1 820 676)
Loans from credit institutions (non-current)	5 370 208	(997 125)	4 373 083
Loans from credit institutions (current)	2 433 034	997 125	3 430 159
Cash flow statement			
Adjustments: Value adjustment for an investment	837 321	(131 634)	705 687
Earnings Per Share	(1.07)		(1.00)
Diluted Earnings Per Share	(0.95)		(0.89)

Parent company	2021 EUR	Adjustment EUR	2021 Restated EUR
Statement of financial position			
Liabilities			
Loans from credit institutions (non-current)	5 370 208	(997 125)	4 373 083
Loans from credit institutions (current)	2 134 051	997 125	3 131 176

4. Revenue from contracts with customers

Business customers of AS HansaMatrix are mainly concentrated in the Baltic and Nordic countries. Revenue from contracts with customers by geographical area in accordance with management accounting data can be specified as follows:

	Group		Parent company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Baltic countries	11 170 906	11 375 670	11 398 294	10 753 902
Nordic countries	8 691 472	5 941 772	8 692 997	5 452 472
Other EU countries	7 180 484	1 352 878	7 180 484	1 385 020
Other	1 842 304	3 291 954	1 842 305	3 767 424
TOTAL:	**28 885 166**	**21 962 274**	**29 114 080**	**21 358 818**

All revenue is recognized over time. During 2022, all revenues were generated in Latvia.
During 2022, the sales volume for Latvian companies amounted to EUR 9 104 707 (2021: EUR 11 375 670).

Sales efforts of AS HansaMatrix are focused on the five main product types, market sectors: data network infrastructure, the Internet of Things, industrial products, optics and photonics and other. The revenue breakdown by product types is as follows:

	Group		Parent company	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Data network infrastructure	8 561 092	11 382 937	8 561 092	11 374 965
Industrial products	13 226 928	6 840 975	13 226 928	6 848 168
Internet of Things	4 345 946	1 803 370	4 345 946	1 593 357
Optics and photonics products	1 436 154	1 186 637	1 294 040	38 950
Other products	1 315 046	748 355	1 686 074	1 503 378
TOTAL:	**28 885 166**	**21 962 274**	**29 114 080**	**21 358 818**

All revenue constitutes one operating segment. Revenue from contracts with customers is also disclosed in Note 8.

The Group has one customer with total sales exceeding 10 % of the Group's revenues. During 2022 Sales to this customer amounted to EUR 7 466 597 (2021 EUR 8 881 532).

Contract balances

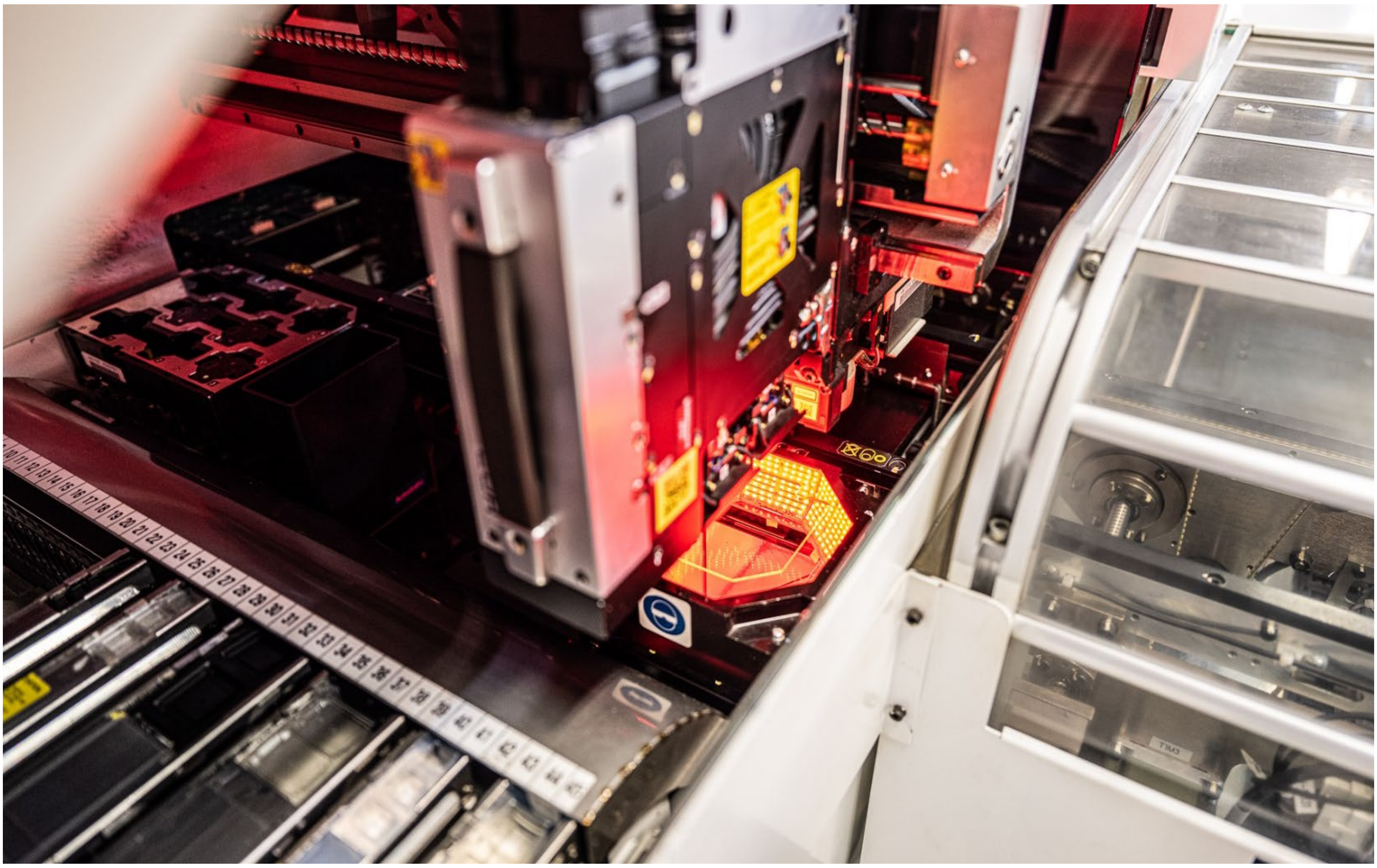
4.1. Contract balances

	Group		Parent company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Trade receivables	1 918 540	1 652 572	981 880	782 198
Contract assets	1 806 592	1 487 173	1 806 592	589 232
Contract liabilities	3 123 669	1 185 335	3 022 276	1 064 113
TOTAL:	**6 848 801**	**4 325 080**	**5 810 748**	**2 435 543**

Contract assets relate to revenue earned from current production services, depending on the volume of current production services at the end of the year.

Contract liabilities include advances received to secure the purchase of certain materials to support the production process.

The amount of revenue recognized from contract liabilities is disclosed in Note 35.



5. Cost of sales

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Cost of raw materials	14 740 712	8 521 613	14 380 250	7 454 032
Production process costs	4 521 552	3 967 356	12 435 913	10 767 996
Personnel costs (Note 14)	2 390 708	2 273 857	-	24 428
Depreciation and amortization (Notes 16 and 17)	2 179 263	2 112 131	1 001 385	933 793
Production facilities utilities	774 728	643 813	86 928	39 975
Transport costs	207 241	168 344	202 913	149 200
Repair and maintenance expenses	104 524	119 293	4 450	17 210
Low-value equipment	102 188	69 713	25 378	23 642
Changes in allowances for slow-moving items (Note 23)	(28 641)	100 122	(28 641)	100 122
Research costs	-	689 638	-	1 734
incl. personnel costs (Note 14)	-	*334 635*	-	-
incl. amortization and depreciation (Notes 16 and 17)	-	*104 826*	-	-
Other production costs	234 684	160 131	30 838	22 149
TOTAL:	**25 226 959**	**18 826 011**	**28 139 414**	**19 534 281**

6. Distribution costs

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Personnel costs (Note 14)	671 866	648 804	203	22 224
Marketing expense	160 168	130 246	151 113	125 419
Transport expense	30 970	22 287	2 310	4 043
Business trips expense	15 454	8 672	8 249	-
Communications expense	6 532	7 849	-	170
TOTAL:	**884 990**	**817 858**	**161 875**	**151 856**

7. Administrative expense

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Personnel costs (Note 14)	1 182 689	1 145 291	716 206	689 351
Depreciation and amortization (Notes 16 and 17)	369 458	370 444	243 864	238 283
Cost of professional services*	216 450	123 517	174 082	95 257
Bank services commission	138 812	97 202	134 882	91 415
Employee training, recruitment expense	61 315	49 966	4 904	3 430
Office expense	59 117	39 895	45 163	61 827
Transport expense	53 967	35 443	19 983	14 511
Non-operating expense	52 716	11 183	14 139	2 698
Representation expense	35 491	38 680	6 729	765
IT expense	32 914	29 618	8 913	78 508
Costs of providing administrative functions	31 514	38 451	31 514	38 451
Insurance	31 390	32 753	25 381	24 789
Communications expense	10 196	10 251	2 669	3 099
Allowances for doubtful receivables	2 399	(25 164)	(1 015)	1 540
Business trips expense	837	5 255	-	5 029
Other administrative expense	228 295	72 322	235	31 344
TOTAL:	**2 507 560**	**2 075 107**	**1 427 649**	**1 380 297**

* Includes the total fee paid to the firm of certified auditors SIA Deloitte Audits Latvia for the annual audit amounting to EUR 69 010 and EUR 4 100 for tax consultations to SIA Deloitte Latvia.

8. Other operating income

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Income from the adjustment of operating leases	127 698	-	21 809	-
Income from EU grant recognition (deferred income)*	93 854	192 858	58 830	157 835
Income from EU grant recognition (one-off)**	61 265	268 811	-	600
Revenue from compensation of energy resources	29 288	-	-	-
Revenue from the sale of inventory	-	150 111	-	-
Revenue from rent of premises, equipment	11 870	6 840	394 517	324 606
Gain on disposal of property, plant and equipment, net	8 697	2 454	-	263
Income from research grant recognition	690	293 990	-	-
Other income	31 186	89 531	177	11 550
TOTAL:	**364 548**	**1 004 595**	**475 333**	**494 854**

* Deferred income from EU grant recognition is the financing received for the purchase of fixed assets and which are attributed to revenues during the period of use of the fixed asset.
** One-off income from the recognition of financing is the financing received for the implementation of specific projects within the reporting period.

9. Other operating expense

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Currency exchange losses, net	178 765	60 153	178 497	59 278
Losses from funding cuts	24 977	-	-	-
Corporate income tax on non-business related expense	23 989	6 501	2 942	2 119
Loss on disposal of property, plant and equipment, net	22 607	19 479	-	19 479
Penalties	14 052	17 132	3 194	1 862
Donations	2 250	-	2 250	-
TOTAL:	**266 640**	**103 265**	**186 883**	**82 738**

10. Impairment loss on non-financial assets

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Impairment loss on assets*	806 000	1 357 586	-	-
Impairment of investments in subsidiaries	-	-	2 018 594**	805 953***
Impairment of investments in third parties	5 112		5 112	
Other impairment losses	-	32 123	-	32 123
TOTAL:	**811 112**	**1 389 709**	**2 023 706**	**838 076**

* and *** In 2021 and 2022, the Group and the Parent Company recognized losses related to its investments in SIA Zinātnes parks, which are related to the significantly increased cost of construction of new industrial facilities, as well as the reduction of general investor interest in this industrial facility under the influence of the macroeconomic situation.

** In 2022, the Parent company carried out a fair value revaluation of investments in AS Lightspace holding in the amount of EUR 2.019 million, related to the revaluation of the fair value of AS Lightspace holding's investment in Lightspace Group Inc, which was affected by the general macroeconomic situation, increased interest rates, which reduced investors' appetite for investments in startups.

11. Financial income

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Interest on the loan to Macro Riga, SIA	11 827	11 318	11 827	11 318
Interest on the loan to Zinātnes Parks, SIA	-	-	39 979	54 720
Interest on the loan to HansaMatrix Innovation, SIA	-	-	18 177	22 479
Changes in fair value of warrants	544 105	-	544 105	-
Interest from banks	-	103	-	103
TOTAL:	**555 932**	**11 421**	**614 088**	**88 620**

12. Financial costs

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Interest expense	450 552	411 919	439 189	395 962
Losses due to derecognition of financing	216 246	-	216 246	-
Interest expense on lease liabilities	116 836	153 496	26 139	31 620
Directly attributable transaction costs	49 622	55 610	48 206	54 759
Change in fair value of loan	-	-	1 001 979	300 000
Changes in fair value of warrants	-	227 518	-	227 518
Change in fair value of a financial instruments other than warrants	-	19 066	-	384 786
TOTAL:	**833 256**	**867 609**	**1 731 759**	**1 394 645**

Directly attributable transaction costs relate to the loans received from credit line and factoring agreements.

13. Corporate income tax

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
	EUR	**EUR**	**EUR**	**EUR**
Corporate income tax calculated for the reporting year on dividends	-	13 720	-	13 720
Corporate income tax on non-operating expense*	23 989	6 501	2 942	2 119
Total corporate income tax:	**23 989**	**20 221**	**2 942**	**15 839**

* Deemed profit distributions are taxed at income tax rate, but related expense is not presented as income tax expense but other operating expense in the statement of comprehensive income.

14. Personnel costs and number of employees

	Group		Parent company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Wages and salaries	3 487 157	3 690 267	654 199	628 979
State social insurance mandatory contributions	805 904	842 079	137 975	121 573
Employee health insurance	29 035	37 960	3 283	2 662
Other personnel costs	48 822	2 985	46 607	60
TOTAL:	**4 370 918**	**4 573 291**	**842 064**	**753 274**

Including key management personnel compensation

		Group		Parent company	
		2022	2021	2022	2021
		EUR	EUR	EUR	EUR
Board					
	Wages and salaries	458 344	441 477	278 477	288 362
	State social insurance mandatory contributions	108 193	103 259	65 727	67 139
	Share options	3 918	25 870	-	25 870
	Other personnel expenses	2 017	1 470	1 009	1 094
	TOTAL:	**572 472**	**572 076**	**345 213**	**382 465**
Supervisory Council					
	Wages and salaries	63 600	58 696	63 600	58 696
	State social insurance mandatory contributions	6 663	9 713	6 663	9 713
	Other personnel expenses	534	10	534	10
	TOTAL:	**70 797**	**68 419**	**70 797**	**68 419**

The total personnel expenses are included in the following captions of the statement of comprehensive income:

	Group		Parent company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Cost of sales (Note 5)	2 390 708	2 273 857	-	24 428
Costs of sales – under research costs (Note 5)	-	334 635	-	-
Distribution costs (Note 6)	671 866	648 804	203	22 224
Administrative expense (Note 7)	1 182 689	1 145 291	716 206	689 351
Wages and salaries – under contract assets	-	29 694	-	-
Wage and salaries – capitalized to fixed assets	125 655	141 010	125 655	17 271
KOPĀ:	**4 370 918**	**4 573 291**	**842 064**	**753 274**

	Group		Parent company	
	2022	**2021**	**2022**	**2021**
Average number of employees in the reporting year	**158**	**183**	**15**	**13**

15. Earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. Diluted earnings per share are calculated by dividing the profit of the reporting year attributable to shareholders by the number of potential shares in the reporting period.

The table below presents the income and share data used in the computations of earnings per share for the Group:

	Changes	Actual number of shares after the transaction	Number of shares used to calculate earnings per share
2021			
Number of shares at the beginning of the year	-	1 829 381	1 829 381
Number of shares at the end of the year	-	1 829 381	1 829 381
Weighted average number of shares:			**1 829 381**
Number of stock options for HansaMatrix AS employees			12 650
Warrant issued by the EIB			205 298
Potential number of shares			**2 047 329**
2022			
Number of shares at the beginning of the year	-	1 829 381	1 829 381
Number of shares at the end of the year	550	1 834 881	1 834 881
Weighted average number of shares:			**1 832 131**
Number of stock options for HansaMatrix AS employees			9 350
Warrant issued by the EIB			205 298
Adjusted number of shares			**2 046 779**

	2022	**2021***
		Adjusted
	EUR	**EUR**
Net profit attributed to shareholders	(2 145 778)	(1 820 676)
Weighted average number of shares	1 832 131	1 829 381
Earnings per share (EUR):	(1.17)	(1.00)
Net profit attributed to shareholders	(2 145 778)	(1 820 676)
Potential number of shares	2 046 779	2 047 329
Diluted earnings per share (EUR):	(1.04)	(0.89)

In 2022, HansaMatrix did not pay dividends.

16. Intangible assets

Group

	ODM assets	Other intangible assets	Goodwill	TOTAL
	EUR	EUR	EUR	EUR
COST				
As at 31 December, 2020	**319 084**	**1 723 630**	**360 653**	**2 403 367**
Additions	123 445	225 013	-	348 458
Disposals	(1 197)	(18 172)	-	(19 369)
Impairment	-	-	(360 653)	(360 653)
As at 31 December, 2021	**441 332**	**1 930 471**	-	**2 371 803**
Additions	868 665	134 041	-	1 002 706
Disposals	(7 822)	(101 905)	-	(109 727)
December 31st, 2022	**1 302 175**	**1 962 607**	-	**3 264 782**
ACCUMULATED AMORTIZATION				
December 31st, 2020	**8 609**	**1 147 924**	-	**1 156 533**
Additions	39 107	237 463	-	276 570
Disposals	(1 197)	(17 827)	-	(19 024)
December 31st, 2021	**46 519**	**1 367 560**	-	**1 414 079**
Amortization	72 307	249 286	-	321 593
Disposals	(7 823)	(98 247)	-	(106 070)
Transfers	479	-	-	479
December 31st, 2022	**111 482**	**1 518 599**	**-**	**1 630 081**
NET CARRYING AMOUNT				
December 31st, 2021	**394 813**	**562 911**	-	**957 724**
December 31st, 2022	**1 190 693**	**444 008**	-	**1 634 701**

16. Intangible assets

Parent company

	Other intangible assets	TOTAL
	EUR	EUR
COST		
December 31st, 2020	**1 443 739**	**1 443 739**
Additions	211 422	**211 422**
Disposals	(14 785)	**(14 785)**
December 31st, 2021	**1 640 376**	**1 640 376**
Additions	127 083	127 083
December 31st, 2022	**1 767 459**	**1 767 459**
ACCUMULATED AMORTIZATION		
December 31st, 2020	**892 849**	**892 849**
Amortization	220 731	**220 731**
Disposals	(14 785)	**(14 785)**
December 31st, 2021	**1 098 795**	**1 098 795**
Disposals	233 675	233 675
December 31st, 2022	**1 332 470**	**1 332 470**
NET CARRYING AMOUNT		
December 31st, 2021	**541 581**	**541 581**
December 31st, 2022	**434 989**	**434 989**

A number of intangible assets that have been fully written off in amortization costs are still actively used in core operations. The total cost value of such intangible assets at the end of the reporting year was as follows:

	Group		Parent company	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
	EUR	**EUR**	**EUR**	**EUR**
Cost of amortized intangible assets	1 056 786	1 003 666	878 988	758 053

17. Fixed assets

Group

	Land and buildings	Equipment and machinery	Other fixtures and fittings, tools and equipment	Right-of-use asset (Note 32)	Leasehold improvements	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
COST/REVALUED VALUE							
As at December 31st, 2020	**5 702 227**	**14 278 514**	**2 743 323**	**4 266 349**	**254 999**	**2 369 063**	**29 614 475**
Additions	-	382 993	172 828	1 887 833	51 524	164 788	2 659 966
Disposals	(32 123)	(69 775)	(49 050)	(67 749)	(1 781)	(89 179)	(309 657)
Revaluation	214 960	-	-	-	-	-	214 960
Reclassification	377 434	-	-	-	-	(377 434)	-
As at December 31st, 2021	**6 262 498**	**14 591 732**	**2 867 101**	**6 086 433**	**304 742**	**2 067 238**	**32 179 744**
Additions	18 928	46 447	194 768	635 034	11 557	49 248	955 982
Disposals	-	(11 165)	(267 154)	(425 020)	(35 669)	-	(739 008)
Correction, including lease period change	-	-	-	(1 389 983)	-	-	(1 389 983)
Reclassification	-	-	-	-	-	(52 165)	(52 165)
As at December 31st, 2022	**6 281 426**	**14 627 014**	**2 794 715**	**4 906 464**	**280 630**	**2 064 321**	**30 954 570**
ACCUMULATED DEPRECIATION/IMPAIRMENT							
As at December 31st, 2020	**2 274 058**	**10 077 479**	**2 184 971**	**1 473 420**	**164 889**	**-**	**16 174 817**
Depreciation	199 440	867 643	247 545	975 228	20 975	-	2 310 831
Impairment of assets	-	-	-	-	-	996 933	996 933
Disposals	-	(69 775)	(45 532)	(22 213)	(1 781)	-	(139 301)
As at December 31st, 2021	**2 473 498**	**10 875 347**	**2 386 984**	**2 426 435**	**184 083**	**996 933**	**19 343 280**
Depreciation	236 734	843 182	221 415	903 706	22 091	-	2 227 128
Disposals	-	(4 705)	(237 001)	(223 490)	(35 669)	-	(500 865)
Correction, including lease period change	-	-	-	(1 822 404)	-	-	(1 822 404)
Impairment of assets	-	-	-	-	-	806 000	806 000
Disposals	-	-	(479)	-	-	-	(479)
As at December 31st, 2022	**2 710 232**	**11 713 824**	**2 370 919**	**1 284 247**	**170 505**	**1 802 933**	**20 172 472**
NET CARRYING AMOUNT							
As at December 31st, 2021	**3 789 000**	**3 716 385**	**480 117**	**3 659 998**	**120 659**	**1 070 305**	**12 836 464**
As at December 31st, 2022	**3 571 194**	**2 913 190**	**423 796**	**3 622 217**	**110 125**	**261 388**	**10 901 910**

Fixed assets

Parent company

	Land and buildings	Equipment and machinery	Other fixtures and fittings, tools and equipment	Right-of-use asset (Note 32)	Leasehold improvements	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
COST/REVALUED VALUE							
As at 31 December 2020	**5 702 227**	**5 530 113**	**369 075**	**651 379**	**51 876**	**362 360**	**12 667 030**
Additions	-	295 982	17 463	428 037	-	35 220	776 702
Disposals	(32 122)	(62 210)	(38 860)	(67 749)	-	(20 146)	(221 087)
Revaluation	214 959	-	-	-	-	-	214 959
Reclassification	377 434	-	-	-	-	(377 434)	-
As at 31 December 20201	**6 262 498**	**5 763 885**	**347 678**	**1 011 667**	**51 876**	-	**13 437 604**
Additions	18 928	17 413	49 853	580 670	2 275		669 139
Correction, including lease period adjustment	-	-	-	(113 469)	-	-	(113 469)
December 31st, 2022	**6 281 426**	**5 781 298**	**397 531**	**1 478 868**	**54 151**	-	**13 993 274**
ACCUMULATED DEPRECIATION							
As at 31 December 2020	**2 274 058**	**2 765 080**	**279 188**	**135 214**	**51 876**	-	**5 505 416**
Charge for the year	199 440	511 323	34 560	206 022	-	-	951 345
Disposals	-	(62 210)	(38 860)	(22 213)	-	-	(123 283)
As at 31 December 2021	**2 473 498**	**3 214 193**	**274 888**	**319 023**	**51 876**	-	**6 333 478**
Charge for the year	236 734	515 303	35 441	223 527	569	-	1 011 574
Correction, including lease period adjustment	-	-	-	(240 137)	-	-	(240 137)
As at 31 December 2022	**2 710 232**	**3 729 496**	**310 329**	**302 413**	**52 445**	-	**7 104 915**
NET CARRYING AMOUNT							
As at 31 December 2021	**3 789 000**	**2 549 692**	**72 790**	**692 644**	-	-	**7 104 126**
As at 31 December 2022	**3 571 194**	**2 051 802**	**87 202**	**1 176 455**	**1 706**	-	**6 888 359**

The Group at least once a year evaluates whether there is any indication that non-current assets are impaired. If any such indication exists, the Group performs an impairment test to evaluate the possible impairment need.

As at December 31, 2022, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. Based on the assessment performed, management has concluded that there are no indications of impairment of non-current assets as at December 31, 2022, except for impairment of construction in progress and land (see Note 10).

A number of assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the year was as follows:

	Group		Parent company	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
	EUR	**EUR**	**EUR**	**EUR**
Costs of depreciated assets	9 479 266	7 358 294	2 199 559	351 148

Fixed assets

Pledges and other restrictions on title

The Group has pledged its movable and immovable properties at Akmeņu street 72 and 74, Ogre, as security for all the loans granted by AS SEB Banka (see Note 31).

The total depreciation costs of fixed assets and intangible assets are included in the following items of the statement of comprehensive income:

	Group		Parent company	
	2022 EUR	**2021 EUR**	**2022 EUR**	**2021 EUR**
Cost of sales (Note 5)	2 179 263	2 112 131	1 001 385	933 793
Costs of research and product development (Note 5)	-	104 826	-	-
Administrative expense (Note 7)	369 458	370 444	243 864	238 283
TOTAL:	**2 548 721**	**2 587 401**	**1 245 249**	**1 172 076**

Real estate revaluation

Revaluation is carried out regularly (not less than once every 5 years) to ensure that the carrying amount of real estate (land and buildings) does not differ significantly from that which would be determined using fair value at the end of the reporting period. Reassessment is carried out by certified valuators.

If land and building value were to be determined using a cost model, the carrying amount would be as follows:

	31.12.2022 EUR	**31.12.2021 EUR**
Costs	3 078 631	3 059 703
Accumulated depreciation and impairment	(1 338 041)	(1 244 802)
Net carrying amount	**1 740 590**	**1 814 901**

18. Investment in subsidiaries

Investments in subsidiaries (Parent company)

			Parent Company's investment		Financial data of the investee			
			31.12.2022	31.12.2021	2022 Statement of Compre-hensive Income	31.12.2022 Equity	2021 Statement of Compre-hensive Income	31.12.2021 Equity
Company	**Business**	**%**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Subsidiaries								
SIA HansaMatrix Ventspils (Latvia)	Integrated production at Ventspils plant	100	426 862	426 862	315 998	1 654 417	41 870	1 338 419
SIA HansaMatrix Innovation* (Latvia)	Development of new products; creation and licensing of intellectual property; prototyping	100	300 000	300 000	2 051	967 052	81 268	965 001
SIA HansaMatrix Pārogre (Latvia)	Integrated production at the Pārogre plant	100	200 000	200 000	348 063	1 589 234	259 782	1 241 170
SIA Zinātnes Parks (Latvia) since 30.04.2019.	Development of high-tech industrial park infrastructure at Riga Airport	100	-	-	(982 062)	(1 645 187)	(1 114 392)	(663 125)
AS Lightspace Holding (Latvia) since 27.12.2021		100	7 377 673	9 396 268	(2 019 144)	7 560 612	-	9 579 756
Total subsidiaries			**8 304 535**	**10 323 130**	**(2 335 094)**	**10 126 128**	**(731 472)**	**12 461 221**

* In 2021, the value of the investment is completely reduced (note 10).

Investment in subsidiaries

SIA "HansaMatrix Ventspils"

" (hereinafter - HansaMatrix Ventspils) is a subsidiary company founded on November 1, 2005 with the aim of creating the second HansaMatrix production facility at a sufficient distance from the Riga region to have a reasonably separate labour market.

Currently, the functions of HansaMatrix Ventspils are to provide integrated production services mostly to customers who need complete manufacturing of products by assembling them in a box (box build). The implemented business model envisages the sale of monthly production services to the parent company, which realizes the added value chain from the procurement of raw materials and components to the sale of manufactured products to customers.

The equity of HansaMatrix Ventspils as of December 31, 2022 was 1,654 thousand. EUR, and its 2022 profit is 316 thousand. EUR. The parent company plans to increase the volume of orders for this subsidiary company and expand its cooperation with it. The equity value of HansaMatrix Ventspils exceeds the accounting value of the investment in the parent company's balance sheet, which was 427 thousand on December 31, 2022. EUR. The Parent company believes that the investment in the capital of HansaMatrix Ventspils is fully recoverable.

SIA "HansaMatrix Innovation"

(hereinafter– HansaMatrix Innovation) is a subsidiary, established on 6 August 2014. The Company was established to develop new products, automation solutions and innovations, as well as to develop a rapid industrialization of products, including the manufacture of prototypes, offering a "fast time to market" solution for new products.

The share capital of SIA HansaMatrix Innovation is EUR 300 000 and consists of 3 000 shares. The par value of each share is EUR 100. The shares are owned by AS HansaMatrix (100%).

As of December 31, 2022 the share capital of HansaMatrix Innovation was EUR 967 thousand and profit for year 2022 – EUR 2 thousand. The share capital value of HansaMatrix Innovation exceeds the accounting value of the investment in the parent company's balance sheet, which was EUR 300 thousand as of December 31, 2022. The parent company believes that the investment in the capital of HansaMatrix Innovation is fully recoverable.

SIA "HansaMatrix Pārogre"

(hereinafter – HansaMatrix Pārogre) is a subsidiary, established on 30 September 2015 to transform the business model of the Pārogre (Ogre) manufacturing plant, namely, from a structural unit of the Parent Company to a separate related entity.

HansaMatrix Pārogre offers integrated manufacturing services mostly to those clients, who need high complexity manufacturing processes, such as printed circuit boards and miniaturized modules, or box build processes. The business model entails selling monthly manufacturing services to the Parent Company, who manages the added value chain from raw materials and component sourcing to selling the final product to the client.

As of December 31, 2022 the share capital of HansaMatrix Parogre was EUR 1 589 thousand, and profit for year 2022 – EUR 348 thousand. The parent company plans to increase the volume of orders for this subsidiary, as well as to increase the utilization of its capacities. The equity value of HansaMatrix Pārogre exceeds the accounting value of the investment in the parent company's balance sheet, which was EUR 200,000 on December 31, 2022. The parent company believes that the investment in the capital of HansaMatrix Pārogre is fully recoverable.

Investment in subsidiaries

SIA "Zinātnes parks"

(hereinafter – Zinātnes parks) was established to develop hi-tech products for electronics and optics companies as well as infrastructure for an industrial park at Riga Airport. Since April 30, 2019, SIA "Zinātnes parks" belongs to AS "HansaMatrix" concern, and since 25.09.2020, SIA Zinātnes parks is a 100% subsidiary of HansaMatrix.

In 2022, the Group carried out a value revaluation of the investments of SIA Zinātnes parks in the amount of EUR 0.806 million, due to a significant decrease in the construction costs of new industrial facilities, as well as the general interest of investors in this industrial facility under the influence of the macroeconomic situation.

At the end of the reporting period, the value of the Group's assets related to the investments of SIA Zinātnes parks amounted to EUR 250 thousand, which 100% consists of the capitalized costs of creating fixed assets.

In 2022, the Parent company carried out a revaluation of the investments of SIA Zinātnes parks in the amount of EUR 1.001 million due to the aforementioned reasons for write-offs at the Group level.

At the end of the reporting period, the total investments of the parent company SIA Zinātnes parks amounted to EUR 150 thousand, which 100% consists of a convertible loan.

The investments received from HansaMatrix are used for land plot rental payments to VAS Starptautiskā lidosta Rīga, the coverage of property management costs and loan repayments to AS SEB banka.

The value of the investment of the Group and the parent company SIA Zinātnes parks is determined taking into account the possible level of interest of the investors/buyers of the industrial project for this object in the process of public auctions organized by the Group in the 4th quarter of 2022 and the 1st quarter of 2023.

AS "Lightspace holding"

HansaMatrix's subsidiary AS "Lightspace holding" was founded on December 27, 2021. As of the end of 2022, HansaMatrix owned 100% of AS "Lightspace holding", which in turn owned 53.39% of Lightspace Group Inc (USA, Delaware corporation), which is the owner of 100% of the shares of SIA "Lightspace technologies". The other shareholders of Lightspace Group Inc are KS BaltCap Latvia Venture Capital Fund AIF KOM (13.75%); SIA Macro Riga (5.82%); Ilmārs Osmanis (6.49 %). AS "Lightspace holding" and Lightspace Group Inc are holding companies.

In 2022, HansaMatrix did not make additional investments in AS Lightspace holding.

In 2022, the Parent company carried out a fair value revaluation of investments in AS Lightspace holding in the amount of EUR 2.019 million, related to the revaluation of the fair value of AS Lightspace holding's investment in Lightspace Group Inc, which was affected by the general macroeconomic situation, increased interest rates, which reduced investors' appetite for investments in startups. The fair value of AS Lightspace holding's investment Lightspace Group Inc was determined using the value of SIA Lightspace technologies, which is 100% owned by it, obtained from third-party investment transactions in this company in June 2022.

At the end of the reporting period, the fair value of HansaMatrix's investment in AS Lightspace holding reached EUR 7 378 thousand, which basically consisted of the assets of AS Lightspace holding, the investment in Lightspace group Inc, and the receivables of SIA Lightspace technologies.

Income from investments in subsidiaries

In 2021 and 2022, the Parent Company did not receive any dividends from its subsidiaries.

19. Loan to a related company

	Group		Parent company	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Convertible loan to SIA Zinātnes Parks	-	-	1 817 699	1 421 720
Changes in fair value of loan to SIA Zinātnes Parks	-	-	(1 667 699)	(665 720)
Loan to SIA HansaMatrix Innovation	-	-	651 033	954 855
TOTAL:	**-**	**-**	**801 033**	**1 710 855**
Short-term	-	-	-	756 000
Long-term	-	-	801 033	954 855

Convertible loan to SIA "Zinātnes Parks" is measured at fair value with a change in profit or loss.
The loan to SIA HansaMatrix Innovation is measured according to the amortized cost method.

20. Investments in associates

			The contribution of the Parent Company		Financial data of the investee			
			31.12.2022	31.12.2021	2022 Income statement (unaudited)	31.12.2022 Equity (unaudited)	2021 Income statements (audited)	31.12.2021 Equity (audited)
Company	**Business**	**%**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Associate								
SIA Lightspace Technologies (Latvia)	Development and commercialization of 3D display technologies	67.70% / 53.85% from 30.06.2022/ 53.39% from 22.08.2022	-	-	(2 360 975)	6 467 980	(1 346 895)	6 185 642

Investments in associates are stated in the consolidated financial statements under the equity method.

Investments in associates

SIA "Lightspace Technologies"

is a 3D photonics and optical solutions company, which has become a global technology leader in AR VR multifocal heads, as well as in the development of future 3D image display technologies, with applications in medicine, science, defense industry, as well as gaming, entertainment and multimedia areas.

As of the end of 2022, HansaMatrix owned 100% of AS "Lightspace holding", which in turn owned 53.39% of Lightspace Group Inc (USA, Delaware corporation), which is the owner of 100% of the shares of SIA "Lightspace technologies". The other shareholders of Lightspace Group Inc are KS BaltCap Latvia Venture Capital Fund AIF KOM (13.75%); SIA Macro Riga (5.82%); Ilmārs Osmanis (6.49 %).

At the end of the reporting period, the investments of the 100% owned subsidiary of the Parent company AS Lightspace holding in SIA Lightspace Technologies (through Lightspace Group Inc) amounted to 6 677 thousand. EUR, consisting of paid-up capital.

At the end of the reporting period, the value of the Group's assets related to investments in SIA Lightspace Technologies amounted to 4 818 thousand. EUR (accounted for at consolidated level using the equity method).

Investing in Ltd. "Lightspace Technologies" (Group)

	2022 EUR	2021* Restated EUR
Group's share SIA Lightspace Technologies	67.70% / 53.85%/ 53.39%	49.86% / 67.70%
The value of the investment	8 671 622	3 709 889
Conversion of the loan into shares	-	4 961 733
Total value of the investment	8 671 622	8 671 622
Annual losses of SIA Lightspace technologies attributable to SIA Lightspace technologies for majority shareholder	(2 360 975)	(1 346 895)
The group's share of the association's losses as recognised in the combined income statement for the financial year	(1 420 907)	(705 687)
Total accumulated losses attributed to the value of the investment	(3 854 096)	(2 433 189)
Investment balance sheet value (group)	**4 817 526**	**6 238 433**

In 2022, HansaMatrix and AS Lightspace holding did not make additional investments in Lightspace Group Inc and SIA Lightspace Technologies, while other investors made investments in Lightspace Group Inc, AS Lightspace holding's % participation in Lightspace Group Inc in 2022 decreased from 67.7% to 53.39 %.

	2022 EUR	2021 EUR
Net assets of the associate (unaudited)	6 467 980	6 185 642
Proportional share of the group in the associated company	**3 453 254**	**4 187 680**
Conversion of convertible loans into fixed capital without special attribution to the investment beneficiary's assets and liabilities/change in % participation	1 364 272	2 050 753
Carrying amount of the investment in an associate (Group)	**4 817 526**	**6 238 433**

The Group does not have control over Lightspace Group Inc and SIA Lightspace technologies, because all significant decisions regarding the operation of Lightspace Group Inc and SIA Lightspace technologies, in accordance with the statutes of these companies and in accordance with the shareholders' agreement concluded by the members of Lightspace Group Inc, cannot be made by the representatives of the Group companies as Lightspace group shareholders alone.

Taking into account the additional challenges caused by the overall macroeconomic situation, on March 28, 2023, SIA EUROLCDS, a subsidiary of SIA Lightspace Technologies, which has been producing liquid crystal display products in Ventspils since 2013, the Board of Directors has submitted a request to the court to initiate legal protection proceedings (hereinafter – LPP) (please see note 49 of the financial statements).

21. Investments in other companies

Strategic investments in service organizations:

		Group		Parent company	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
	%	EUR	EUR	EUR	EUR
Investments					
SIA "LEO RESEARCH CENTER" (Latvia)	10,43	-	-	711	711
SIA "LEO RESEARCH CENTER" (Latvia)	14,6	996	995	-	-
Savings for investment		16 396	-	16 396	-
Fair value of SIA "LEO RESEARCH CENTRS"		**17 392**	**995**	**17 107**	**711**
Buildit Latvia Seed Fund (Latvia)	6,67	82 788	44 168	82 788	44 168
Provisions for investment		(20 581)	-	(20 581)	-
Fair value of Buildit Latvia Seed Fund (Latvia)		**62 207**	**44 168**	**62 207**	**44 168**
SIA "LEITC" (Latvia)	4,25	16 418	16 419	16 418	16 419
Provisions for investment		(927)	-	(927)	-
Fair value of SIA "LEITC"		**15 491**	**16 419**	**15 491**	**16 419**
	TOTAL:	**95 090**	**61 582**	**94 805**	**61 298**

SIA "LEO Pētījumu centrs" (hereinafter - SIA LEO Pētījumu centrs) unites scientific partners and businessmen, and its goal is to increase the competitiveness of businessmen by promoting the cooperation of research and industrial sectors in the implementation of industrial research, new product and technology development projects. As of the end of 2022, HansaMatrix owns 11.12% and SIA HansaMatrix Ventspils owns 4.44% in this company, respectively, the share of the shares owned by the Group in SIA "LEO Prasintu" is 15.56%.

SIA "LEITC" (hereinafter - SIA LEITC) is a Latvian electronics equipment testing center that offers consulting and complex testing services in the field of electronic equipment production in accordance with more than 25 European Union standards and directives. SIA LEITC provides testing of electronic devices, as a result of which a test report is obtained, which confirms the product's compliance with EU directives and a certificate/authorization for marking the product with the CE mark is obtained, which means that the product complies with the European safety directive. As of the end of 2022, HansaMatrix owns 4.25% of the share capital of SIA "LEITC".

The fair value of HansaMatrix's investment in SIA LEITC and SIA LEO RESEARCH CENTRS is based on the accounting value of the companies' book value of equity.

On 12 June 2018, HansaMatrix entered into a subscription agreement with SIA AIFP Buildit Latvia committing to invest EUR 150 000 EUR and become a 6.67% partner in KS Buildit Latvia Seed Fund AIF (hereinafter – the Fund). The Fund is a VAS Latvijas Attīstības finanšu institūcija Altum co-operational acceleration fund managed by SIA AIFP Buildit Latvia. KS Buildit Latvia Seed Fund AIF plans investing in one period maximum up to EUR 250 thousand in one start-up focusing on the Internet of Things and hardware sectors. The investment corresponds to the strategy of HansaMatrix facilitating knowledge exchange and creating synergies to the company through the cooperation with start-ups.

The term of the fund's investment period is until June 20, 2024. The deadline for the Funds operations is set by June 20, 2026. The meeting of the Fund's investors may decide on the extension of its operations by one year. No more than two one-year extension decisions may be passed.

HansaMatrix determines the fair value of investments in the Fund using the net asset value of the Fund, relying that the Fund, as described in the management report and notes to the Fund annual report, has established and applies the procedures of fair value measuring in its financial reports.

22. Other financial assets and liabilities

Other financial liabilities

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
EIB Convertible warrants	1 335 898	1 880 003	1 335 898	1 880 003
TOTAL:	**1 335 898**	**1 880 003**	**1 335 898**	**1 880 003**
Current	1 335 898	-	1 335 898	-
Non-current	-	1 880 003	-	1 880 003

On December 3, 2018, AS HansaMatrix and the EIB signed a financing agreement worth EUR 10 million (the amount of financing used by the end of 2022 is EUR 6 million) in order to expand the Company's production capacity and create a more comprehensive business model. This funding is made possible by the European Fund for Strategic Investments (EFSI), the centrepiece of the Investment Plan for Europe.

On December 6, 2018, in fulfillment of the terms of the concluded financing agreement with the EIB, HansaMatrix issued 205,298 convertible warrants (warrants), the holder of which is the EIB and which are freely convertible at the discretion of the holder to 205,298 HansaMatrix shares, by issuing new shares, with the condition, that EIB acquiring 10% of the total share capital of AS "HansaMatrix".

The convertible warrant securities of the European Investment Bank (EIB) are reflected in the balance sheet at fair value, the changes of which are reflected in the profit or loss of the relevant period. The fair value of convertible warrants is determined using the Black-Scholes model. The value calculation depends, among other things, on the weighted average share market price on the date of the annual report, the purchase price of the option (1 EUR per share), the average share price fluctuation rate (volatility) of the last 4 years - 40.37%, the term of the contract and others criteria.

In 2022, as the average HansaMatrix share price on the stock exchange decreased, the real value of the convertible warrant securities also decreased and amounted to EUR 1.3 million at the end of 2022.

23. Inventories

	Group		Parent company	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
	EUR	**EUR**	**EUR**	**EUR**
Raw materials and consumables (at cost)	7 797 882	4 300 684	7 452 035	3 975 594
Allowance for raw materials and consumables	(314 999)	(344 911)	(310 956)	(339 598)
TOTAL:	**7 482 883**	**3 955 773**	**7 141 079**	**3 635 996**

The total value of inventories used in 2022 amounted to EUR 13 842 771 and in 2021 - EUR 8 526 407.

Movement in allowances for slow-moving items

	Group		Parent company	
	2021	**2020**	**2021**	**2020**
	EUR	**EUR**	**EUR**	**EUR**
At the beginning of the year	**344 911**	**244 851**	**339 598**	**239 476**
Decrease in allowance	(75 066)	(52 140)	(73 513)	(50 495)
Created in the reporting year	45 154	152 200	44 871	150 617
At the end of the year	**314 999**	**344 911**	**310 956**	**339 598**

Changes in allowances are recognized under cost of sales (Note 5 to the Notes to the Financial Statements).

The Group has pledged its inventories as security for all the loans granted by AS SEB bank (Note 31).

24. Trade receivables arising from contracts with customers

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Trade receivables without factoring	1 380 590	1 165 568	438 119	304 101
Provisions for expected credit losses/doubtful debtors	(6 735)	(4 336)	(1 093)	(2 108)
TOTAL:	**1 373 855**	**1 161 232**	**437 026**	**301 993**
Receivables under factoring	2 650 089	1 773 416	2 650 089	1 773 416
Advance payments received for factoring	(2 105 235)	(1 280 947)	(2 105 235)	(1 280 947)
TOTAL:	**1 918 709**	**1 653 701**	**981 880**	**794 462**

On 11 December 2018, HansaMatrix signed new factoring agreements with SEB līzings for the total amount of EUR 2.41 million to be used for financing of working capital and operations, including export transactions. The agreements expire on 30 November 2023.

Trade receivables are non-interest bearing and are generally on 30-60 days' terms.

As at 31 December 2022, the ageing analysis of the receivables may be specified as follows:

	Total	Not past due	Past due				
			<30	30-60	60-90	90-120	>120
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Applied ECL, %		**0.30%**	**1%**	**5%**	**10%**	**15%**	**40%-100%**
Group							
Other trade receivables, gross	1 380 590	1 275 029	78 198	5 000	7 863	5 000	9 500
Allowances for expected credit losses	(6 735)	(367)	(782)	(250)	(786)	(750)	(3 800)
2022	**1 373 855**	**1 274 662**	**77 416**	**4 750**	**7 077**	**4 250**	**5 700**
Parent company							
Other trade receivables, gross	438 119	352 229	73 494	3 945	8 451	-	-
Allowances for expected credit losses	(1 093)	(363)	(730)	-	-		
2022	**437 026**	**351 866**	**72 764**	**3 945**	**8 451**	**-**	**-**

As at 31 December 2021, the ageing analysis of the receivables may be specified as follows:

	Total	Not past due	Past due				
			<30	30-60	60-90	90-120	>120
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Applied ECL, %		**0.30%**	**1%**	**5%**	**10%**	**15%**	**40%-100%**
Group							
Other trade receivables, gross	1 165 568	1 022 294	121 167	10 115	10 000	-	1 992
Allowances for expected credit losses	(4 336)	(664)	(1 212)	(468)	-	-	(1 992)
2021	**1 161 232**	**1 021 630**	**119 955**	**9 647**	**10 000**	**-**	**-**
Parent company							
Other trade receivables, gross	304 101	174 320	120 413	9 368	-	-	-
Allowances for expected credit losses	(2 108)	(435)	(1 204)	(469)	-	-	-
2021	**301 993**	**173 885**	**119 209**	**8 899**	**-**	**-**	**-**

25. Receivables from related companies from contracts with customers

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
SIA "HansaMatrix Pārogre"	-	-	9 220	7 930
SIA "HansaMatrix Ventspils"	-	-	17 999	4 334
TOTAL:	**-**	**-**	**27 219**	**12 264**

The Parent company evaluates receivables from related companies as a separate receivable portfolio, taking into account that historically the unrecovered debts for this portfolio were equal to 0, in 2022 no ECL is being recognized.

26. Other receivables

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Overpaid VAT	-	129 917	-	-
Security deposit	162 424	94 726	148 192	89 863
Contribution to the united tax account	7 490	55 539	7 388	18 788
Other customers	24	1 452	24	1 424
Overpaid VAT	1 880	690	1 819	-
TOTAL:	**171 818**	**282 324**	**157 423**	**110 075**

27. Cash and cash equivalents

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Cash at bank	739 741	451 210	654 702	290 136
TOTAL:	**739 741**	**451 210**	**654 702**	**290 136**

Cash and cash equivalents by currency profile:

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
EUR	737 588	399 524	652 549	238 606
USD	2 153	51 686	2 153	51 530
TOTAL:	**739 741**	**451 210**	**654 702**	**290 136**

No estimated credit losses have been recognized for cash and cash equivalents as estimated credit losses considered to be clearly immaterial taking into account nature of banking relationship and assessment of creditworthiness of financial institutions.

28. Share capital

As at 31 December 2022, the parent company's share capital is EUR 1 834 881 (December 31st, 2021: 1 829 381 EUR). The nominal value of one share is 1 EUR (December 31st, 2021: 1 EUR). All the shares are fully paid.

Since 12 July 2016 Shares of the parent company are listed on the Riga Stock Exchange, Latvia. Changes in the number and nominal value of shares are reflected in the following table:

	Number of shares	Nominal value, EUR	Share capital, EUR	Share premium, EUR
31.12.2022	**1 834 881**	**1**	**1 834 881**	**2 465 994**
31.12.2021	**1 829 381**	**1**	**1 829 381**	**2 435 579**

The largest shareholders of the parent company (above 5% of the share capital):

	31.12.2022		31.12.2021	
Major shareholders (over 5% of equity interest) **Shareholder**	**Number of shares and votes**	**Equity interest**	**Number of shares and votes**	**Equity interest**
SIA MACRO RĪGA	472 953	25.78%	559 282	30.57%
ZGI-4 AIF KS	275 562	15.02%	275 562	15.06%
KS BaltCap Latvia Venture Capital Fund	182 000	9.92%	182 000	9.95%
KS FlyCap Investment Fund I AIF	162 632	8.86%	162 632	8.89%
Funds managed by IPAS CBL Asset Management	120 000	6.54%	120 000	6.56%
Funds managed by Swedbank Investeerimisfondid AS	99 038	5.40%	99 038	5.41%
Funds managed by Swedbank Ieguldījumu Pārvaldes Sabiedrība AS	93 369	5.09%	93 369	5.10%
Other	429 327	23.40%	337 498	18.45%
TOTAL:	**1 834 881**	**100%**	**1 829 381**	**100%**

29. Reserves

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Share capital denomination reserve	313	313	313	313
Share option reserve	32 080	50 346	32 080	50 346
TOTAL:	32 393	50 659	32 393	50 659

30. Non-current asset revaluation reserve

Real estate was revalued in 2007, 2012, 2017 and 2021 by certified valuators. Revaluation is performed on a regular basis, which is at least every five years. Land and buildings are stated at their revalued amount, which is equal to the fair value at the revaluation date less any subsequent accumulated depreciation and impairment. The measurement of the fair value disclosed herein is classified as Level 3 — fair value measurements using significant unobservable inputs.

As a result, the carrying amount of the real estate was increased as follows: by EUR 1 989 062 in 2007, by EUR 237 251 in 2012, by EUR 793 644 in 2017, and by EUR 214 959 in 2021. The revaluation reserve for the building is transferred to retained earnings over the useful life of the asset. The revaluation reserve established for the land remains unchanged.

	Group		Parent company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Revaluation reserve (building)	1 760 461	1 651 518	1 760 461	1 651 518
Transferred to retained earnings	(143 495)	(123 693)	(143 495)	(123 693)
Revaluation of buildings - reserve changes	-	232 636	-	232 636
	1 616 966	**1 760 461**	**1 616 966**	**1 760 461**
Revaluation reserve (land)	245 761	263 438	245 761	263 438
Revaluation land - reserve changes	-	(17 677)	-	(17 677)
	245 761	**245 761**	**245 761**	**245 761**
TOTAL:	**1 862 727**	**2 006 222**	**1 862 727**	**2 006 222**

31. Loans from credit institutions

The Group has received the following loans from AS "SEB Banka" and the European Investment Bank:

Non-current

Initial loan Amount	Interest rate	Maturity	Group 31.12.2022 EUR	Group 31.12.2021* restated EUR	Parent company 31.12.2022 EUR	Parent company 31.12.2021* restated EUR
5 200 000 EUR	3m EURIBOR+2,3%	30.11.2023.	-	-	-	-
2 000 000 EUR	3m EURIBOR+2,1%	30.11.2023.	-	-	-	-
980 000 EUR	3m EURIBOR+2,3%	20.06.2023.	-	-	-	-
5 000 000 EUR		19.12.2023.	-	4 378 694	-	4 378 694
1 000 000 EUR		28.10.2026.	1 000 000	-	1 000 000	-
		Non-current loans from credit institutions:	**1 000 000**	**4 378 694**	**1 000 000**	**4 378 694**
		Loan agreement closing costs – non-current position	-	(5 611)	-	(5 611)
		TOTAL:	**1 000 000**	**4 373 083**	**1 000 000**	**4 373 083**

Total amount borrowed from the European Investment Bank (Note 22) EUR 6 000 000. Loan measured in the balance sheet at the amortized cost.

Current

Initial loan Amount	Interest rate	Maturity	Group 31.12.2022 EUR	Group 31.12.2021* restated EUR	Parent company 31.12.2022 EUR	Parent company 31.12.2021* restated EUR
5 200 000 EUR	3m EURIBOR+2,3%	30.11.2023.	1 320 139	1 800 190	1 320 139	1 800 190
2 000 000 EUR	3m EURIBOR+2,1%	30.11.2023.	998 739	1 351 235	998 739	1 351 235
980 000 EUR	3m EURIBOR+2,3%	20.06.2023.	99 661	298 983	-	-
5 000 000 EUR		19.12.2023.	4 680 237	-	4 680 237	-
700 000 EUR	3m EURIBOR+2,3%	30.11.2023.	122 567	-	122 567	-
		Current loans from credit institutions:	**7 221 343**	**3 450 408**	**7 121 682**	**3 151 425**
		Accrued interest	2 354	1 471	2 354	1 471
		Loan agreement closing costs – current portion	(20 679)	(21 720)	(20 679)	(21 720)
		TOTAL:	**7 203 018**	**3 430 159**	**7 103 357**	**3 131 176**

*2021. on December 31, 2010, the Group had not fulfilled the conditions of a non-current loan issued by a credit institution. Based on the loan agreement, the credit institution had the right to demand early repayment of the loan. In the reports of the financial position of the Group and the Parent company, the distribution of bank loans on December 31, 2021 in the amount of EUR 998,739 is specified - it is transferred from non-current borrowings from credit institutions to current borrowings from credit institutions.

Loans from credit institutions

On 22 December 2017, a loan agreement for EUR 4 900 000 and a credit line agreement for EUR 600 000 maturing within one year were signed with AS SEB banka. The credit line is reviewed annually and extended for another one-year period. In 2020, an agreement on increasing the credit line limit was signed; the amount of the credit line is EUR 700 000 and it matures on 22 December 2022.

On 17 March 2019, the Parent Company signed a EUR 2 million loan agreement with AS SEB banka to obtain a partial funding for the implementation of project No 1.2.1.4/16/A/021 "Development of Experimental Production of 3D Volumetric Imaging Equipment and its Components" under activity 1.2.1.4 "Support in introduction of new products into production" of specific objective 1.2.1 "To increase investments of private sector in R&D" of the operational program "Growth and Employment". To secure the loan, the Parent Company pledged the real estate at Akmeņu iela 72 and Akmeņu iela 74, Ogre, its own movable property and established a financial pledge on its settlement accounts with AS SEB banka.

The loan amount is reduced by lending-related charges amortized over the loan term. Interest is calculated and paid on a monthly basis. Loan principal payments by their maturity dates can be specified as follows:

	Group		Parent company	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
Payable:				
In less than one year	1 000 000	3 450 408	1 000 000	3 151 425
Between one and five years	7 221 343	4 378 694	7 121 682	4 378 694
In more than five years	-	-	-	-
TOTAL:	**8 221 343**	**7 829 102**	**8 121 682**	**7 530 119**

As of 31 December 2022, the unused credit line amount available to the Group and the Parent Company was EUR 577 433 (EUR 700 000 as at 31 December 2021). As at 31 December 2022 and 2021 all the Group and Parent Company's property, plant and equipment and current assets were pledged as security for the loans received. The pledge agreements are registered in the Commercial Pledge register.

As of December 31, 2022, the Group did not fulfill several financial co-formulants specified in the financing agreements of AS SEB banka, which is explained by the impact of the global component deficit on business volumes in the second half of 2022. After the end of the reporting year, AS SEB banka has confirmed that it will not exercise its right to withdraw from financing agreements ahead of time as of 31 December 2022 due to non-fulfilment of the above-mentioned financial covenants.

32. Lease

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

Group

	Other intangible assets	Property and land	Equipment and machinery	Motor vehicles	TOTAL
	EUR	EUR	EUR	EUR	EUR
As at 31 December 2020	**5 756**	**1 701 524**	**947 617**	**138 032**	**2 792 929**
Additions	-	1 885 845	-	1 988	1 887 833
Disposals	-	-	-	(45 536)	(45 536)
Depreciation charge	(4 797)	(773 469)	(162 686)	(34 276)	(975 228)
As at 31 December 2021	**959**	**2 813 900**	**784 931**	**60 208**	**3 659 998**
Additions	-	74 834	490 550	69 650	635 034
Disposals	-	-	(184 209)	(17 321)	(201 530)
Adjustment	-	433 397	-	(975)	432 422
Depreciation charge	(959)	(738 111)	(134 842)	(29 794)	(903 706)
As at 31 December 2022	**-**	**2 584 020**	**956 430**	**81 768**	**3 622 218**

Parent company

	Other intangible assets	Property and land	Equipment and machinery	Motor vehicles	TOTAL
	EUR	EUR	EUR	EUR	EUR
As at 31 December 2020	**-**	**293 865**	**125 291**	**97 009**	**516 165**
Additions	-	426 049	-	1 988	428 037
Disposals	-	-	-	(45 536)	(45 536)
Depreciation charge	-	(165 077)	(18 177)	(22 768)	(206 022)
As at 31 December 2021	**-**	**554 837**	**107 114**	**30 693**	**692 644**
Additions	-	74 834	490 550	15 286	580 670
Adjustment	-	129 861	-	(3 193)	126 668
Depreciation charge	-	(196 921)	(16 261)	(10 345)	(223 527)
As at 31 December 2022	**-**	**562 611**	**581 403**	**32 441**	**1 176 455**

Lease

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Group		Parent company	
	2022 EUR	**2021 EUR**	**2022 EUR**	**2021 EUR**
As at beginning of the period	**3 497 804**	**2 646 642**	**662 273**	**462 142**
Additions	713 546	1 887 833	659 182	428 037
Disposals	-	(22 786)	-	(22 786)
Adjustment	304 754		104 859	-
Interest	116 836	153 496	26 139	31 620
Payments	(1 359 600)	(1 167 381)	(451 143)	(236 740)
As at end of the period	**3 273 340**	**3 497 804**	**1 001 310**	**662 273**
Current	862 242	1 042 451	303 496	207 567
Long-term	2 411 098	2 455 353	697 814	454 706

The following are the amounts recognized in profit or loss:

	Group		Parent company	
	2022 EUR	**2021 EUR**	**2022 EUR**	**2021 EUR**
Depreciation expense of right-of-use assets	903 706	975 228	223 527	206 022
Interest expense on lease liabilities	116 836	153 496	26 139	31 620
Lease origination costs	89	104	89	104
TOTAL:	**1 020 631**	**1 128 828**	**249 755**	**237 746**

Group as lessor

The Group has entered into 1 to 5 year-operating leases on office and manufacturing buildings.

For rental income recognized by the Group during the year refer to Note 8.

33. Changes in liabilities arising from financing activities

Group

	1 January 2022	Cash flows	New leases	Other	31 December 2022
	EUR	EUR	EUR	EUR	EUR
Current interest-bearing loans and borrowings (excluding items listed below)	2 433 034	(1 031 869)	-	5 801 853	7 203 018
Current lease liabilities (Note 32)	1 042 451	(1 359 600)	42 357	1 137 034	862 242
Non-current interest-bearing loans and borrowing (excluding items listed below)	5 370 208	1 000 000	-	(5 370 208)	1 000 000
Non-current lease liabilities (Note 32)	2 455 353	-	102 127	(146 382)	2 411 098
Total liabilities from financing activities	**11 301 046**	**(1 391 469)**	**144 484**	**1 422 297**	**11 476 358**

	1 January 2021	Cash flows	New leases	Other	31 December 2021
	EUR	EUR	EUR	EUR	EUR
Current interest-bearing loans and borrowings (excluding items listed below)	1 829 071	(1 687 488)	-	2 291 451	2 433 034
Current lease liabilities (Note 32)	960 475	(1 167 381)	299 879	949 478	1 042 451
Non-current interest-bearing loans and borrowings (excluding items listed below)	7 390 029	-		(2 019 821)	5 370 208
Non-current lease liabilities (Note 32)	1 686 167	-	1 587 954	(818 768)	2 455 353
Dividends	-	(54 881)	-	54 881	-
Total liabilities from financing activities	**11 865 742**	**(2 909 750)**	**1 887 833**	**457 221**	**11 301 046**

Changes in liabilities arising from financing activities

Parent company

	1 January 2022	Cash flows	New leases	Other	31 December 2022
	EUR	EUR	EUR	EUR	EUR
Current interest-bearing loans and borrowings (excluding items listed below)	2 134 051	(832 547)	-	5 801 853	7 103 357
Current lease liabilities (Note 32)	207 567	(451 143)	28 766	912 624	697 814
Non-current interest-bearing loans and borrowings (excluding items listed below)	5 370 208	-	-	(4 370 208)	1 000 000
Non-current lease liabilities (Note 32)	454 706	-	61 354	181 754	697 814
Total liabilities from financing activities	**8 166 532**	**(1 283 690)**	**90 120**	**2 526 023**	**9 498 985**

	1 January 2021	Cash flows	New leases	Other	31 December 2021
	EUR	EUR	EUR	EUR	EUR
Current interest-bearing loans and borrowings (excluding items listed below)	1 629 749	(1 488 166)	-	1 992 468	2 134 051
Current lease liabilities (Note 32)	145 583	(236 740)	72 701	226 023	207 567
Non-current interest-bearing loans and borrowings (excluding items listed below)	7 091 046	-	-	(1 720 838)	5 370 208
Non-current lease liabilities (Note 32)	316 559	-	355 336	(217 189)	454 706
Dividends	-	(54 881)	-	54 881	-
Total liabilities from financing activities	**9 182 937**	**(1 779 787)**	**428 037**	**335 345**	**8 166 532**

	1 January 2020	Cash flows	New leases	Other	31 December 2020
	EUR	EUR	EUR	EUR	EUR
Current interest-bearing loans and borrowings (excluding items listed below)	1 675 157	(749 544)	-	704 136	1 629 749
Current lease liabilities (Note 32)	90 148	(188 932)	116 030	128 337	145 583
Non-current interest-bearing loans and borrowings (excluding items listed below)	7 531 956	-	-	(440 910)	7 091 046
Non-current lease liabilities (Note 32)	117 038	-	303 066	(103 545)	316 559
Dividends	-	(54 881)	-	54 881	-
Total liabilities from financing activities	**9 414 299**	**(993 357)**	**419 096**	**342 899**	**9 182 937**

34. Deferred revenue

	Group		Parent company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Balance at the beginning of the period	**795 670**	**909 833**	**673 088**	**752 228**
Grants received	3 479	78 695	3 479	78 695
Grants returned	(531 978)	-	(531 978)	-
Released to income (Note 8)	(93 853)	(192 858)	(58 830)	(157 835)
Balance at the end of the period	**173 318**	**795 670**	**85 759**	**673 088**
Current	85 929	192 666	50 905	142 075
Non-current	87 389	603 004	34 854	531 013

Participation of the Parent company in EU projects

During the reporting period, HansaMatrix, based on strategic considerations, informed the Central Finance and Contracts Agency (CFCA) and discontinued the financing of the European Regional Development Fund (ERDF) "Development of experimental production of 3D volumetric imaging equipment and its components" of the Specific Objective 1.2.1 "Increase private sector investment in R&D" of the Operational Program "Growth and Job". As a result, the CFCA has informed HansaMatrix about the repayment of the EU funding received in connection with this project in the amount of EUR 748 thousand with a repayment deadline of December 1, 2024. The investments related to this project have mostly been made in production facilities, so HansaMatrix will assess the need and possibilities to refinance these liabilities in one of the credit institutions.

35. Advances received under contracts with customers

When cooperating with customers whose product production is material-intensive and has specific materials for which prepayments must be made, the Group receives advances. Customers make advance payments for the purchase of materials. The advances received in 2023 will be canceled when the product is sold.

	Group		Parent company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
At the beginning of the year	**1 185 335**	**788 670**	**1 064 113**	**694 030**
Recognized in revenue	(2 067 333)	(2 055 653)	(2 067 333)	(1 949 679)
Received	4 005 667	2 452 318	4 025 496	2 319 762
At the end of the year	**3 123 669**	**1 185 335**	**3 022 276**	**1 064 113**
Current	3 123 669	1 185 335	3 022 276	1 064 113
Non-current	-	-	-	-

36. Trade payables

	Group		Parent company	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
	EUR	**EUR**	**EUR**	**EUR**
Trade payables, EUR	5 863 068	4 019 566	3 947 680	2 223 535
Trade payables, USD	1 198 330	1 651 504	1 198 330	1 644 113
Trade payables, NOK	141 793	46 092	141 793	46 092
Trade payables, GBP	-	-	-	-
Trade payables, SEK	-	613	-	613
TOTAL:	**7 203 191**	**5 717 775**	**5 287 803**	**3 914 353**

Trade payables are measured at amortized cost.

Trade payables are non-interest bearing and are generally on 30-60 days' terms.

	Group		Parent company	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
	EUR	**EUR**	**EUR**	**EUR**
Trade payables without factoring	6 922 990	5 385 324	5 006 445	3 581 902
Trade payables with factoring	281 358	332 451	281 358	332 451
TOTAL:	**7 204 348**	**5 717 775**	**5 287 803**	**3 914 353**

The Group has signed a reverse factoring agreement with SIA SEB Līzings, limit 450 000 EUR. The agreement expires on 30 November 2023.

Trade payables, which are not factorized, are non-interest bearing and are generally on 30-60 days' terms.

37. Taxes and mandatory state social insurance contributions

The Group and Parent Company's taxes payable to the State budget as at 31 December 2022 and 2021 may be specified as follows:

	Group		Parent company	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
State social insurance mandatory contributions	(264 818)	(310 499)	(17 261)	(15 565)
Personal income tax	(125 264)	(77 459)	(9 082)	(8 511)
Value added tax - payable	(375 519)	(145 555)	-	-
Value added tax - overpayment	162 424	94 726	148 192	89 863
Natural resources tax	(1 476)	(1 357)	(305)	(269)
Real estate tax	(8 735)	-	(8 735)	-
Unemployment risk duty	(84)	(23)	(6)	(6)
United tax account	24	1 452	24	1 424
TOTAL:	**(613 448)**	**(438 715)**	**112 827**	**66 936**
TOTAL PAYABLE:	**(775 896)**	**(534 893)**	**(35 389)**	**(24 351)**
TOTAL RECEIVABLE (Note 26):	**162 448**	**96 178**	**148 216**	**91 287**

The term for the payment of the amount of taxes to be paid into the State budget in 2020 was extended and the long-term part of the tax payment amount is as follows:

	Group		Parent company	
	31.12.2022 EUR	**31.12.2021 EUR**	**31.12.2022 EUR**	**31.12.2021 EUR**
State social insurance mandatory contributions	(143 746)	(65 137)	-	-
Value added tax - payable	(71 771)	(44 733)	-	-
Personal income tax	(66 988)	(31 208)	-	-
TOTAL:	**(282 505)**	**(141 078)**	**-**	**-**

38. Corporate income tax

	Group		Parent company	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Corporate income tax - liabilities	(7 776)	(2 516)	(1 343)	(195)
Corporate income tax - claims		-	-	-
TOTAL:	**(7 776)**	**(2 516)**	**(1 343)**	**(195)**
TOTAL PAYABLE:	**(7 776)**	**(2 516)**	**(1 343)**	**(195)**

39. Other liabilities

	Group		Parent company	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Project financing termination costs - current	352 997	-	352 997	-
Remuneration for work	274 527	170 290	34 274	32 617
Debts to employees	-	5 275	-	-
Phone lease agreements	3 477	1 599	2 365	158
Credit card	415	-	-	-
Other creditors	5 494	118	1 027	-
TOTAL:	**636 910**	**177 282**	**390 663**	**32 775**

40. Accrued liabilities

	Group		Parent company	
	31.12.2022 EUR	31.12.2021 EUR	31.12.2022 EUR	31.12.2021 EUR
Accrued unused vacation	208 256	142 908	50 130	37 204
Other accrued liabilities	303 205	225 961	664 629	208 662
TOTAL:	**511 461**	**368 869**	**714 759**	**245 866**

41. Transactions with related parties

The largest shareholder of the parent company is SIA MACRO RĪGA, which owned as of 31.12.2022 25.78% (in 2020: 34.07%) of the shares. The following table summarizes the transactions of the Group and the Parent Company with related parties in the respective year.

			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)		Amount owed to related parties (gross)	
Related party	**Type of service**		**Group**	**Parent company**	**Group**	**Parent company**	**Group**	**Parent company**	**Group**	**Parent company**
			EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
1. Associates										
SIA "Lightspace Technologies" (share of AS "HansaMatrix" 49.86% as of 30.09.2019; 67.70% from 15.11.2021; 53.39% from 22.08.2022)	Loan	31.12.2021	-	37 956	-	42 270	-	28 692	-	37 379
		31.12.2022	-	-	-	-	-	-	-	-
	Service, purchase of materials, sales	31.12.2021	847 212	42 270	132 310	37 956	116 356	28 692	-	37 379
		31.12.2022	404 503	256 020	313 171	239 817	1 140 091	231 422	73 591	73 591
	TOTAL	**31.12.2021**	**847 212**	**80 226**	**132 310**	**80 226**	**116 356**	**57 384**	**-**	**74 758**
	TOTAL	**31.12.2022**	**404 503**	**256 020**	**313 171**	**239 817**	**1 140 091**	**231 422**	**73 591**	**73 591**
2. Entities with significant influence Over the Parent Company										
SIA "Macro Rīga" (shareholder)	Loan	31.12.2021	11 318	11 318	-	-	563 201	563 201	-	-
		31.12.2022	11 827	11 827			575 028	575 028	-	-
	Service, purchase of materials, sales	31.12.2021	1 083	254	36 300	36 300	829	-	-	-
		31.12.2022	254	182	-	-	126	-	-	-
	TOTAL	**31.12.2021**	**12 401**	**11 572**	**36 300**	**36 300**	**564 030**	**563 201**	**-**	**-**
	TOTAL	**31.12.2022**	**12 081**	**12 009**	**-**	**-**	**575 154**	**575 028**	**-**	**-**
3. Subsidiaries										
SIA "HansaMatrix Ventspils" AS "HansaMatrix" share 100%	Production services, supply of materials	31.12.2021	-	224 696	-	6 479 579	-	4 334	-	1 296 318
		31.12.2022	-	256 621	-	7 225 259	-	17 999	-	2 232 204
SIA "HansaMatrix Innovation" AS "HansaMatrix" share 100%	Production services, supply of materials	31.12.2021	-	324 089	-	1 280 815	-	-	-	354 162
		31.12.2022	-	136 730	-	542 736	-	-	-	61 105
SIA "HansaMatrix Parogre" AS "HansaMatrix" share 100%	Production services, supply of materials	31.12.2021	-	452 694	-	6 737 413	-	7 930	-	1 701 757
		31.12.2022	-	581 256	-	6 649 589	-	9 220	-	2 334 028
SIA "Zinātnes Parks" (AS "HansaMatrix" share 74.67% from 30.04.2019.)	Loan, investment in capital	31.12.2021	-	355 520	-	-	-	1 421 720	-	-
		31.12.2022	-	395 797	-	-	-	1 817 699	-	-
AS "Lightspace Holding" AS "HansaMatrix" share 100%	Contribution to share capital	31.12.2021	-	9 396 268	-	-	-	-	-	-
		31.12.2022	-	-	-	-	-	-	-	-
	TOTAL	**31.12.2021**	**-**	**10 753 267**	**-**	**14 497 807**	**-**	**1 433 984**	**-**	**3 352 237**
	TOTAL	**31.12.2022**	**-**	**1 370 404**	**-**	**14 417 584**	**-**	**1 844 918**	**-**	**4 627 337**

Transactions with related parties

The maturity of the loan issued by HansaMatrix to SIA MACRO RĪGA is no later than December 31, 2023.

The amounts owed by related parties include a loan issued by the Parent Company to its major shareholder SIA MACRO RĪGA.

		Interest charged		Amounts owed by related parties			
		2022	2021	31.12.2022		31.12.2021	
		EUR	EUR	EUR	EUR	EUR	EUR
% rate	Maturity			Current	Non-current	Current	Non-current
2.1	31.12.2022	11 827	11 318	575 028	-	563 201	-

	Group				Parent company			
	31.12.2022	**31.12.2022**	**31.12.2021**	**31.12.2021**	**31.12.2022**	**31.12.2022**	**31.12.2021**	**31.12.2021**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
	Current	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**
SIA "MACRO RĪGA"								
Loan	563 201	-	551 883	-	563 201	-	551 883	-
Interest charged	11 827	-	11 318	-	11 827	-	11 318	-
TOTAL:	**575 028**	**-**	**563 201**	**-**	**575 028**	**-**	**563 201**	**-**

The recoverability of the loan issued to SIA MACRO RĪGA is assessed under the expected credit losses model, using the following variables: Exposure at Default (EAD), Loss Given Default (LGD) and Probability of Default (PD); the latter variable value obtained from the available public data by Moody's investors service for hi-tech industry. As amount of ECL was immaterial, it is not recognized in these financial statements.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest-free (except for the loans issued).

Transactions with senior management personnel

The amounts related to key management personnel and recognized as an expense during the reporting period are disclosed in Notes 14 and 44.

42. Off-balance-sheet items

In the ordinary course of business, the Group receives raw materials from customers. Such raw materials are processed and delivered back to the respective customers. Raw materials are owned by customers and the Group accepts them only for processing. As at 31 December 2022, the total value of these materials was EUR 38 486 482 (31 December 2021: EUR 25 301 066).

On December 22, 2017, the parent company concluded a guarantee line agreement with AS "SEB banka", within which the total available bank guarantee limit for HansaMatrix amounted to EUR 0.800 million by the end of 2022. The guarantee line agreement is necessary for receiving guarantees for participation in the EU grant programs administered by the Latvian authorities and for securing the advances paid by customers. The term of the guarantee line agreement is November 30, 2023, which is generally extended annually for the next one-year period. The security of the aforementioned guarantee agreement is a commercial pledge on the assets of the Parent company. On December 31, 2022, two guarantees were issued: a) in the amount of EUR 100,000, issued to AAS "BTA Baltic Insurance Company" and b) in the amount of USD 219,505.71, issued to one of the clients to ensure an advance payment.

On 22 December 2017, the Parent Company entered into a guarantee agreement with AS SEB banka for the liabilities of SIA Zinātnes parks arising from loan agreement No 2017012425 signed with AS SEB banka on 22 December 2017. The said loan matures on November 30, 2023.

43. Commitments and contingencies

The Parent Company has pledged its real estate at Akmeņu iela 72 and Akmeņu 74, Ogre, and movable property as security for loan granted by AS SEB banka (see Note 31).

44. Share-based payment

The expenses recognized during the year for stock options granted to employees are shown in the following table:

	Group		Parent company	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Expense arising from equity-settled share-based payment transactions	17 650	48 685	17 650	48 685
TOTAL:	17 650	48 685	17 650	48 685

The calculation of share options uses price determined by HansaMatrix shareholders and included in option regulations of EUR 6.53.

The table below shows the change in the number of share options in share option contracts during the year:

	Group		Parent company	
	2022 Number	2021 Number	2022 Number	2021 Number
Outstanding at 1 January	12 650	9 550	12 650	9 550
Granted during the year	2 400	3 600	2 400	3 600
Paid out within a year	(5 500)		(5 500)	-
Forfeited during the year	(200)	(500)	(200)	(500)
Outstanding at 31 December	9 350	12 650	9 350	12 650

45. Financial risk management

The Group and Parent Company's principal financial instruments comprise loans from credit institutions, leases, cash and short-term deposits. The main purpose of these financial instruments is to ensure financing for the Group and Parent Company's operations. The Group and the Parent Company have various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations. The activities of the Group and the Parent Company expose them to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk, credit risk and cash flow risk. The Group's financial management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Foreign currency risk

The Group's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables and trade payables. The Group is mainly exposed to foreign currency risk of the U.S. dollar. In order to control foreign currency risk, trade receivables which can be potentially exposed to this risk are managed in accordance with the appropriate pricing policy. The Group is mainly exposed to foreign currency risk of the U.S. dollar (USD). The objective of the Group's financial risk management is to hedge currency risk of all expected cash flows in foreign currencies (for capital investments or purchases of materials and raw materials) that may give rise to significant currency risk.

Currency risk as at 31 December 2022 and 31 December 2021 can be specified as follows:

Group

		USD EUR	SEK EUR	NOK EUR	EUR EUR	TOTAL EUR
Trade receivables	2022	62 058	-	-	1 965 399	2 027 457
	2021	78 623	-	-	1 662 349	1 740 972
Cash	2022	2 153	-	-	737 588	739 741
	2021	51 686	-	-	399 524	451 210
Total financial assets subject to currency risk, EUR	2022	64 211	-	-	2 702 987	2 767 198
	2021	130 309	-	-	2 061 873	2 192 182
Trade payables	2022	2 153 277	-	141 793	8 032 947	10 328 017
	2021	2 130 552	613	46 092	4 725 853	6 903 110
Total financial liabilities subject to currency risk, EUR	2022	2 153 277	-	141 793	8 032 947	10 328 017
	2021	2 130 552	613	46 092	4 725 853	6 903 110
Net assets / (liabilities) subject to currency risk, EUR	2022	**(2 089 066)**	-	**(141 793)**	**(5 329 960)**	**(7 560 819)**
	2021	**(2 000 243)**	**(613)**	**(46 092)**	**(2 663 980)**	**(4 710 928)**

Foreign currency risk

Parent company

		USD	SEK	NOK	EUR	TOTAL
		EUR	EUR	EUR	EUR	EUR
Trade receivables	2022	61 812	-	-	1 037 517	1 099 329
	2021	70 447	-	-	765 373	835 820
Cash	2022	2 153	-	-	652 549	654 702
	2021	51 530	-	-	238 606	290 136
Total financial assets subject to currency risk, EUR	2022	63 965	-	-	1 690 066	1 754 031
	2021	121 977	-	-	1 003 979	1 125 956
Accounts payable and other payable	2022	2 153 277	-	141 793	10 642 346	12 937 416
	2021	2 123 161	613	46 092	6 160 837	8 330 703
Total financial liabilities subject to currency risk, EUR	2022	2 153 277	-	141 793	10 642 346	12 937 416
	2021	2 123 161	613	46 092	6 160 837	8 330 703
Net assets / (liabilities) subject to currency risk, EUR	2022	**(2 089 312)**	**-**	**(141 793)**	**(8 952 280)**	**(11 183 385)**
	2021	**(2 001 184)**	**(613)**	**(46 092)**	**(5 156 858)**	**(7 204 747)**

The following table demonstrates the sensitivity of the Group and Parent Company's profit before tax to a reasonably possible change in USD and other currencies exchange rates in four different scenarios, with all other variables held constant. .

Group

Exchange rate changes		Potential net effect from increase/decrease in USD exchange rate	Potential net effect from increase/decrease in NOK exchange rate	Potential net effect from increase/decrease in SEK exchange rate	TOTAL
		EUR	EUR	EUR	EUR
10%	2022	189 915	12 890	-	202 805
	2021	71 541	4 149	56	75 746
5%	2022	99 479	6 752	-	106 231
	2021	37 474	2 195	29	39 698
-5%	2022	(109 951)	(7 463)	-	(117 414)
	2021	(41 419)	(2 426)	(32)	(43 877)
-10%	2022	(232 118)	(15 755)	-	(247 873)
	2021	(87 439)	(5 121)	(68)	(92 628)

Parent company

Exchange rate changes		Potential net effect from increase/decrease in USD exchange rate	Potential net effect from increase/decrease in NOK exchange rate	Potential net effect from increase/decrease in SEK exchange rate	TOTAL
		EUR	EUR	EUR	EUR
10%	2022	189 937	12 890	-	202 827
	2021	181 926	4 149	56	186 172
5%	2022	99 491	6 752	-	106 243
	2021	95 294	2 195	29	97 518
-5%	2022	(109 964)	(7 463)	-	(117 427)
	2021	(105 325)	(2 426)	(32)	(107 783)
-10%	2022	(232 146)	(15 755)	-	(247 901)
	2021	(22 354)	(5 121)	(68)	(27 543)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group and the Parent Company are exposed to cash flow interest rate risk mainly in relation to borrowings with floating interest rates as the finance costs increase significantly with the interest rate growing.

The Group is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Group's borrowings is disclosed in Note 31.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on mainly EURIBOR floating rate borrowings). There is no impact on the equity, except for the effect on the current year result.

Interest rate sensitivity for the Group and the Parent Company may be specified as follows.

Group

Year	EURIBOR	Effect on profit before tax EUR
2022	+0,5%	(15 512)
2021		(22 453)
2022	+1,0%	(31 024)
2021		(44 907)
2022	-0,5%	15 512
2021		22 453

Parent company

Year	EURIBOR	Effect on profit before tax EUR
2022	+0,5%	(14 206)
2021		(18 660)
2022	+1,0%	(28 412)
2021		(37 320)
2022	-0,5%	14 206
2021		18 660

Liquidity risk

The Group's liquidity and cash flow risk management objective is to maintain an adequate amount of cash and cash equivalents and the availability of non-current and current borrowings through access to sufficient credit amounts to meet the existing and expected liabilities. The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analyzing future cash flows comprising both the existing and planned loans and interest on such loans.

Liquidity ratios are disclosed in Note 47.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2021 based on contractual undiscounted payments.

Group

		Up to 3 months	3 to 12 months	1 to 5 years	TOTAL
Loans from credit institutions	2022	257 968	6 963 375	1 000 000	**8 221 343**
	2021	257 968	2 193 701	5 377 433	**7 829 102**
Interest	2022	25 187	28 526	-	**53 713**
	2021	17 562	45 631	17 039	**80 232**
Lease liabilities	2022	66 311	143 641	351 356	**561 308**
	2021	68 121	203 883	243 382	**515 386**
Interest	2022	7 048	16 231	21 683	**44 962**
	2021	2 399	5 162	2 871	**10 432**
Trade and other payables	2022	7 014 230	188 961	-	**7 203 191**
	2021	5 550 881	222 695	-	**5 723 576**
Taxes	2022	783 658	-	282 505	**1 066 163**
	2021	535 692	-	141 078	**676 770**
TOTAL	**2022**	**8 154 402**	**7 340 734**	**1 655 544**	**17 150 680**
	2021	**6 382 623**	**2 671 072**	**5 781 803**	**14 835 498**

Parent company

		Up to 3 months	3 to 12 months	1 to 5 years	TOTAL
Loans from credit institutions	2022	208 137	6 913 545	1 000 000	**8 121 682**
	2021	208 137	1 944 549	5 377 433	**7 530 119**
Interest	2022	24 297	28 128	-	**52 425**
	2021	16 060	42 710	17 039	**75 809**
Lease liabilities	2022	25 283	65 685	308 746	**399 714**
	2021	8 593	26 017	23 446	**58 056**
Interest	2022	5 690	13 552	20 888	**40 130**
	2021	263	551	169	**983**
Trade and other payables	2022	9 726 259	188 881	-	**9 915 140**
	2021	7 164 926	107 465	-	**7 272 391**
Taxes	2022	36 732	-	-	**36 732**
	2021	24 546	-	-	**24 546**
TOTAL	**2022**	**10 026 398**	**7 209 791**	**1 329 634**	**18 565 823**
	2021	**7 422 525**	**2 121 292**	**5 418 087**	**14 961 904**

		Group		**Parent company**	
		2022 EUR	**2021 EUR**	**2022 EUR**	**2021 EUR**
EBITDA	EUR	2 912 286	3 732 029	918 840	1 876 576
EBITDA	%	10	17	3	9

Credit risk

The Group is exposed to credit risk through its trade receivables, issued current loans, as well as cash and cash equivalents. The Group manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized. The Group uses credit risk insurance for factoring transactions where credit limits and credit rating are established. The Group's counterparties in money transactions are local financial institutions.

The Group's revenue from its largest customer amount to 30% of its total turnover. Except for that, the Group has no other customer or customer group the transactions with which would exceed 13% of the Group's total turnover.

Group

		31.12.2022 EUR	31.12.2021 EUR
Trade receivables – not insured		1 482 603	1 248 503
Insured trade receivables (factoring)		2 650 089	1 773 416
	TOTAL:	**4 132 692**	**3 021 919**
Derecognized due to factoring agreement		(2 105 235)	(1 280 947)
		2 027 457	**1 740 972**

Parent company

		31.12.2022 EUR	31.12.2021 EUR
Trade receivables – not insured		527 257	331 087
Insured trade receivables (factoring)		2 650 089	1 773 416
	TOTAL:	**3 177 346**	**2 104 503**
Derecognized due to factoring agreement		(2 105 235)	(1 280 947)
		1 072 111	**823 556**

Capital management

The Group's objective is to maximize the return on capital to the companies' shareholders and by retaining a sound capital structure to maintain the credibility of creditors, customers and market participants as well as to ensure sustainable operations. The primary task of the Group's capital management is to ensure that the Group maintains a strong credit rating and healthy capital ratios to support its business and increase the shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Group and the Parent Company monitor the capital adequacy by calculating the equity-to-asset ratio:

Group	31.12.2022	31.12.2021
	EUR	**EUR**
Equity	4 437 883	6 566 012
Total assets	30 360 077	28 668 762
Equity-to-asset ratio	**15%**	**23%**

Parent company	31.12.2022	31.12.2021
	EUR	**EUR**
Equity	3 037 502	6 487 638
Total assets	28 038 623	25 841 151
Equity-to-asset ratio	**11%**	**25%**

Geopolitical risk

A small part of the Group's turnover consists of revenues from the sale of products outside the European Union, while the supply of electronics components is significantly related to Asian manufacturers, which constitutes the Group's geopolitical risk. The global electronics manufacturing services market is primarily affected by the U.S.-China "trade war" and the rise of geopolitical pines between the U.S. and China. The increased U.S. import tariffs on Chinese-made electronics products in the U.S. market give a good advantage to Eastern European electronic system manufacturers. On the other hand, the "trade war" slows down the economy and reduces investment in infrastructure. In turn, the Russia-Ukraine conflict may affect and exacerbate the global semiconductor shortage and extend delivery times. The situation is not stable and can change at any moment. Additional risks are associated with political and security risks in some Asian countries, where companies may face social unrest, government changes, natural disasters and terrorist attacks, which can lead to losses to business and disruptions. The Group is keeping up with geopolitics changes and is well on responding to them by adjusting its business model.

46. Fair value

The fair value of the financial assets and liabilities represent the amount at which the financial instrument could be exchanged in a current transaction between independent willing parties, other than in a forced or liquidation sale.

The tables below provide the fair value measurement hierarchy of the Group's assets and liabilities at 31 December 2022:

Group	Total at carrying amount	Total at fair value	Fair value measurement using: quoted prices in active markets (Tier 1)	significant observable inputs (Level 2)	significant unobservable inputs (level 3)
	EUR	EUR	EUR	EUR	EUR
Assets and liabilities measured at fair value					
Convertible guarantee securities	1 335 898	1 335 898	-	1 335 898	-
Investments in other companies	95 090	95 090	-	-	95 090
Assets and liabilities for which fair value is indicated					
Loan to shareholder	575 028	575 028	-	-	575 028
Loans from credit institutions	8 203 018	8 203 018	-	8 203 018	-

Hierarchy for determining the fair value of the Group's assets and liabilities as at 31 December 2021:

Group	Total at carrying amount	Total at fair value	Fair value measurement using: quoted prices in active markets (Tier 1)	significant observable inputs (Level 2)	significant unobservable inputs (level 3)
	EUR	EUR	EUR	EUR	EUR
Assets and liabilities measured at fair value					
Convertible guarantee securities	1 880 003	1 880 003	-	1 880 003	-
Investments in other companies	61 583	61 583	-	-	61 583
Assets and liabilities for which fair value is indicated					
Loan to shareholder	563 201	563 201	-	-	563 201
Loans from credit institutions	7 803 242	7 803 242	-	7 803 242	-

Fair value

The hierarchy of determining the fair value of the assets and liabilities of the parent company as at December 31, 2022:

Parent company	Total at carrying amount	Total at fair value	Fair value measurement using: quoted prices in active markets (Tier 1)	significant observable inputs (Level 2)	significant unobservable inputs (level 3)
	EUR	EUR	EUR	EUR	EUR
Assets and liabilities measured at fair value					
Convertible loan to SIA Zinātnes parks	150 000	150 000	-	150 000	-
Convertible guarantee securities	1 335 898	1 335 898	-	1 335 898	-
Investment in other companies	94 805	94 805	-	-	94 805
Assets and liabilities at fair value					
Loan to shareholder	575 028	575 028	-	-	575 028
Loans from credit institutions	8 103 357	8 103 357	-	8 103 357	-

The hierarchy of determining the fair value of the assets and liabilities of the parent company as at December 31, 2021:

Parent company	Total at carrying amount	Total at fair value	Fair value measurement using: quoted prices in active markets (Tier 1)	significant observable inputs (Level 2)	significant unobservable inputs (level 3)
	EUR	EUR	EUR	EUR	EUR
Assets and liabilities measured at fair value					
Convertible loan to SIA Zinātnes parks	756 000	756 000	-	-	756 000
Convertible guarantee securities	1 880 003	1 880 003	-	1 880 003	-
Investment in other companies	61 298	61 298	-	-	61 298
Assets and liabilities at fair value					
Loan to shareholder	563 201	563 201	-	-	563 201
Loans from credit institutions	7 504 259	7 504 259	-	7 504 259	-

Fair value

Assets stated at revalued amounts are revalued property, plant and equipment items (Note 30), which are revalued on non-recurring basis (once every five years) and would be classified under Level 3.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the loans and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates, which are based on Level 2 measurement. No material difference between book value and fair value has been recognized.

47. Going concern

As of 31 December 2022, the Group's working capital (current assets) amounted to EUR 12,858 million, including a cash balance of EUR 740 thousand. The Group's liquidity ratio for the years 2018-2022 shown in the table below indicates the Group's ability to effectively manage its current assets (i.e. the ability to ensure the availability of resources for doing business with less current assets). The liquidity ratio as of the end of 2022 has deteriorated in principle due to the reclassification of EIB financing into short-term liabilities.

Year	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Liquidity ratio	**1,0**	**0,8**	**0,8**	**0,7**	**0,6**

The Group's management has prepared a budget and cash flow forecast for 2023, providing the Group with the necessary operational financing, as well as planned investment flows. Further development of the situation in the business environment may differ from the Group's management forecasts. In the Group's cash flow and liquidity forecast For 2023 Used the following main Assumptions:

- The positive market trend of growing demand in the data network and industrial sectors continues in 2023. Neither the business environment nor the market in both the EU and Latvia is undergoing significant structural changes;
- In 2023, the Group continues to serve existing customers and attract new customers;
- The Group invests in fixed assets in order to maintain the equipment in accordance with the established standards and to ensure the maintenance of the existing production capacity and, if necessary, the increase of production capacity;
- In 2023, working capital is financed and increased from the Group's operating cash flows. Taking into account the reduction of the global deficit of components and the active work of the Group in attracting new customers, in 2023 an increase in the cash flow of the Group's economic activity can be expected compared to 2022.
- In December 2022, HansaMatrix signed agreements with SEB bank and SEB leasing on the extension of factoring, overdraft, guarantee line, reverse factoring and credit terms until November 30, 2023 for a total amount of EUR 5.92 million, which are used for investment, working capital financing and economic activity needs, including export transactions.
- Liabilities incurred as a result of tax deferrals to provide liquidity due to COVID-19 and the business impact of the global component deficit are planned to continue to be gradually reduced in 2023.
- During the reporting period, HansaMatrix informed the CFCA on the basis of strategic considerations and stopped the implementation of the ERDF project "Development of experimental production of volumetric three-dimensional imaging equipment and its components". As a result, the CFCA has informed HansaMatrix about the repayment of the EU funding received in connection with this project in the amount of EUR 748 thousand with a repayment deadline of December 1, 2024. The investments related to this project have mostly been made in production facilities, so HansaMatrix will assess the need and possibilities to refinance these liabilities in one of the credit institutions as an opportunity to improve liquidity.
- Principal payments for existing long-term loans in SEB banka are amortized in accordance with the standard agreed repayment schedules.
- In 2023, it is planned to reach an agreement with the EIB and SEB on extending the terms of the existing financing. It is planned that a significant part of the EIB's funding by the end of 2023 will be able to be classified as long-term liabilities, significantly improving the Group's liquidity ratio.

In the second quarter of 2023, the Parent company's loan SIA "Macro Rīga" has been fully repaid. The loan repayment of SIA "Macro Rīga" was made from the funds received from Baltcap company SIA "Emsco" for the sale of HansaMatrix shares.

48. Events in the reporting period

On January 11, 2022, HansaMatrix informs about the increase in the share capital. In accordance with the decisions made by the extraordinary shareholders' meeting of February 16, 2018, the release of the Company's employee stock options and the related conditional increase of the Company's share capital were approved. On November 26, 2021, the Board of the Company adopted a decision on increasing the Company's share capital by EUR 5500 (five thousand five hundred euros) by issuing new 5500 (five thousand five hundred) bearer shares with a nominal value of one share of EUR 1 (one euro), registered in the Commercial Register of the Republic of Latvia on January 10, 2022. After the increase of the share capital, the total share capital of the Company is EUR 1 834 881 (one million eight hundred thirty-four thousand eight hundred eighty-one euros).

On February 24, 2022, HansaMatrix received a production order for the production and delivery of aquaculture systems to a new customer in the Nordic countries in the industrial market sector related to the aquaculture sector. The volume of planned deliveries over three years reaches up to EUR 5 million, starting from the 2nd quarter of 2022. The name of the client, in accordance with the terms of the confidentiality agreement, is not disclosed.

On May 5, 2022, HansaMatrix received a production order for the production and delivery of power transmission overhead line fault indicator systems to an existing customer in the Nordic countries in the industrial market sector. The volume of planned deliveries in 2022 and 2023 will reach EUR 5.3 million, starting from the 4th quarter of 2022.

As of May 16, 2022, HansaMatrix associate Lightspace Technologies (the Company) has raised a total of EUR 2 million (increased from the previously reported by 1250 thousand EUR) convertible pre-quoted "bridge" investment from business angels, existing shareholders, and investment fund Ardelta. These investments will finance Lightspace Technologies for the development and sale of existing and new products. The names of investors, in accordance with the terms of the contract, are not disclosed. The Board of Lightspace is pleased, as the funding received confirms the attractiveness of the Company and the potential of augmented reality products produced by the Company. As previously reported, Lightspace Technologies has begun the process to become a publicly listed company in North America on March 14, 2022, on the Toronto TSX Venture Exchange. In this process, it is planned to attract investments of private investors in the amount of at least 10 million euros, with the full quotation process taking 7-8 months.

On 4 July 2022, HansaMatrix announced that Baiba Anda Rubesa had been re-elected as chairman of the HansaMatrix Council, while Anders Lennart Borg would serve as deputy chairman of the council.

On August 1, 2022, HansaMatrix announced the publication of a new website, thus completing the refresh of the visual identity.

On 15 August 2022, HansaMatrix reported the conclusion of a production contract and the receipt of production orders in the amount of EUR 3 million for the production and delivery of aquaculture systems to a new customer in the Nordic countries in the industrial market sector. The volume of planned deliveries will reach up to EUR 5 million over three years, starting from the 3rd quarter of 2022.

Events in the reporting period

On October 17, 2022, Lightspace Technologies, a related company of HansaMatrix, announced that it had concluded the NGEAR 3D project with excellent results: "Next generation of advanced augmented reality 3D glasses for medical education, pre-procedure planning, in-house visualization of the procedure and patient rehabilitation". It is a project of Horizon 2020, the European Union's (EU) research and innovation support programme, during which the company has received 2.25 million EU grant funding. It has already been reported that the Company has released and started producing in small series its multifocal augmented reality glasses, the iG1050, specially designed for operating surgeons for use in the operating room. The company has already delivered the first products to its partners – developers of augmented reality applications and methods for healthcare. Among the first customers are two global medical technology companies with a significant share of the global market. In the 3rd quarter, the Company managed to attract additional bridge financing in the amount of 0.6 million euros from the local business angel network. The investment will continue to finance the production and delivery of the company's products. The names of investors in accordance with the terms of the contract are not disclosed. The management of Lightspace Technologies continues the development of the company to become a listed company. Additional information on the listing process will be disclosed in accordance with the requirements of the relevant legislation.

On November 11, 2022, HansaMatrix informed that SIA "Emsco", registration number: 40203437904, legal address: Jaunmoku street 34, Riga, LV-1046, which is a group company of a private and venture capital investment fund, BaltCap, plans to issue voluntary share buyback offer to HansaMatrix shareholders in accordance with the procedures specified in the Share Buyback Law of the Republic of Latvia. SIA "Emsco" has submitted a merger notice to the Competition Council, which has recognized the submitted report as complete (more information in Latvian: http://bit.ly/3UYvir4). After receiving a positive decision of the Competition Council, SIA "Emsco" will apply to the Financial and Capital Market Commission to receive permission to make a voluntary share buyback offer. The voluntary share buyback offer will be made to all HansaMatrix shareholders in accordance with the relevant regulations and after receiving all necessary approvals.

On November 29, 2022, HansaMatrix informed that the Competition Council, after evaluating the information provided by SIA "Emsco" and other information at the disposal of the institution, concluded that the merger participants and their related companies do not operate in one specific market or a vertically related market. As a result, the market structure will not change, competition will not decrease, and a dominant position will not be created or strengthened in the affected markets in Latvia, where the merger participants operate. Accordingly, on November 28, 2022, the Competition Council made a decision to allow SIA "Emsco" to acquire a sole decisive influence over JSC "HansaMatrix". (more information in Latvian: http://bit.ly/3OImp2U). In further process, SIA "Emsco" will apply to the Financial and Capital Market Commission to receive permission to make a voluntary share buyback offer.

As of December 9, 2022, HansaMatrix reported about received a new production order of USD 4.4 million from an existing customer outside the European Union. The order consists of several products, all of which are electronics systems of high complexity. Deliveries are planned from Q4 2023 to Q1 2025 and will depend, among other things, on the availability of components. The execution of orders is planned at the Ventspils production facility. The large order was received from a customer of the aerospace industry, which is currently classified as an industrial sector customer in the Company. The name of the client in accordance with the terms of the contract is not disclosed.

49. Events after the end of the reporting period

On January 4, 2023, the Company informs that HansaMatrix has signed agreements with SEB bank and SEB leasing on the extension of factoring, overdraft, guarantee line, reverse factoring and loan terms until November 30, 2023 for the total amount of EUR 5.92 million, which are used for investments, working capital financing and business needs, including export transactions.

Upon realization of the conversion of employee stock options, on January 20, 2023, the Board of the Company adopted a decision on increasing the share capital of the Company by EUR 1500 (one thousand five hundred euros) by issuing new 1500 (one thousand five hundred) bearer shares with a nominal value of one share of EUR 1 (one euro), registered in the Commercial Register of the Republic of Latvia on February 7, 2023. After the increase of the share capital, the total share capital of the Company is EUR 1 836 381 (one million eight hundred thirty six thousand three hundred eighty one euros).

HansaMatrix reported that on February 17, 2023, Latvijas Banka has received an application from SIA Emsco for permission to make a voluntary share buy-back offer of joint stock company "HansaMatrix" in accordance with Section 15, Paragraph one of the Share Buyback Law of the Republic of Latvia. HansaMatrix informed that SIA Emsco intends to acquire at least 75% of HansaMatrix's voting shares and, in the event that the voluntary share buy-back offer is successful, SIA Emsco intends to propose the exclusion of HansaMatrix from the regulated market. Please see the full notice in English: http://bit.ly/3ScPMMs.

On March 2, 2023, HansaMatrix reported that on March 1 of this year, the Supervisory Committee of the Bank of Latvia had decided to allow SIA Emsco (registration No. 40203437904; legal address – Jaunmoku street 34, Riga, LV-1046) to make a voluntary share buy-back offer of joint stock company "HansaMatrix". The repurchase price of one share according to the information provided in the prospectus is 8.50 EUR. The offer is valid for 30 days, that is, from March 2 to March 31 at 4pm. According to the information specified in the prospectus, the offeror SIA Emsco does not own the voting rights arising from the shares of the joint stock company "HansaMatrix" either directly or indirectly on the basis of a holding. The Board of directors of the Company considers that the Offer complies with the applicable regulatory enactments and the interests of all shareholders of the Company are taken into account. The shareholders of the Company, including minority shareholders, have the opportunity to evaluate the Offer and make a free and economically justified decision to use it and sell the shares at the price indicated in the Offer, or to withdraw from it. The Board believes that placing a controlling stake in the hands of a single, financially strong, shareholder, will contribute to more dynamic development and realization of the Company's strategy, improve the efficiency of the Company's operations, and contribute to the inflow of investments. The Board of the Company evaluates the Offer positively and, on the basis of the published Prospectus, it has reason to believe that changes in the type of activity and change of the location of the Company are not planned. Also, there are no plans to reduce the existing jobs, which means that the employment relationship with the Company's employees is planned to continue in accordance with the concluded employment contracts.

49. Events after the end of the reporting period

On March 28, 2023, HansaMatrix reported that taking into account the additional challenges caused by the overall macroeconomic situation, the Board of SIA EUROLCDS (reg. no. 41203040030) (hereinafter – EUROLCDS), a subsidiary of SIA Lightspace Technologies, which has been manufacturing liquid crystal display products in Ventspils since 2013, has submitted a request to the court to initiate legal protection proceedings (hereinafter – LPP). LPP EUROLCDS was initiated at the Kurzeme District Court on March 16 this year and its main goal is to restructure the activities of EUROLCDS with the attraction of additional funding in order to stabilize the company's activities. Lightspace Technologies Ltd. (40103758550 reģ.nr) owns 83.81% of the shares of EUROLCDS. In turn, AS HansaMatrix owns 100% of Lightspace Holding AS, which owns 53.39% of Lightspace Group Inc., which is the 100% shareholder of SIA Lightspace Technologies. At the time of issuing these financial statements, the Group has not yet assessed the impact of this event on the value of the Investment in Associates reported in the Group's balance sheet, which as of December 31, 2022 are reflected according to the equity method. As of 31 December 2022, SIA Lightspace technologies consolidated financial data include net assets of SIA EUROLCDS in the amount of 2.29 million EUR attributable to shareholders of Lightspace Technologies, accordingly, the possible additionally recognisable losses for the Group's Investment in Associates as of 31 December 2022 could amount to a maximum of 53.39% of 2.29 million EUR or 1.22 million EUR.

On April 3, 2023, it was reported that the Baltic private equity fund manager "BaltCap" will become the largest shareholder of the Company's 100% parent company HansaMatrix through 100% subsidiary SIA "Emsco". Emsco Ltd. has entered into a voluntary share buyback offer and will purchase 93.1% of HansaMatrix shares. The new ownership structure will allow the Company and HansaMatrix to better raise additional capital in order to effectively exploit future growth potential.

Chairman of the Board JĀNIS SAMS ____________* April 28, 2023

Chief accountant VINETA GRECKA ____________* April 28, 2023

* THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Other information

1. Differences in audited financial results compared to operative financial results

Group

	01.01.2022-31.12.2022 operational data EUR	difference	01.01.2022-31.12.2022 audited data EUR
Revenue from contracts with customers	**27 968 363**	**916 803**	**28 885 166**
Operating profit	**333 719**	**29 846**	**363 565**
Profit/(loss) for the reporting period	**(2 214 863)**	**69 085**	**(2 145 778)**
EBITDA	**2 838 018**	**74 268**	**2 912 286**

Operating losses in the Group's audited financial statements as of 31 December 2022, compared to the operational financial statements for the respective period, are EUR 68.1 thousand or 3.1% lower, while EBITDA in the Group's audited financial statements as of 31 December 2022 is EUR 74.2 thousand or 2.6% higher, these differences are not considered significant and can be explained by lower operating expenses, specified in the process of preparing the audited financial statements.

2. Accounting policy related to taxonomy regulation 2020/852

The specification of the KPIs is determined in accordance with Annex I to the Delegated Regulation 2021/2178. We determine the Taxonomy-eligible KPIs in accordance with the legal requirements and describe the accounting policy in this regard as follows:

4.1 Turnover KPI

The proportion of Taxonomy-eligible economic activities in total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on the consolidated net turnover, for further details on the accounting policies regarding the consolidated net turnover, please see the Note 2.18 to Financial statements 2022.

With regard to the numerator, we have not identified any Taxonomy-eligible activities, as explained above.

4.2 Capex KPI

The Capex KPI is defined as Taxonomy-eligible Capex (numerator) divided by the total Capex (denominator).

Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes additions to fixed assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). Additions resulting from business combinations are also included. Goodwill is not included in Capex, because it is not defined as an intangible asset in accordance with IAS 38. For further details on the accounting policies regarding Capex, please see the Note 2.4. – 2.7. to Financial statement 2022.

4.3 Operational costs

The Opex KPI is defined as Taxonomy-eligible Opex (numerator) divided by total Opex (denominator). With regard to the numerator, we refer to the explanations below.

Total Opex consists of direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. This includes:

- Research and development expenditure recognized as an expense during the reporting period in the income statement (please see the Note 2.6 to Financial statements 2021). In line with the consolidated financial statements (IAS 38.126), this includes all non-capitalized expenditure that is directly attributable to research or development activities.
- The volume of non-capitalized leases was determined in accordance with IFRS 16 and includes expenses for short-term leases and low-value leases (please see the Note 2.11 to Financial statements 2022). Even though low-value leases are not explicitly mentioned in the Delegated Regulation 2021/2178, we have interpreted the legislation as to include these leases.
- Maintenance and repair and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment were determined based on the maintenance and repair costs allocated to the internal cost centers. The related cost items can be found in various line items in the income statement, including production costs (maintenance in operations), sales and distribution cost (maintenance logistics) and administration cost (such as maintenance of IT-systems). This also includes building renovation measures.

In general, this includes personnel costs, costs for services, and material costs for daily servicing as well as for regular and unplanned maintenance and repair measures.

These costs are directly allocated to property, plant and equipment. This does not include expenses relating to the day-to-day operation of property, plant and equipment such as: raw materials, costs of employees operating the machinery, and electricity or fluid that are necessary to operate property, plant and equipment.

3. Definitions of alternative performance measures (APM)

No	ASR, definition, components	Relates to past or future reporting periods	ASR usefulness	The Group uses APM for
1	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
2	EBIT margin: EBIT/ Revenue	Past	Shows the proportion of revenues that are available to cover non-operating costs.	Profitability assessment
3	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
4	EBITDA margin: EBITA/ Revenue	Past	Shows the entity's ability to generate operating cash flows	Profitability assessment
5	Normalized earnings: Profit adjusted by the most significant expense or income that are not associated with actual cash expenditures (except depreciation).	Past	Shows the entity's earning capacity by enhancing comparability between the periods, when applicable and necessary.	Liquidity management and assessment of earning capacity and cash flows
6	P/E ratio: Share price / Earnings per share	Past	Can be used in making conclusions as to whether the Nasdaq Riga market price of the Group's shares is overstated or understated in comparison to other similar companies or the average market price	Determining the relative value per share
7	Normalized P/E indicator: Share price / Normalized net profit per 1 share	Past	May be used to draw conclusions or the market value of the Group's share on Nasdaq Riga is overvalued or undervalued compared to other similar companies, or the market average	For determining the relative value of shares
8	Net profit margin: Net profit/ revenue	Past	Indicates the company's ability to generate profits	For the assessment of profitability
9	Normalized net profit margin: Normalized net profit/ Revenue	Past	Shows the entity's earning capacity	Shows the entity's earning capacity
10	Normalized ROA: Normalized net profit/ Total assets	Past	Shows how efficiently the assets are used to generate earnings.	Shows how efficiently the assets are used to generate earnings.
11	Normalized ROE: Normalized net profit / Equity	Past	Shows how efficiently the equity is used to generate earnings	Shows how efficiently the equity is used to generate earnings
12	Current ratio: Current assets/ Current liabilities	Past	Shows the extent to which an entity has sufficient current assets to cover its current liabilities	Shows the extent to which an entity has sufficient current assets to cover its current liabilities
13	Normalized return on invested capital (ROCE): Normalized net profit / (Total assets-Current liabilities)	Past	Shows how efficiently the capital employed is used to generate earnings	Shows how efficiently the capital employed is used to generate earnings
14	Compound annual growth rate Compound annual growth rate (CAGR): (Investment's ending value/ Investment's beginning value)^(1/Number of periods)-1. CAGR is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan.	Compound annual Past	Shows a growth rate of a financial measure over a certain period of time assuming that the growth rate is the same over the equal span of time of the said period.	Shows a growth rate of a financial measure over a certain period of time assuming that the growth rate is the same over the equal span of time of the said period.

Two ASR-No 6 and 8 have been added to reflect the profitability margins for both net and normalized profit and, where appropriate, to calculate P/E using both net and normalized profit. The names ASR Nos 5, 7, 9, 10, 11 and 13 have been changed to better reflect the nature of these indicators.

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Independent Auditors' Report

To the shareholders of AS "HansaMatrix"

Report on audit of Consolidated and Separate Financial Statements

Our Qualified Opinion on the Consolidated and Separate Financial Statements

We have audited consolidated and separate financial statements of AS "HansaMatrix" ("the Parent Company") and its subsidiaries (together - "the Group) included in the annual report contained in the file ashansamatrix-2022-12-31-lv.zip (SHA-256-checksum: 6B96AEE9BEBBBF90D4F6B7939FA7290E26825894FBC03C822600894C7949661C), which comprise:

- the consolidated and separate statement of financial position as at 31 December 2022,
- the consolidated and separate statement of comprehensive income for the year then ended,
- the consolidated and separate statement of changes in equity for the year then ended,
- the consolidated and separate statement of cash flows for the year then ended, and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effect of the matter described in *the Basis for Qualified Opinion*, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion
As disclosed in Note 49 after the balance sheet date SIA „EUROLCDS", the subsidiary of SIA „Lightspace Technologies", has submitted a request to the court to initiate legal protection proceedings in order to attract additional funding to stabilize the company's activities. At the time of issuing these financial statements, the Parent Company and the Group has not yet assessed the impact of this event on the value of the investment in subsidiary AS "Lightspace Holding" (see Note 18) reported in the Parent Company's statement of financial position and on the value of investment in associate SIA „Lightspace Technologies" (see Note 20) reported in the Group's statement of financial position. As of 31 December 2022, the Group's share of net assets of SIA "EUROLCDS" included in the Group's value of Investment in associate amount to 1.2 million EUR, consequently, impairment allowances up to this amount might be required in the Group's financial statements in respect of net assets of SIA "EUROLCDS" and similar adjustment may be needed also to the value of Investment in subsidiary included in the Parent company's financial statements. It is possible that certain other adjustments might be necessary to the value of Investment in associates in the Group's financial statements as financial results of SIA "Lightspace Technologies" for year 2022 used when applying equity method is not audited. Consequently, we were unable to determine whether any adjustments due to the above noted circumstances are required to the value of investment in subsidiary included in the Parent Company's financial statements and value of investment in associates included in the Group's financial statements.

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter
We draw attention to Note 3.2 to the financial statements which describes restatements made by the management to correct misstatements in the Group's and the Parent Company's financial statements for the year ended 31 December 2021. Our opinion is not further modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	**How the matter was addressed in the audit**
Accounting for investments in subsidiaries and associates	
Refer to Notes 2.22, 18, 20 and 49 to the financial statements The Parent Company has made investments in a number of companies. The Parent Company assesses whether it has control or significant influence over these entities and accordingly classifies each investment as either a subsidiary, an associate or as other investment. As at 31 December 2022 due to signed agreements related to corporate governance over SIA "Ligthspace Technologies" the Group has concluded that it has significant influence but not control over this entity despite the fact that the Group holds majority of shares in the entity. Accordingly, this entity is classified as associate. As at 31 December 2022 the Parent Company's investments in subsidiaries in the Parent Company's statement of financial position amount to 8 305 thousand EUR and the Group's investments in associates in the Group's statement of the financial position amount to 4 818 thousand EUR. Some of the companies, in which the Group and the Parent Company has invested in, are still in the process of starting up their operations and their future cash flows are difficult to forecast. Consequently, significant amount of judgment needs to be applied when evaluating recoverable amounts of these assets. The Group's management has evaluated recoverability for these investments based on values as per recent equity funding transactions in 2022. Due to the above facts and circumstances, we considered classification, recoverability and valuation of investments in subsidiaries and associates as key audit matter.	Our procedures included, but were not limited to: - We evaluated key judgments made by management when classifying investments in subsidiaries, associates or other investments. - We obtained assessment of recoverability of investments in subsidiaries and associates prepared by the Group's management and identified key assumptions used. - We gained an understanding of the assessment preparation process. - We discussed with the Group's management the development status of companies and assessed the information and data used in the recoverability assessment. - We have involved our internal valuation specialists to assist us in performing our audit procedures by assessing key assumptions used by the Group's management and testing the mathematical accuracy of calculations. - We evaluated the completeness and accuracy of disclosures relating to investments in subsidiaries and associates. Based on procedures perfomed we were not able to determine whether any adjustments to the value of associates included in the Group's financial statements and to the value of investments in subsidiaries included in the Parent Company's financial statements were necessary. Please refer to section "Basis for Qualified opinion".

<table>
<tr><th colspan="2">Monitoring of liquidity position</th></tr>
<tr><td>

Refer to Notes 24, 31, 45, and 49 to the financial statements

As of 31 December 2022 the Group's and Parent Company's current liabilities exceed current assets.

The Group and Parent Company manages its liquidity risk by sustaining sufficient working capital, which, among others, includes ensuring that the Group is able to continue the use of trade receivables factoring and overdraft facilities and refinance current loans from credit institutions. (Notes 24 and 31).

As disclosed in Note 45 the geopolitical risks including Russia-Ukraine conflict might influence Group's economic activities and the situation is still evolving. The Group's results could be negatively impacted, creating liquidity challenges. The exact impact on the Group's activities in 2022 and beyond currently cannot be predicted.

The management's ability to generate adequate funds to ensure sufficient liquidity is based on several management assumptions, including prolongation of trade receivables factoring, credit line agreements and current loans from credit institutions, which expire in year 2023.

Due to the above facts and circumstances, we consider liquidity position and management ability to secure long term financing of the Group as key audit matter.

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Our procedures included, but were not limited to:

- We obtained the cash flow forecasts prepared by the Group's management and evaluated the underlying assumptions, including assumptions and actions taken related to the prolongation of trade receivables factoring, overdraft facilities and current loans from credit institutions.
- We gained an understanding of the cash flow forecast preparation process.
- We evaluated the significant assumptions made by the Group's management in the context of cash flow forecasts. We performed this evaluation with reference to the approved budgets and the supporting documents, where appropriate.
- Regarding financial forecasts, we compared the estimates made by the Group's management in the forecasts with the actual trends. Furthermore, we evaluated the actual financial results for the first months of year 2023 and compared against the budgeted results.
- We evaluated the completeness and accuracy of disclosures relating to liquidity position, financing available to the Group and management future plans.

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</table>

Reporting on Other Information

The management is responsible for the other information. The other information comprises:

- the General information which is included in the accompanying Annual Report,
- the Management Report which is included in the accompanying Annual Report,
- the Non financial report which is included in the accompanying Annual Report,
- the Statement on Management's Responsibilities which is included in the accompanying Annual Report,
- the Statement of Corporate Governance set out in separate statement provided by HansaMatrix AS management and available on the HansaMatrix AS website http://www.hansamatrix.com,
- the Remuneration Report for the year 2022, set out in separate statement provided by HansaMatrix AS management and available on the HansaMatrix AS website http://www.hansamatrix.com

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to Other information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except of the matter, described in *Basis for Qualified Opinion* paragraph above.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in Article 56.1, Section 1, clauses 3, 4, 6, 8, and 9, as well as Article 56.2, section 2, clauses 1, 2, 3, 5, 7 and 8, and section 3 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in Article 56.1, section 1, clauses 3 ,4, 6, 8, and 9, as well as Article 56.2, section 2, clauses 1, 2, 3, 5, 7 and 8, and section 3 of the Financial Instruments Market Law.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Remuneration Report our responsibility is to consider whether the Remuneration Report includes the information required in Article 59.4 of the Financial Instruments Market Law.

In our opinion, the Remuneration Report includes the information required in Article 59.4 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were first appointed as auditors on in 2021. This is our second year of appointment as auditors.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit committee of the Company;

- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Group and the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Inguna Stasa.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the Group financial statements included in the consolidated annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation") that apply to the financial statements.

Responsibilities of Management and Those Charged with Governance for ESEF report

The management is responsible for the preparation of the financial statements in compliance with the ESEF Regulation. Inter alia, the management is responsible for:

- The design, implementation and maintenance of the internal control relevant for the application of the requirements of the ESEF Regulation;
- The preparation of all financial statements included in the consolidated annual report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

Auditor's Responsibilities

Our task is to express a conclusion whether the financial statements included in the consolidated annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the *International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (hereinafter "ISAE 3000").

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal process relevant for the application of the requirements of the ESEF Regulation;
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether

- The financial statements included in the consolidated annual report were prepared in the valid XHTML format;
- The data in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
    - XBRL mark-up language was used;
    - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
    - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, financial statements for the year ended 31 December 2022 included in the consolidated annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

Deloitte Audits Latvia SIA
Licence No.43

Inguna Stasa
Member of the Board
Certified Auditor of Latvia
Certificate No.145

Riga, Latvia

The Independent Auditors' report is signed with secure electronic signature and contains a timestamp