

Unofficial translation from Latvian

APPROVED

by decision No 2016/06-06 of the Management Board
of joint-stock company "HansaMatrix"
dated 29 June 2016



Joint-stock company "HansaMatrix"

Joint-stock company registered in Latvia
(registration number 40003454390)

PROSPECTUS

for admission to trading on the regulated market on the Baltic Main List of AS "Nasdaq Riga" of **1'829'381** (one million eight hundred twenty-nine thousand three hundred eighty-one) dematerialized bearer shares with a nominal value of **1.00 EUR** per share, conferring upon holders the right to vote at a general meeting of shareholders and the right to receive dividends and liquidation quota

Riga, 2016

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1. IMPORTANT INFORMATION

Prospectus

The Company has prepared this Prospectus in connection with the Listing of the Company's Shares on the Regulated Market with the single aim of enabling any prospective investor to consider investment in the Company's Shares. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Furthermore, the Prospectus also contains information owned by the Company.

The market information in this Prospectus has been obtained by the Company from independent publicly available sources deemed to be reliable. Notwithstanding any investigation that the Company may have conducted in order to verify the information contained herein, the Company does not assume any liability with respect to the publicly available information contained in this Prospectus or distribution thereof, nor with regard to any other publicly available information supplied by or on behalf of the Company.

This Prospectus is a prospectus in the form of a single document within the meaning of the Prospectus Directive and the Financial Instruments Market Law ("**FIML**"). The Prospectus has been prepared in accordance with the FIML and Annex XXV (Proportionate Schedule for Minimum Disclosure Requirements for the Share Registration Document for SMEs and companies with reduced market capitalisation) and Annex III (Minimum Disclosure Requirements for the Share Securities Note (plan)) of the Prospectus Regulation. The Prospectus summary contains the key elements set out in Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation.

At any time following the date of this Prospectus, the information contained in this Prospectus may no longer be correct and the Company's and the Group of companies' business, financial standing or operating results may have changed. Hence, should any significant new circumstances, material mistakes or inaccuracies appear or be discovered during the period from the date of approval of this Prospectus with the FCMC to the commencement of trading of the Shares on the regulated market, which are related to the information contained in this Prospectus and are capable of affecting the assessment of negotiable securities, the Company shall prepare additions to the Prospectus.

In making an investment decision, the prospective investor must rely solely on its own study and analysis of the Company, as well as the Company and the Subsidiaries and related companies within the Group taken as a whole, including, without limitation, with respect to the relevant merits and risks involved, the prospective investor's own determination of the suitability of any such investment, with particular reference to own investment objectives and experience, as well as any other factors that may be of importance to the prospective investor. The Company has decided to apply the proportionate schedule set out in Annex XXV of the Prospectus Regulation, under Article 26b of the Prospectus Regulation, given that the Company satisfies the criteria of a medium-sized enterprise – the average number of employees at the Company during the financial year ending 31 December 2015 is less than 250, its annual net turnover does not exceed EUR 50'000'000, and the value of its assets as shown on the balance sheet does not exceed EUR 43'000'000 as of 31 December 2015. Since the Company meets these criteria, it is eligible to apply the aforementioned Annex XXV of the Prospectus Regulation.

No prospective investor should consider any of the information in this Prospectus to be investment, legal or tax advice. Each prospective investor should consult its own legal, tax, financial and other advisors for legal, tax, business, financial and related advice regarding purchasing of the Company's Shares. The Company and/or members of the Company's Management Board will not make any representations to any purchaser of the Company's Shares with regard to the lawfulness of an investment in the Company's Shares by such purchaser under any applicable laws and regulations.

1.1 Persons Responsible

Joint stock company HansaMatrix, registration number with the Register of Enterprises of the Republic of Latvia (the "**Register of Enterprises**") 40003454390, having its registered office at 72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia, represented by members of the Company's Management Board (being, at the date of this Prospectus, Mr. Ilmārs Osmanis, Chairman of the Management Board, Mr. Alvis Vagulis and Mr. Aldis Cimoška, Members of the Management Board) accepts responsibility for the information contained in this Prospectus, and having exercised all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best knowledge of the Company and the knowledge of the members of the Management Board, in accordance with the facts and contains no omissions likely to affect its import.

Neither the delivery of this Prospectus nor any sale made in reliance hereon at any time after the date hereof shall, under no circumstances, create any implication that there has occurred no change in the affairs of the Company or any Subsidiary of the Company or the Company and its Subsidiaries taken as a whole (the "**Company's Group**" or the "**Group**") since the date hereof or that the information contained herein is correct and accurate as of any date subsequent to the earlier of the date hereof or any date specified with respect to such information.

1.2 Presentation of Financial and Other Information

In preparing its statutory annual reports up until and including the financial year ended 31 December 2014, the Company has been applying Latvian Accounting Standards established in accordance with the laws of the Republic of Latvia. This Prospectus includes consolidated financial statements of the Company for the financial year ended 31 December 2015 prepared in accordance with the international financial reporting standards as adopted by the European Union ("**IFRS**"). These financial statements are incorporated into the Prospectus by reference.

In addition to the abovementioned consolidated financial statements, this Prospectus includes a discussion on the results of the Company's consolidated operations for the financial year ended 31 December 2015 compared to the financial years ended 31 December 2014 and 31 December 2013. This discussion is presented in Section 4 "INFORMATION ABOUT THE ISSUER".

1.3 Forward Looking Statements

This Prospectus includes forward looking statements that reflect current expectations and projections about future events. These forward looking

statements are based on opinions and best judgement by the Company or its Management Board relative to the information currently available to the Management Board. All forward looking statements in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Company, the macroeconomic environment and other factors.

These forward looking statements can be identified in the Prospectus by the use of words including, but not limited to, "strategy", "expect", "anticipate", "believe", "estimate", "will", "continue", "intend", "targets", "goals", "plans", "should", "would" and other words and expressions of similar meaning. Forward looking statements can also be identified in the way they do not directly relate to historical and current facts.

As per any forecast or projection, forward looking statements in this Prospectus are vulnerable to uncertainties and unforeseen changes in specific circumstances. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter the forward looking statements in this Prospectus based on changes, new information, subsequent events or for any other reason.

The validity and accuracy of forward looking statements is influenced by the general operating environment and the fact that the Company is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, as well as other factors. The actual Company results may differ from the Management Board's expectations due to changes caused by various risks and uncertainties, which could adversely impact the Company's operations, business or financial results.

1.4 Information Incorporated by Reference

The following information is incorporated into this Prospectus by reference in accordance with Article 28 of the Prospectus Regulation. Such information is publicly available on the website of the Company (<http://www.hansamatrix.com/>) under section "Information for investors":

- the audited separate financial statements of the Company and the audited consolidated financial statements of the Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015;
- the Articles of Association of the Company.

In case any financial information of the Company or the Group incorporated into this Prospectus does not indicate a reference, the information is provided in accordance with the audited consolidated financial statements of the Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015.

Throughout the lifetime of this Prospectus, the aforementioned documents may also be inspected at the head office of the Company located at 17A Lielirbes Street, Riga, LV-1046, Latvia. Any interested party may obtain a copy of such documents from the Company, without charge.

1.5 Use of this Prospectus

This Prospectus has been prepared solely for the purpose of Listing of the Company's Shares for trading on the Baltic Main List of Nasdaq Riga stock exchange. The Prospectus shall not be used for any purpose other than

informational. Prior to making a decision with regard to conducting of any trading activities with the Company's Shares at Nasdaq Riga stock exchange, investors should read this document. In making an investment decision, the prospective investors must rely solely on their own examination of the Company and the terms of this document, including the risks involved therein.

This Prospectus is a prospectus within the meaning of the FIML (which incorporates the Prospectus Directive in the laws and regulations of Latvia), intended to provide information about the Company's and the Company's Shares according to this Prospectus, which is necessary to allow any prospective investors to make an informed assessment of the Company and its assets and liabilities, financial standing, profits, loss and future prospects.

This Prospectus is a prospectus in the form of a single document as defined in Section 44 (1) of the FIML. The Latvian version of the Prospectus has been submitted and registered with the FCMC, which is the competent Latvian authority for the approval of documents such as prospectuses.

Listing Outside of Latvia

This Prospectus has been prepared on the basis of the understanding that no Shares of the Company shall be listed on a regulated market or stock exchange of any other jurisdiction, except for Latvia. For the purposes of this provision, the aim of the Prospectus is solely to provide information on the Company's Shares, which will enable an investor to make a decision regarding purchase of any of the Company's Shares.

2. SUMMARY

This summary has been constructed on a modular basis according to Annex XXII of the Prospectus Regulation. Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E, as set out below. This summary contains all the Elements required to be included in a summary for these types of shares and this type of issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though a specific Element may be required to be inserted in the summary because of the relevant type of shares and issuer, it is possible that no relevant information can be given regarding such Element. In such case, a short description of the Element is included in the summary with the mention of “not applicable”.

Section A—Introduction and Warnings	
A.1 Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant member state of the European Economic Area (EEA), have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2 Consent by the issuer for drawing up and use of the prospectus	Not applicable.
Section B—Issuer	
B.1 The legal and commercial name	Joint stock company HansaMatrix (in Latvian – <i>akciju sabiedrība</i>). In this summary, references to “the Group” mean the Company and its Subsidiaries, being legal entities in which the Company directly or indirectly holds more than 50% of shares.
B.2 Legal form/country of incorporation/domicile	The Company is a joint stock company incorporated in and operating under the laws of the Republic of Latvia, including under the Latvian Commercial Law.
B.3 Key factors relating to current operations,	The Company is a leading electronics systems development, design and manufacturing company in Latvian. It offers product design, original design product customization,

<p>principal activities and main services offered</p>	<p>research & development services and engineering solutions complemented by integrated manufacturing services. The Company serves original equipment manufacturers ("OEM's") and other manufacturing companies across Northern and Central Europe. As an electronics manufacturing service ("EMS") company, the Company designs, produces and assembles electronic printed circuit boards ("PCB's"), mechanical and electromechanical components and complete systems for manufacturing, networking, telecommunications, transportation, automotive, renewable energy, defence and medical industries.</p> <p>Other development services and products supplied by the Company include:</p> <ul style="list-style-type: none"> - development and design of electro-optical and imaging systems; - development of liquid crystal and optical devices; - development and design of scientific and medical equipment; - development and design engineering of robotics and automation equipment; - optical and liquid crystal display system manufacturing; - rapid prototype manufacturing; - design of Internet of Things connectivity, embedded software and hardware products; - design of Smart City systems and products; and - assembled electronic PCB and system testing. <p>The core business of the Company is conducted through two manufacturing plants in the cities of Ogre and Ventspils, a product development and engineering laboratory in Riga and a product engineering and prototype manufacturing site in Mārupe.</p>
<p>B.4a Significant recent trends</p>	<p>In the financial year 2015, the Company continued to consolidate market share in the Baltics market. It generated sales revenue of EUR 13'352'837 and EBITDA (earnings before interest, tax, depreciation and amortization) of EUR 2'520'563, representing over 40% EBITDA growth compared to the previous year. Net revenue from the Baltics increased by 47.5%, while total revenue increased by 24.9% compared to 2014 driven, primarily, by revenue attributable to data network products and services.</p> <p>The cost of sales increased by 24.3%, while the gross margin widened fractionally from 19.6% to 19.9%. Raw material costs remained the main expense item, they represented 44.1% of sales, the other two major expense items being staff costs (15.8%) and depreciation (6.2%).</p> <p>Operating expenses continued to grow in 2015. The growth rate was 17.9% compared to 2014, with administrative expenses representing the main expense item at 62.3% of total operating expenditure. However, the trend of increase</p>

	<p>in expenditure was generally offset by the increase in revenue in 2015.</p> <p>The total current assets of the Company increased from EUR 4'859'276 as at end of 2014 to EUR 5'791'748 as at the end of 2015 due, primarily, to an increase in inventory and trade receivables relating to customer orders. In 2015, the Company generated a pre-tax profit of EUR 1'245'682, which was primarily a function of strong sales.</p> <p>In 2014, the Company facilitated a loan facility of nearly EUR 6.5m provided by AS Citadele banka.</p> <p>In 2013, the Company's working capital was negative. As of 2014, its consolidated working capital was positive in the amount of EUR 1'425'800. Working capital continued to remain positive in 2015 (EUR 986'009) drawing on increased inventory and trade receivable levels. The Company's working capital needs are mostly driven by cost of raw materials and cost of staff, which taken together account for around 70% of total costs (calculated by adding cost of sales, distribution expenses and administrative expenses). Despite a negative working capital figure, strong and relatively stable turnover and net profits were sufficient to enable the financing of day-to-day working capital requirements without significant gearing requirements until 2014.</p> <p>Historically, a commercial pledge in the amount of EUR 11'080'889 over 62% of the Company's Shares was created and registered with the Register of Enterprises (at the time, the Shares were still in the form of ordinary paper form registered shares) as security for the repayment of the loan provided under Citadele financing agreements. However, as of the date of this Prospectus, the said commercial pledge has been deleted from the Commercial Pledge Register maintained by the Register of Enterprises, given that, as at the date of this Prospectus, the Shares are in the form of dematerialized bearer shares and are registered with the LCD in dematerialized form under the identification (ISIN) code LV0000101590.</p> <p>The current and future assets of the group of companies (in Latvian - "<i>koncerns</i>") to which the Company belongs, including the current and future assets of the Company, have been pledged in favour of AS Citadele banka as security for the repayment of the loan provided under AS Citadele banka financing agreements.</p>
<p>B.4b Known trends</p>	<p>During the period under review, the years ended 31 December, 2013, 2014 and 2015, the business of the Company was influenced by several factors, including the following: (i) despite turbulent trade and the recent economic downturn, the electronics market continued to grow, with the size of the European electronics manufacturing market estimated to grow by 3.9% annually up to the year 2020, (ii) the growth rate in some market segments, such as the Internet of Things segment, is expected to outpace general electronics market growth, (iii) a stiff competition in some market segments compelled customers to turn attention to high-quality product suppliers offering broader functionality, (iv) electronic systems and appliances have been steadily penetrating a</p>

	growing number of sectors of the economy, (v) the need to maintain a competitive advantage against low-cost competition from elsewhere, however barriers to entry into the Baltics market by competitors remain high, (vi) the need to innovate and create ever more complex and competitive products which are either highly customizable to the needs of small consumer groups or tailor-made to meet the requirements of individual customers, (vii) a growing number of European customers in the electronics market are considering relocation of their supply chains from the Far East closer to Europe, (viii) growing labour costs in the Baltics with salary inflation amounting to 5-6% annually, the effects of which are partly offset by increased automation.																											
B.5 Group	<p>As at the date of this Prospectus, the Company holds direct or indirect interest of no less than 10% in the following entities:</p> <table border="1" data-bbox="539 712 1299 1509"> <thead> <tr> <th data-bbox="539 712 833 808">Company name</th> <th data-bbox="833 712 1059 808">Country of registration</th> <th data-bbox="1059 712 1299 808">Percentage of shares held</th> </tr> </thead> <tbody> <tr> <td data-bbox="539 808 833 891">SIA "HansaMatrix Ventspils"</td> <td data-bbox="833 808 1059 891">Latvia</td> <td data-bbox="1059 808 1299 891">100%</td> </tr> <tr> <td data-bbox="539 891 833 974">SIA "HansaMatrix Innovation"</td> <td data-bbox="833 891 1059 974">Latvia</td> <td data-bbox="1059 891 1299 974">100%</td> </tr> <tr> <td data-bbox="539 974 833 1057">SIA "Campus Pārogre"</td> <td data-bbox="833 974 1059 1057">Latvia</td> <td data-bbox="1059 974 1299 1057">100%</td> </tr> <tr> <td data-bbox="539 1057 833 1140">SIA "Zinātnes parks"</td> <td data-bbox="833 1057 1059 1140">Latvia</td> <td data-bbox="1059 1057 1299 1140">24%</td> </tr> <tr> <td data-bbox="539 1140 833 1223">SIA "EUROLCDs"</td> <td data-bbox="833 1140 1059 1223">Latvia</td> <td data-bbox="1059 1140 1299 1223">13.65%</td> </tr> <tr> <td data-bbox="539 1223 833 1305">SIA "Zero Power Display"</td> <td data-bbox="833 1223 1059 1305">Latvia</td> <td data-bbox="1059 1223 1299 1305">13.65%</td> </tr> <tr> <td data-bbox="539 1305 833 1388">SIA "Lightspace Technologies"</td> <td data-bbox="833 1305 1059 1388">Latvia</td> <td data-bbox="1059 1305 1299 1388">13.65%</td> </tr> <tr> <td data-bbox="539 1388 833 1509">SIA "LEO PĒTĪJUMU CENTRS"</td> <td data-bbox="833 1388 1059 1509">Latvia</td> <td data-bbox="1059 1388 1299 1509">10.01%</td> </tr> </tbody> </table>	Company name	Country of registration	Percentage of shares held	SIA "HansaMatrix Ventspils"	Latvia	100%	SIA "HansaMatrix Innovation"	Latvia	100%	SIA "Campus Pārogre"	Latvia	100%	SIA "Zinātnes parks"	Latvia	24%	SIA "EUROLCDs"	Latvia	13.65%	SIA "Zero Power Display"	Latvia	13.65%	SIA "Lightspace Technologies"	Latvia	13.65%	SIA "LEO PĒTĪJUMU CENTRS"	Latvia	10.01%
Company name	Country of registration	Percentage of shares held																										
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SIA "Lightspace Technologies"	Latvia	13.65%																										
SIA "LEO PĒTĪJUMU CENTRS"	Latvia	10.01%																										
B.6 Shareholders and voting rights	<p>As of the date of this Prospectus, the following are the largest shareholders of the Company (holding over 5% of shares), along with a specification of the amount of shares and votes they hold:</p> <table border="1" data-bbox="539 1675 1299 1980"> <thead> <tr> <th data-bbox="539 1675 868 1771">Shareholder</th> <th data-bbox="868 1675 1075 1771">Amount of shares held</th> <th data-bbox="1075 1675 1299 1771">Percentage of shares held</th> </tr> </thead> <tbody> <tr> <td data-bbox="539 1771 868 1823">SIA "MACRO RĪGA"*</td> <td data-bbox="868 1771 1075 1823">1'185'938</td> <td data-bbox="1075 1771 1299 1823">64.83</td> </tr> <tr> <td data-bbox="539 1823 868 1921">FlyCap Investment Fund I AIF, Limited Partnership **</td> <td data-bbox="868 1823 1075 1921">403'933</td> <td data-bbox="1075 1823 1299 1921">22.08</td> </tr> <tr> <td data-bbox="539 1921 868 1980">Swedbank pension funds</td> <td data-bbox="868 1921 1075 1980">117'400</td> <td data-bbox="1075 1921 1299 1980">6.42</td> </tr> </tbody> </table>	Shareholder	Amount of shares held	Percentage of shares held	SIA "MACRO RĪGA"*	1'185'938	64.83	FlyCap Investment Fund I AIF, Limited Partnership **	403'933	22.08	Swedbank pension funds	117'400	6.42															
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Swedbank pension funds	117'400	6.42																										

* The ultimate beneficial owner of SIA "MACRO RĪGA" is Ilmārs Osmanis, who owns 100% of its shares.

** The limited partners of "FlyCap Investment Fund I AIF" are: (1) SIA "FlyCap AIFP" (no contribution) and (2) SIA "Latvijas Garantiju aģentūra" (contribution of EUR 10'000'000). Note: As a result of a merger, Latvijas Garantiju aģentūra became a shareholder of AS "Attīstības finanšu institūcija Altum" on 15 April 2015. The following natural persons (citizens of the Republic of Latvia) are the ultimate beneficial owners of SIA "FlyCap AIFP": (1) Jānis Liepiņš (33.33% share); (2) Ģirts Milgrāvis (33.33% share) and (3) Jānis Skutelis (33.33% share). The ultimate beneficial owners of AS "Attīstības finanšu institūcija Altum" are: (1) the Ministry of Economics of the Republic of Latvia (30% share), (2) the Ministry of Finance of the Republic of Latvia (40% share) and (3) the Ministry of Agriculture of the Republic of Latvia (30% share).

B.7 Selected key historical financial information

The selected consolidated statement of profit and loss and the selected consolidated statement of financial position data presented below are as at the end of the financial periods ended 31 December 2015, 2014 and 2013 and have been derived from the Audited Consolidated Financial Statements appearing elsewhere in this Prospectus.

Selected statement of income

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Net turnover	10,321,552	10,691,515	13,352,837
Cost of sales	-8,112,603	-8,600,102	-10,690,179
Gross profit	2,208,949	2,091,413	2,662,658
Distribution costs	-439,555	-506,965	-590,550
Administrative costs	-907,049	-822,276	-976,864
Other operating income	0	210,907	444,081
Other operating expenses	0	-34,268	-53,797
Operating profit	862,345	938,811	1,485,528
Loss on sale of investments	0	-1,348,954	0
Impairment of investments	0	-1,215,758	0
Interest receivable and similar income	230,226	0	54,138
Interest payable and similar expenses	-206,886	-247,703	-293,984
Profit before tax	885,685	-1,873,604	1,245,682
Corporate income tax	-101,303	-102,438	-115,399
Real estate tax	-5,186	-69,442	-47,886
Net profit for the period	779,196	-2,045,484	1,082,397
Dividend	0	1,647,000	0

Selected statement of financial position

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Intangible assets	144,986	172,660	485,154

	<table border="1"> <tbody> <tr> <td>Tangible assets</td> <td>6,393,395</td> <td>5,927,742</td> <td>7,692,822</td> </tr> <tr> <td>Long-term assets</td> <td>5,084,223</td> <td>18,549</td> <td>525,239</td> </tr> <tr> <td>Total long-term assets</td> <td>11,622,604</td> <td>6,118,951</td> <td>8,703,215</td> </tr> <tr> <td>Inventories</td> <td>1,227,164</td> <td>1,168,212</td> <td>2,129,367</td> </tr> <tr> <td>Receivables</td> <td>492,420</td> <td>1,632,236</td> <td>3,380,638</td> </tr> <tr> <td>Prepaid expense</td> <td>18,813</td> <td>15,302</td> <td>26,341</td> </tr> <tr> <td>Assets held for sale</td> <td>0</td> <td>1,950,000</td> <td>0</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>30,334</td> <td>93,526</td> <td>255,402</td> </tr> <tr> <td>Total current assets</td> <td>1,768,731</td> <td>4,859,276</td> <td>5,791,748</td> </tr> <tr> <td>Total assets</td> <td>13,391,335</td> <td>10,978,227</td> <td>14,494,963</td> </tr> <tr> <td>Share capital</td> <td>1,280,585</td> <td>1,280,272</td> <td>1,546,380</td> </tr> <tr> <td>Share premium</td> <td>761,415</td> <td>761,415</td> <td>1,094,987</td> </tr> <tr> <td>Other reserves</td> <td>0</td> <td>313</td> <td>313</td> </tr> <tr> <td>Non-current asset revaluation reserve</td> <td>1,534,800</td> <td>1,468,231</td> <td>1,401,665</td> </tr> <tr> <td>Retained earnings</td> <td>1,759,088</td> <td>-1,866,827</td> <td>-706,959</td> </tr> <tr> <td>Total equity</td> <td>5,335,888</td> <td>1,643,404</td> <td>3,336,386</td> </tr> <tr> <td>Long-term loans from credit institutions</td> <td>2,543,681</td> <td>4,958,451</td> <td>4,727,849</td> </tr> <tr> <td>Financial lease liabilities</td> <td>0</td> <td>0</td> <td>47,723</td> </tr> <tr> <td>Other long-term liabilities</td> <td>977,527</td> <td>942,896</td> <td>1,577,266</td> </tr> <tr> <td>Total long-term liabilities</td> <td>3,521,208</td> <td>5,901,347</td> <td>6,352,838</td> </tr> <tr> <td>Current loans from concentrations</td> <td>856,339</td> <td>1,123,117</td> <td>1,177,130</td> </tr> <tr> <td>Financial lease liabilities</td> <td>0</td> <td>0</td> <td>18,100</td> </tr> <tr> <td>Trade payables</td> <td>971,574</td> <td>977,185</td> <td>1,797,062</td> </tr> <tr> <td>Other current liabilities</td> <td>2,706,326</td> <td>1,333,174</td> <td>1,813,447</td> </tr> <tr> <td>Total current liabilities</td> <td>4,534,239</td> <td>3,433,476</td> <td>4,805,739</td> </tr> <tr> <td>Total equity and liabilities</td> <td>13,391,335</td> <td>10,978,227</td> <td>14,494,963</td> </tr> </tbody> </table>	Tangible assets	6,393,395	5,927,742	7,692,822	Long-term assets	5,084,223	18,549	525,239	Total long-term assets	11,622,604	6,118,951	8,703,215	Inventories	1,227,164	1,168,212	2,129,367	Receivables	492,420	1,632,236	3,380,638	Prepaid expense	18,813	15,302	26,341	Assets held for sale	0	1,950,000	0	Cash and cash equivalents	30,334	93,526	255,402	Total current assets	1,768,731	4,859,276	5,791,748	Total assets	13,391,335	10,978,227	14,494,963	Share capital	1,280,585	1,280,272	1,546,380	Share premium	761,415	761,415	1,094,987	Other reserves	0	313	313	Non-current asset revaluation reserve	1,534,800	1,468,231	1,401,665	Retained earnings	1,759,088	-1,866,827	-706,959	Total equity	5,335,888	1,643,404	3,336,386	Long-term loans from credit institutions	2,543,681	4,958,451	4,727,849	Financial lease liabilities	0	0	47,723	Other long-term liabilities	977,527	942,896	1,577,266	Total long-term liabilities	3,521,208	5,901,347	6,352,838	Current loans from concentrations	856,339	1,123,117	1,177,130	Financial lease liabilities	0	0	18,100	Trade payables	971,574	977,185	1,797,062	Other current liabilities	2,706,326	1,333,174	1,813,447	Total current liabilities	4,534,239	3,433,476	4,805,739	Total equity and liabilities	13,391,335	10,978,227	14,494,963
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B.8 Selected key pro forma financial information	Not applicable. The Prospectus includes no <i>pro forma</i> financial information, nor is the Company under an obligation to present pro forma financial information in the Prospectus.																																																																																																								
B.9 Profit forecast	Not applicable. The Prospectus includes no profit forecast or estimate.																																																																																																								
B.10 Qualifications in audit report	There are qualifications in the audit reports on the historical financial information of 2013, 2014 and 2015 all of which relate to a segregated investment, which was written off in 2014 on the basis of its value, loss and impairment.																																																																																																								
B.11 Notes regarding working capital	Not applicable. The working capital of the Company is sufficient to maintain operations of the Company.																																																																																																								
Section C—Securities																																																																																																									
C.1 The type and the class of the securities, the security identification number	<p>1'829'381 dematerialized bearer shares of the Company with a nominal value of EUR 1.00 (one euro) each are made available for trading on the regulated market, the Baltic Main List of Nasdaq Riga.</p> <p>The Shares are issued as dematerialized bearer shares listed in dematerialized format with the Latvian Central</p>																																																																																																								

	Depository under international securities identification number (ISIN) LV0000101590.
C.2 Currency	The currency of the Shares is the Euro (EUR).
C.3 Issued share capital	As at the date of this Prospectus, the issued share capital of the Company consists of 1'829'381 dematerialized bearer shares with a nominal value of EUR 1.00 each, all of which are fully paid. All shares confer upon their holders equal voting rights.
C.4 Description of the rights attached to securities	<p>Under the Company's Articles of Association, a holder of Shares has the following rights (among others):</p> <ul style="list-style-type: none"> - to subscribe for shares, on a pro rata basis to existing shareholding, in the event of increase of the Company's share capital or the issuance of any new shares or securities convertible into, exchangeable for, or otherwise granting the right to acquire shares (including options, warrants and other rights); - to attend and vote personally or through proxy at the General Meeting of Shareholders; - to receive and inspect the Company's financial statements and annual accounts, minutes of the General Meeting of Shareholders, register of shareholders; - to receive dividends; - to receive a <i>pro rata</i> share of the Company's assets (following repayment of creditors) in the event of the Company's liquidation; and - certain other rights provided for in accordance with Latvian Commercial Law.
C.5 Restrictions on transferability	The Shares are freely transferable, subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States, the United Kingdom, the European Economic Area and the Republic of Latvia, Lithuania and Estonia, the Shareholders' Agreement and the contractual Lock-up Agreement applicable to the Company and its shareholders.
C.6 Admission to trading on a regulated market	1'829'381 Shares listed on the Baltic Main List of Nasdaq Riga for trading on a regulated market. The Company intends to commence trading of the Shares on the Nasdaq Riga stock exchange no later than on the sixth day following a Nasdaq Riga Management Board decision to list the shares on the Baltic Main List and commence trading of the Shares.
C.7 Dividend policy	<p>Each Share entitles holder to receive dividends distributed by the Company (if any). Each Share of the Company confers upon its holder equal (<i>pari passu</i>) rights with all other Shares of the Company with respect to distribution of dividends.</p> <p>The Company intends to pay dividends, provided that its financial results will permit it to do so. At the same time, the Company cannot guarantee the payment of dividends in future or, if dividends will be paid, cannot make representations as to the value or the total amount of such dividends. The declaration and payment of any dividends</p>

	<p>and the value of such dividends in future will be dependent on, among other things, the future revenue of the Company, its financial position, capital requirements, future business outlook and other factors.</p> <p>Decisions to make a distribution of dividends are made by the General Meeting of Shareholders of the Company.</p>
<p>Section D—Risks</p>	
<p>D.1 Key information on key risks of the issuer and its industry</p>	<p>There exist a number of key risks relating to the Company, the occurrence of which may create a material adverse effect on the Company's business, prospects, financial condition, results of operations or cash flows:</p> <ul style="list-style-type: none"> - the Company may be unable to implement its business strategy successfully; - the Company's business is dependent on the economic and macroeconomic conditions in the Baltic States, the Eurozone and other regions in which it operates; - future development of the Company depends on the acceptance of products which it is offering to its customers, while future acceptance of its products by the market is difficult to assess; there can be given no assurance that the efforts by the Company, which will result in incurring considerable costs, will produce the anticipated results; - the Company faces stiff competition within electronics systems development, design and manufacturing sectors in Latvia and the other Baltic States; - the Company may potentially face competition from leading hi-tech companies providing integrated manufacturing service solutions with better access to financial and operating resources; - the ability by the Company to achieve some of its stated business objectives hinges on certain assumptions involving factors that are beyond its control and are subject to known and unknown risks, uncertainties and other factors; - the Company is heavily dependent on timely delivery of raw materials and high-quality components by its outside suppliers; increase in purchase orders by the Company may cause delays in deliverables by its suppliers, resulting in inability of the Company to timely perform the orders; furthermore, the ability by the Company to develop and manufacture products may be affected by capacity constraints and defective components from outside suppliers; - the Company may be unable to attract new customers or retain existing customers or may be unable to access additional sources of funding; - the Company is reliant on the success of its brand and the ability to acquire and retain customers at a reasonable cost by differentiating itself from the wider group of suppliers in the industry; - the Company is heavily dependent on external funding to finance expansion of its operations and capital expenditure; increasing interest rates and

	<p>demands by credit institutions for additional collateral may seriously curtail its business plans;</p> <ul style="list-style-type: none"> - the Company operates in an industry heavily dependent on research and innovation; - the Company may be unable to protect its intellectual property, which may cause irreparable harm to its business; - the Company may default in the performance of its obligations under the existing loan facility agreements with AS Citadele banka, resulting in sale of the pledged and mortgaged assets of the Company at an auction or otherwise resulting in realization of its assets for the benefit of the Company's creditors; - the success of the Company is, by and large, attributable to the efforts and leadership exercised by its senior executives; the future success of the Company depends on the ability to retain highly qualified managers furthering its longer term interests; if such executives or managers were to leave the Company, a material adverse effect could arise on the Company's business, financial condition and results of operation; and - the Company may become subject to litigation, administrative proceedings or other legal proceedings.
<p>D.3 Key information on main risks of the securities</p>	<p>There can be identified a number of key risks relating to investment in the Shares:</p> <ul style="list-style-type: none"> - an active and liquid market for the Shares may not develop, and the value of the Shares may fluctuate significantly, particularly given that certain existing shareholders or their respective affiliates may hold a substantial proportion of the Shares; - the availability for sale of substantial amounts of the Shares may adversely affect the price of the Shares; - allotment by the Company of additional shares in connection with future acquisitions, as well as any share incentive or share option plans, if introduced, may cause the value of the shares to be diluted; - there was no prior trading in the Shares on a regulated market; - the Shares may be delisted from the Baltic Main List of Nasdaq Riga, or trading in the Shares may be suspended; and - the Company has no previous experience of complying with legal requirements applicable to publicly listed companies.

3. RISK FACTORS

Prior to making decision to invest into the Shares, each prospective investor should carefully review all of the information contained in this Prospectus, including with respect to risk factors identified herein. Should any of the events described below actually occur, the Group's business, financial condition or results of operations could become subject to adverse effects. As a result of such effects materializing, the value and market price of the Shares may decline, resulting in a loss of all or part of any investment in the Shares. Furthermore, the risks described are not the only risks the Group faces. The order of the risk factors described below is not an indication of their relative importance for the Group, the probability of their occurrence or their potential influence on the Group's activity. Additional risks not currently known or which are currently believed to be immaterial may also have a material adverse effect on the business, financial condition and results of operations of the Group.

3.1 General Risk Factors Inherent in the Business Segment in which the Group Operates and Competition

Potential challenges to implementing business strategy and achieving desired results

The Company invests in a business which is expected to produce and supply a growing amount of products and services and, accordingly, to earn a higher rate of return over time. However, higher return anticipated by the Company is not guaranteed. The rate of return is subject to variance due to operation of numerous factors, the incidence of which is impossible to predict with certainty. The financial results of the Company's operation may not be as expected or as projected, because demand for the Company's products or services in some markets may be lower than expected, competition by major competitors may increase, or the Company may not be able to implement its business strategy as smoothly as anticipated.

Moreover, advancements in the IT and new technology markets occur at an unprecedented pace; failure to timely adapt to these advancements or embrace novel technology may result in lower profitability and reduction in the value of investment. The Company's Management Board may fail to accurately assess future market trends or adopt worse than optimal decisions to accommodate the needs of future development of the Company.

The recent global sovereign debt crisis could result in higher borrowing costs and limited availability of credit

Following the global financial crisis in 2008 and 2009, a number of European countries have experienced high debt levels and lack of economic growth. Lower private consumer spending, weaker household purchasing power, high unemployment, reduction of business profitability and increased insolvency of companies and/or households have contributed to slower GDP growth across Europe. In addition, the risk of lower consumer confidence can create an adverse impact on the financial markets and economic conditions across the EU and throughout the world. The market's anticipation and reflection of these effects can produce a materially negative bearing on the Group's business in a variety of ways:

- difficulty or inability to finance future acquisition of assets;
- difficulty or inability to discharge obligations under existing indebtedness;

- increased risk of deterioration in the financial condition of the Group's debtors resulting from the current economic situation, etc.

Inflation

The coming years may entail considerable inflation. Some of the expenses incurred by the Subsidiaries controlled by the Company, such as investment in equipment and workforce, are closely related to general price levels. Growing inflation may have the effect of preventing businesses from adjusting the prices of their products and services in order to preserve the existing levels of profitability or may lead to losses. Costs incurred by Subsidiaries may considerably increase due to inflation. Because of that, the Company would be compelled to compensate the increased costs from internal resources, unless it is able to charge higher prices for products and services. Accordingly, high inflation may have materially adverse impact on the financial situation and business results of the Company and those of other companies it controls.

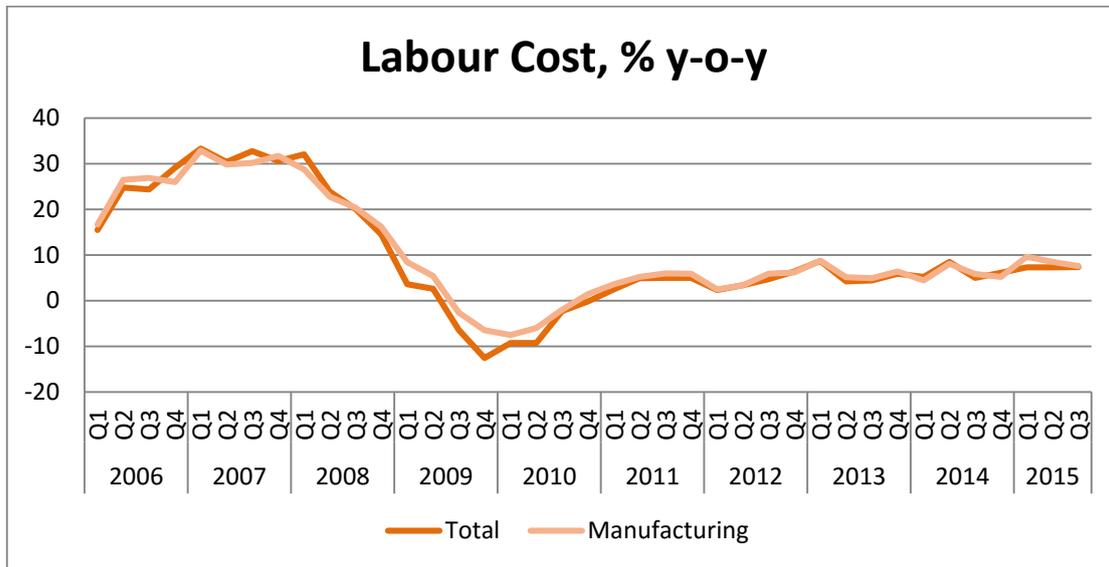
Salary increase

Labour costs represent a considerable part of the Company's cost base. Although labour is cheaper in Latvia compared to Western European EU Member States, the discrepancy in salary levels is expected to steadily shrink as the Latvian economy catches up with the economies of the Western European countries. In order to remain competitive and retain labour, the Company may be forced to offer its employees additional incentives, such as salary increases and other benefits at a faster pace than the Company is accustomed to. Should the Company fail to increase labour utilization and labour efficiency ratios in a manner proportional to the increase in labour costs, or compensate the increase by means of charging higher product and service prices, the increase in the cost of labour would cause a significant adverse effect on the Company's financial situation and business results.

Detailed information on the labour cost dynamics for the years 2012 to 2015 and from 2006 to 2015 illustrates a gradual growth in the cost of labour (% of corresponding period of previous year).

Table No 1 Labour cost dynamics in Latvia

Seasonally unadjusted																
	2012				2013				2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	2.3	3.4	4.7	6.4	8.7	4.2	4.4	5.9	5.2	8.5	5.0	6.1	7.3	7.3	7.4	-
Manufacturing	2.5	3.4	5.9	6.2	8.8	5.1	4.9	6.4	4.4	8.1	5.8	5.2	9.6	8.5	7.6	-



Source: *The Central Statistics Bureau of Latvia*

Natural disasters, terrorist attacks, acts of war, hostilities, riots, civil disorders, pandemics and other unforeseeable events may have material adverse effect on the Group

Natural disasters, terrorist attacks, acts of war, hostilities, riots, civil disorders, pandemics and other unforeseeable events, and responses to such events, may reduce the number of workable days and, as a result, prevent the Group and its employees from being able to provide services to customers, in particular, with respect to projects performed by the Group in countries outside of Europe.

The described events may also create economic and political uncertainties capable of impairing macroeconomic conditions in the affected countries, as well as decrease the demand for or increase the costs of the Group’s services. Moreover, such events may influence employees, including key specialists of the Group. Whenever the Group fails to implement business continuity plans, the described events may cause the Group to suffer significant losses.

Furthermore, unforeseen events may lead to lower revenue or additional operating costs, such as fixed employee costs not recoverable from revenue due to suspension of service, higher insurance premiums and implementation of redundant back-up systems. Insurance coverage may not be available with respect to some of the unforeseeable risks. Whenever the described risks materialize, material adverse effects can arise for the Group’s business, results of operation or financial condition.

Increased competition could reduce the Group's revenue and profits and constrain the Group's growth

There is a very limited number of local competitors that are currently able to successfully compete with the Group. Nevertheless, the Group might face global competition from other hi-tech companies which provide integrated manufacturing services. There can be no assurance that the Group will continue to be able to compete effectively against current and future competitors, in particular those with access to greater financial or operational resources compared to the Group. This notwithstanding, the Group believes that there exist high enough barriers to entry in its market segment – the Group’s past investments, 15 years of building expertise and skills ensure a “state of the art” manufacturing technology and knowledge based operational capacity that cannot be easily matched or replicated.

This having been said, there can be no assurance against current or potential competitors making significant investments to provide services or products comparable or superior to those supplied by the Group, adapting more rapidly to the evolving industry trends, adjusting market requirements and legal framework, or setting prices at levels lower than those charged for the Group's services and products, any of which could result in the Group losing its competitive edge or market share. There can be no assurance against new or existing competitors causing material adverse effects on the Group's operating results. In addition, there can be no assurance that future development or investment by the Group will not be matched or surpassed by competitors. The inability by the Group to compete effectively could lead to material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares.

Dependence on intellectual property rights

The business of the Group is that of a typical research and development company, which, *inter alia*, relies on the strength of its locally recognizable brand "HansaMatrix" which, in turn, is a registered trademark protected in Latvia and overseas. The results of research and development carried out by the Group are currently protected by the most commonly used set of mechanisms in the industry – secrecy and confidentiality. Considering that the relevant areas of Group services are undergoing a rapid development, while the business environment is in the process of constant flux, the Group has decided not to keep its know-how, expertise and results of research and development publicly available, as the Group would be required to do if it opted to apply for patent protection.

Intellectual property is material to the Group's business. Regardless, as of the date of this Prospectus, the Group holds no registered patents. Because of that, the Group is vulnerable to the risks of breach of confidentiality or reverse engineering that can make know-how of the Group available to its competitors. In order to protect its intellectual property, the Group may need to take steps to apply for registration of the same with relevant governmental authorities. On the other hand, such protection may be compromised due to: (i) expiration of the application period for the registration of intellectual property, or (ii) third party infringement of the Group's intellectual property rights, including, for example, by way of unauthorized disclosure of confidential information belonging to the Group or counterfeiting of the Group's brand, designs or products. The occurrence of any such events may have a material adverse effect on the business of the Group.

3.2 Risk Factors Characteristic of the Group

Availability of external funding

Future development of the Group's business, as well as necessity to sustain current working capital requirements, may require availability of substantial funding to finance expanding operations and capital expenditure. To this end, failure to secure adequate levels of external financing may limit the Group's growth plans and put the Group at a competitive disadvantage compared to competitors with better access to external funding. To fund its working capital requirements, the Company currently relies on the factoring limit provided by AS Swedbank, while in order to fund longer-term investment plans it relies on the loan facility provided by AS Citadele banka (for more information, see Section 5.1 "Working Capital Statements").

Dependence on senior executive team

The success of the Group's business is dependent on a team of senior executives responsible for defining the strategy, development and growth of the business and day-to-day supervision of the business. The Group's ability to sustain the challenges of highly competitive environment and implement growth strategy is dependent on general business awareness, expertise, knowledge, personal relations and individual facets of its Management team. The Group's ability to hire and retain competent managers and executives is equally critical to the success of its business. Since competition for highly skilled and qualified senior executive staff increases, a degree of risk exists that the Group's Managers or key specialists may decide to pursue employment opportunities elsewhere and leave the Company or other Group companies. The loss of one or more of the top Managers or key specialists, coupled with the inability to find a suitable replacement, is apt to have a negative effect on the prospects of the Group's business, financial situation and performance.

Furthermore, not a single non-compete agreement is entered into between the Company, any of its Subsidiaries and any employee of the Company or any employee of any of the Company's Subsidiaries. Consequently, nothing prevents current employees of the Company or any Group company from assuming employment with or rendering services to competitors of the Company or Group companies, holding stakes or otherwise participating in the capital of competitors. All of this is manifestly contrary to the interests of the Company and the Group and is capable of materially adversely affecting the prospects and performance of the Company and the Group.

Transactions with related parties

There have occurred several transactions with related parties within the Group. Under applicable tax laws, all transactions with related parties shall be conducted at arm's length. Despite the fact that the Company's Management seeks to ensure that all transactions by the Company are entered into at arm's length, hypothetical tax risks continue to persist, such as the risk of tax authorities taking the view that a particular transaction is not an arm's length transaction. This would result in the imposition of tax on the difference between the amount of consideration actually paid and the amount of reasonable market consideration. Moreover, whenever an inter-group transaction is established not to be at arms' length, there can be imposed fines and interest on the amount of unpaid tax. The Company and its Subsidiaries consistently monitor and approve pricing policies applicable to related party transactions. Detailed information on such transactions is presented in Section 4.17 "Related Party Transactions".

Success of former, current and future investment projects

In the past, the Company has undertaken a range of large scale investment projects. It may be involved in more projects in the future. Although whenever evaluating investment projects and making forecasts the Company and its employees are relying on all the information and analytical resources they have access to, there can be no guarantee of all the information and data relied upon being complete and accurate at the time of making the investment decision. Because of this, the decision to pursue a particular investment opportunity or the manner for accomplishing the investment may not always be the most appropriate in the circumstances.

Besides, there is no guarantee that a particular investment undertaken by the Company would generate the expected or projected rate of return and would not

cause a more significant expenditure to implement than originally expected. Should the investment opportunity undertaken by the Company turn out to be less attractive than expected, or should the rate of return prove to be lower than estimated, there would arise significant adverse effects on the Company's business, its financial situation and performance.

Group performance depends on the ability to attract and retain qualified and adequate labour force

The success of the Company's operations depends, among other factors, on the availability in the labour market of qualified and suitable labour force. A shortage of an adequate labour force is likely to considerably increase labour costs or even cause a slowdown in the Group's business. Accordingly, it may produce a material adverse effect on the Company's performance and financial situation.

Company's business can be adversely affected due to inability to expand customer base or a loss of existing customers

A loss by the Company of several of its existing customers and the inability to substitute such customers with one or more customers generating a similar order volume may produce adverse effects for the Group's business, financial situation or performance.

However, the risk of customer loss is very generic to any business in a free market economy. The Company is applying considerable effort to grow the number of its customers in order to diversify the business. In the opinion of the Management Board of the Company, this risk can be regarded as low considering the total size of the accessible EU market and the fact that, during the last 5 years, the Company has, on average, been attracting about 2 new customers annually. It has, thereby, increased the number of mid-sized customers (representing over 1% of the Company's revenues) from about 5 in 2010 to about 15 in 2015.

Company's liquidity

Considering that the Company anticipates further growth in 2016 and subsequent years, additional investment will be necessary into working capital of the Company. The success of growth strategy will, to a large extent, be driven by the ability of the Company to smoothly integrate new operations into the existing business model consistent with projections and the ability to effectively manage a larger asset portfolio. A hypothetical risk remains that the Company may not be able to implement its plans to full extent.

Another hypothetical risk is that the Company's creditors may request provision of additional guarantees or other collateral to secure the loans outstanding, or as a pre-condition for provision of new loans. Furthermore, should the Company reach a critical level of indebtedness or debt to equity ratio, creditors might insist on less favourable conditions for the provision of new loans compared to the conditions applied as of the date of this Prospectus. Should any of the above hypothetical risks materialize, there would inevitably arise adverse effects on the Company's ability to attract loans in order to fund the investments required.

Interest rate risk

Interest rate risk mainly relates to outstanding borrowings by the Company which are subject to variable interest rates. Adverse changes in variable interest rates may negatively affect the Company as it may have to repay a larger amount of interest than anticipated to keep its loans current.

Currency risk

The Company is exposed to currency risks arising as a result of some of the Company's financial transactions. Purchases, in particular, are exposed to non-EUR currencies. In 2015, approximately a third of all purchase transactions were performed in either USD or, to a lesser extent, GBP, JPY and NOK.

Notwithstanding the aforementioned, the net total currency exchange loss represents 0.16% of overall Group revenues for 2015.

Some of the equipment purchased by the Group from foreign suppliers is also purchased in USD. Hence, fluctuations in the USD/EUR exchange rate may produce a negative effect on the profitability of the Company. Operational hedging may not be sufficient to entirely eliminate the existing currency risk.

Credit risk

There is a risk of failure by one or more customers of the Company to properly and in a timely manner fulfil their payment obligations. If a large number of customers default on their obligations when due, material adverse effects may arise for the Company's cash flows and profitability. As a consequence of customer default, the Company may be compelled to seek additional sources of temporary liquidity, which may not always be readily available.

The Company may become subject to information technology theft or misuse

The Company may become subject to outside attempts to gain unauthorised access to its information technology systems threatening security of proprietary information of the Company and stability of its systems. Such attempts may be a result of industrial or other espionage or actions by hackers capable of causing the Company and/or its customers irreparable harm. The Company may not succeed in detecting and preventing such action. Theft, unauthorised access and use of trade secrets or other sensitive business information as a result of such incidents may cause disruptions in the Company's business and damage its reputation and competitive position. This, in turn, may negatively affect the results of operation of the Company and/or its financial condition. Furthermore, such actions may result in claims against the Company for breach of confidentiality obligations or failure to safeguard third party data.

Reputational and VAT fraud risk

The Group is responsible for performing vendor due diligence, to safeguard against value added tax (VAT) evasion on the part of its vendors. In the event of engaging into business transactions with vendors liable to VAT evasion, the Group may be denied the opportunity to offset input tax against output tax. Admittedly, it may not be apparent to the Group that a particular vendor fails to pay VAT, for any reason. Regardless, tax evasion on the part of a particular vendor could be attributed to the Group, even though the Group itself took no action to enable or facilitate the evasion. Failure to manage tax risks such as these may cause reputational damage and result in imposition on the Group of companies of a penalty for failure to comply with due diligence procedures or other requirements of tax law. Notwithstanding efforts by the Group (by means of, *inter alia*, introduction and implementation of compliance programs, policies and procedures) designed to manage tax risks, there remains a residual exposure to some of the applicable tax risks materializing in the instances in which the Group was unable to detect tax evasion on the part of one or more of its vendors.

3.3 Risk Factors Related to the Company's Shares

The price of the Company's Shares may fluctuate significantly

The trading of the Shares may be subject to significant price and volume fluctuations in response to multiple factors including, but not limited to:

- variations in operating results of the Group and those of other companies in the same industry;
- negative reports by market analysts or adverse broker comments or recommendations;
- block sales of Shares held by major shareholders, or anticipation that a sale of Shares driven by a specific event is pending;
- overall macroeconomic, political or regulatory conditions in Latvia or in the industry in which the Group operates;
- price and volume fluctuations on Nasdaq Riga or other stock exchanges, including stock exchanges of other emerging markets.

The market price and volume fluctuations of the Shares may not correlate with the performance or operating results of the Group in a manner that can be predicted or explained.

Turmoil in emerging markets may hit the value of the Shares

In recent decades, the financial and other crises sweeping over emerging markets tended to adversely affect stock and securities prices of companies operating in the affected developing economies. There can be no assurance against renewed volatility, stemming from future financial turmoil or other factors, such as political unrest in selected emerging economies, or for other reasons. Such volatility may adversely affect the value of the Shares even in the circumstances where the state of the Latvian economy remains relatively stable.

The market value of the Shares may be negatively affected by future sales or allotments of substantial amounts of the Shares

All the Shares of the Company can be put on sale, without being subject to any restrictions whatsoever, pursuant to the restrictions set forth in the Shareholders' Agreement and the Lock-Up Agreement. No assurance as to the success of such sale can be made.

The Company cannot predict what impact future sales or offerings of the Company's Shares, if any, would have on the market price of the Shares. The impact of such transactions, even if temporary in nature, may be materially adverse for the market price of the Shares. Accordingly, no assurance can be made against decreases in market price of the Shares held by existing shareholders resulting from subsequent sales or allotments of Shares by the Company.

Marketability of the Shares may decline; market price of the Shares may fluctuate disproportionately in response to adverse developments unrelated to operating performance of the Company

No assurance can be given by the Company that the marketability of the Shares will improve or remain constant over time. Shares listed on a regulated market, such as a stock exchange, may, from time to time, experience significant price fluctuations in response to developments unrelated to operating performance of a particular company.

The market price of the Shares may fluctuate significantly, depending on variable factors beyond the Company's control. Such factors include, among others, actual or anticipated variations in operating results and earnings by the Group companies and/or any of its competitors, changes in financial estimates or buy/sell recommendations by securities analysts, market conditions in the industry or specific sectors of the economy, overall securities market sentiment, the state of legislation and governmental regulations, the general market and macro-economic sentiment. These and other factors may cause the market price and demand for the Shares to fluctuate significantly. Any such fluctuation, if unfavourable, may have adverse effect on the market price of the Shares which may decline disproportionately to the actual operating performance of the Group companies. Furthermore, the market price of the Shares is subject to fluctuations in response to allotment by the Company of new shares, sale of shares by existing shareholders, liquidity and volume of trading in the Shares, share capital reductions by the Company, share buy-backs by the Company and overall perception of the Company's business by investor community.

No guarantee of payment of dividends

The Company is under no lasting or mandatory obligation to distribute dividends to shareholders. Because of that, no representation can be made with respect to payment of dividends in the future or the amount of dividends. Each recommendation by the Management Board to make a distribution of profits to shareholders will embrace a variety of considerations: financial performance, working capital requirements, the need for profit capitalization and strategic aspects, which may not coincide with the short-term interests of each particular shareholder.

The payment of dividends and the amount thereof will invariably remain subject to the exclusive discretion of the majority shareholders of the Company, while the payment of dividends is subject to decision of the General Meeting of Shareholders of the Company. Furthermore, to enable a distribution of profits to shareholders, including by means of payment of dividends, prior written consent will usually be required to be given by creditors with which the Company has entered into loan agreements.

Liquidity of the Company's Shares is not guaranteed

Whenever a decision is taken by an investor to urgently sell the Company's securities (in particular, a large block thereof), demand for the securities on an organized stock exchange may not be sufficient to accommodate the sale. For this reason, a sale of the Shares may take longer than expected to accomplish. Meanwhile, the investor may have to sell the Shares at a lower price. Similar consequences may ensue if the Company's Shares are de-listed. Moreover, in the event of deterioration in the financial standing of the Company, demand for the Company's Shares may decrease and the Share price may decline correspondingly.

Increase in the number of the Company's Shares as a result of future share capital increase (if any) can reduce the price of the Shares and cause the value of the Shares held by shareholders to be diluted

The increase in the number of the Company's Shares (increase of the share capital of the Company) may adversely affect the Share price. The value of the Shares held by shareholders who, in the event of a share capital increase, decide not to subscribe for the newly issued Shares, will inevitably be diluted, while the amount of the Shares held by such shareholders may undergo a reduction.

3.4 Legal and Taxation Risks

Legal requirements and regulations of the market, in which the Group operates, may change

The Group's business and sales, both domestically and in foreign markets, are influenced by a multitude of policy considerations driven by affinities of authorities in the relevant countries, as well as present and future actions by regulators and legislators in areas such as market regulation, production, international and domestic trade, competition, marketing, taxation, customs and product marking.

If the Group is unable to timely adapt itself to the new requirements of legal acts or decisions regulating any of the specified aspects, there may ensue imposition of fines, prohibitions or restrictions on the Group's business, etc., which can materially adversely affect the Group's activities and business and cause unexpected costs necessary to fulfil obligations imposed by regulatory authorities and pay fines.

Moreover, in the event of amendments to legislation or tax treatment of equity and equity-based instruments, the attractiveness of the Company's Shares may change. The reduced attractiveness, in turn, may cause a decline in liquidity and falling share price.

The Group is exposed to risks associated with taxation and changes in tax legislation

Future actions by the Latvian government or relevant EU bodies aimed at increasing applicable tax rates or imposing additional taxes may reduce profitability of the Group's business. The interpretation of Latvian tax laws and regulations may change, causing introduction of changes unfavourable to the Group. Such changes may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

Legal entities in general that are tax resident in Latvia (or which are otherwise liable to Latvian tax) are required to pay certain taxes in Latvia, a feature common to tax systems across the EU member states. The Group is subject to, or liable to, a number of tax obligations in Latvia, including with respect to value added tax, social security contributions, personal income tax (to the extent personal income tax is withheld at source as payroll tax or withholding tax, which applies to other sources of income of private individuals), corporate income tax, real estate tax, vehicle operation tax and company car tax, along with other taxes. The tax policy of the Latvian government may change in a manner creating material adverse effects for the Group's business, prospects, financial condition, results of operations or cash flows.

4. INFORMATION ABOUT THE ISSUER

4.1 Statutory Auditors

The consolidated financial statements of the Issuer for the financial year ended 31 December 2013 have been audited by SIA "Deloitte Audits Latvia", registration number 40003606960, having its registered address at 4a Grēdu Street, Riga, LV-1019, Latvia, independent auditors.

The consolidated financial statements for the financial years ended 31 December 2014 and 31 December 2015 as presented in this Prospectus have been audited by SIA "Ernst & Young Baltic", registration number 40003593454, having its registered address at 1A Muižas Street, Riga, LV-1010, Latvia, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report.

4.2 Selected Financial Information

The following tables present selected consolidated financial data as at and for each of the three financial years ended 31 December 2013, 31 December 2014 and 31 December 2015. The financial information has been compiled from the Issuer's audited (years ended 31 December 2013, 2014 and 2015) consolidated financial statements that have been prepared in accordance with Latvian Accounting Standards and, for the financial year ended 31 December 2015, IFRS. The selected consolidated financial statements in the table below should be read in conjunction with Section 4.7 "Operating and Financial Review" and the financial statements (including the Notes) included elsewhere in this Prospectus.

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Financial summary			
Revenue	10,321,552	10,691,515	13,352,837
Operating profit	862,345	938,811	1,485,528
Net profit	779,196	-2,045,484	1,082,397
Total assets	13,391,335	10,978,227	14,494,963
Total long term assets	11,622,604	6,118,951	8,703,215
Cash and cash equivalents	30,334	93,526	255,402
Total current assets	1,768,731	4,859,276	5,791,748
Total shareholders' equity	5,335,888	1,643,404	3,336,386
Long term liabilities	3,521,208	5,901,347	6,352,838
Current liabilities	4,534,239	3,433,476	4,805,739

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Profit or loss account data			
Net turnover	10,321,552	10,691,515	13,352,837
Cost of sales	-8,112,603	-8,600,102	-10,690,179
Gross profit	2,208,949	2,091,413	2,662,658
Distribution costs	-439,555	-506,965	-590,550
Administrative expense	-907,049	-822,276	-976,864
Other operating income	0	210,907	444,081
Other operating expense	0	-34,268	-53,797
Operating profit	862,345	938,811	1,485,528
Loss on sale of investments	0	-1,348,954	0

Impairment of investments	0	-1,215,758	0
Interest receivable and similar income	230,226	0	54,138
Interest payable and similar expense	-206,886	-247,703	-293,984
Profit before tax	885,685	-1,873,604	1,245,682
Corporate income tax	-101,303	-102,438	-115,399
Real estate tax	-5,186	-69,442	-47,886
Net profit for the period	779,196	-2,045,484	1,082,397
Dividend	0	1,647,000	0

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Statement of financial position			
Intangible assets	144,986	172,660	485,154
Tangible assets	6,393,395	5,927,742	7,692,822
Other long term assets	5,084,223	18,549	525,239
Total long term assets	11,622,604	6,118,951	8,703,215
Inventories	1,227,164	1,168,212	2,129,367
Receivables	492,420	1,632,236	3,380,638
Prepaid expense	18,813	15,302	26,341
Asset held for sale	0	1,950,000	0
Cash and cash equivalents	30,334	93,526	255,402
Total current assets	1,768,731	4,859,276	5,791,748
Total assets	13,391,335	10,978,227	14,494,963
Share capital	1,280,585	1,280,272	1,546,380
Share premium	761,415	761,415	1,094,987
Other reserves	0	313	313
Non-current asset revaluation reserve	1,534,800	1,468,231	1,401,665
Retained earnings	1,759,088	-1,866,827	-706,959
Total equity	5,335,888	1,643,404	3,336,386
Long term loans from credit institutions	2,543,681	4,958,451	4,727,849
Finance lease liabilities	0	0	47,723
Other long term liabilities	977,527	942,896	1,577,266
Total long term liabilities	3,521,208	5,901,347	6,352,838
Current loans from credit institutions	856,339	1,123,117	1,177,130
Finance lease liabilities	0	0	18,100
Trade payables	971,574	977,185	1,797,062
Other current liabilities	2,706,326	1,333,174	1,813,447
Total current liabilities	4,534,239	3,433,476	4,805,739
Total Equity and Liabilities	13,391,335	10,978,227	14,494,963

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Cash flow data			
Profit before tax	885,685	-1,873,604	1,245,682
Net cash flows from operating activities	2,191,842	1,402,155	2,133,048
Net cash flows from investing activities	-1,155,305	-423,360	-3,190,642
Net cash flows from financing activities	-1,033,181	-915,603	1,219,470
Net increase or decrease in cash	3,356	63,192	161,876
Cash and cash equivalents at the beginning of the year	26,978	30,334	93,526
Cash and cash equivalents at the end of the year	30,334	93,526	255,402

Year ended 31 December		
2013	2014	2015

	(EUR)	(EUR)	(EUR)
Financial ratios			
Financials, EUR			
Sales	10,321,552	10,691,515	13,352,837
Gross profit	2,208,949	2,091,413	2,662,658
EBITDA*	1,799,876	1,790,000	2,520,563
Operating profit	862,345	938,811	1,485,528
Net profit	779,196	-2,045,484	1,082,397
Dividends	0	1,647,000	0
Growth, %			
Sales growth	39.4	3.6	24.9
Gross profit growth	10.3	-5.3	27.3
EBITDA growth	1.7	-0.5	40.8
Operating profit growth	-8.7	8.9	58.2
Net profit growth	3.5	-362.5	n.m.
Margins and profitability, %			
Gross margin	21.4	19.6	19.9
EBITDA margin	17.4	16.7	18.9
Operating margin	8.4	8.8	11.1
Net margin	7.5	-19.1	8.1
ROE	15.6	-58.6	43.5
ROA	5.8	-16.8	8.5
Liquidity			
Current ratio, x	0.4	1.4	1.2
Quick ratio, x	0.1	1.1	0.8
Leverage			
Debt, EURm	5,335,429	6,081,568	5,970,802
Debt/Equity ratio, x	1.0	3.7	1.8
Net debt, EURm	5,305,095	5,988,042	5,715,400
Net gearing, x	1.0	3.6	1.7
Net debt/EBITDA, x	2.9	3.3	2.3

* Year 2013 EBITDA calculation includes additionally other income, which is not reflected in operating profit, but was taken into account when calculating 2013 EBITDA

Calculation of financial ratios

$$\text{Return on Equity, \% (ROE)} = \frac{\text{Net Profit Attributable to Shareholders}}{\text{Average Shareholders Equity}} \times 100$$

$$\text{Return on Assets, \% (ROA)} = \frac{\text{Net Profit Attributable to Shareholders}}{\text{Average Total Assets}} \times 100$$

$$\text{Current Ratio, } x = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio, } x = \frac{\text{Current Assets Less Inventory}}{\text{Current Liabilities}}$$

$$\frac{\text{Debt}}{\text{Equity}} \text{ Ratio, } x = \frac{\text{Financial Loans and Leases}}{\text{Shareholders Equity}}$$

$$\text{Net Gearing, } x = \frac{\text{Financial Loans and Leases Less Cash and Cash Equivalents}}{\text{Shareholders Equity}}$$

$$\frac{\text{Net Debt}}{\text{EBITDA}}, x = \frac{\text{Financial Loans and Leases Less Cash and Cash Equivalents}}{\text{Earnings Before Interest, Tax, Depreciation and Amortisation}}$$

4.3 Information about the Issuer

Table No 2 Basic information about the Issuer

Name of the company	Joint-stock company "HansaMatrix"
Commercial name of the Issuer	"HansaMatrix"
Legal form	Joint Stock Company
Country of incorporation	Republic of Latvia
Normative acts binding to the Issuer	Normative acts of the Republic of Latvia, including but not limited to, the Civil Law, Commercial Law, Labour Law, the Law on Taxes and Fees, the Law on Value Added Tax, the Law on Corporate Income Tax, the Law on Real Estate Tax, the Law on Accounting, the Law of Annual Accounts and Consolidated Annual Accounts, the Law on the Financial Instruments Market
Administrator of the register	The Register of Enterprises of the Republic of Latvia
Registration number of the Issuer	40003454390
Profile of business	Parent company of the Group, in addition to holding provides value chain by operating purchasing, holding all inventories and invoicing all customers. For historic reasons, the parent company also runs the Ogre manufacturing plant and serves as the cost centre for this part of manufacturing operation.
Date of incorporation	30 July 1999
Registered address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board) Mr. Alvis Vagulis Mr. Aldis Cimoška
Members of the Supervisory Board	Mr. Jānis Skutelis (Chairman of the Supervisory Board)

	Mr. Krišs Osmanis (Deputy Chairman of the Supervisory Board) Mr. Andris Bērziņš Ms. Ingrīda Blūma Mr. Māris Rambaks
Authorized capital	EUR 1'829'381
Shares	1'829'381 dematerialized bearer shares with a nominal value of EUR 1.00 each
Major shareholders (above 5% of share capital)	SIA MACRO RĪGA – 1'185'938 shares (64.83% of the share capital) FlyCap Investment Fund I AIF, Limited Partnership – 403'933 shares (22.08% of the share capital) Swedbank pension funds – 117'400 shares (6.42% of the share capital)
Telephone number	+371 65 049 088
Fax number	+371 65 049 087
E-mail address	info@hansamatrix.com
Website address	http://www.hansamatrix.com

4.3.1 History and Development of the Issuer

Establishment of the Company

The Company was established in Latvia on 30 July 1999 by Mr. Ilmārs Osmanis, who owned 50% of the share capital in the Company, and SIA Radiotehnika 98, which owned 50% of share capital in the Company. The Company was initially established as a limited liability company with the objective of pursuing the following principal business activities: production of electronic components, communication equipment, instruments and appliances for measuring, testing and navigation, as well as production of motors, generators and transformers.

Development

On 27 December 2002, Baltic SME Fund C.V., registration number 007009139, a Dutch investment fund, became a shareholder of the Company, initially owning 25% of the Shares. On 31 May 2004, the stake owned by Baltic SME Fund C.V. was increased to 37.5%. Baltic SME Fund C.V. is a private equity investment fund investing into small companies demonstrating growth potential in Latvia, Estonia and Lithuania. The conceptual framework of the fund was established by the EBRD, with the support from the Program of Community Aid to the Countries of Central and Eastern Europe (EU) under the auspices of SME Finance Facility. At the time, the other three shareholders of the Company were: Proditron Sweden AB, registration number 007006881, a company registered in Sweden owning 12.5% of the Company's Shares, Hornell Teknikinvest AB, registration number 007008431, another company registered in Sweden owning 25% of the Company's Shares, and Mr. Ilmārs Osmanis owning 25% of the Company's Shares (on 28 July

2008 his place as a shareholder was taken by SIA MACRO RĪGA, a company registered in Latvia, with the registration number 40003362005).

On 18 September 2014, Baltic SME Fund C.V. ceased to be shareholder of the Company, as the fund was discontinued.

Upon Baltic SME Fund C.V. becoming a shareholder, the Company implemented a policy of preparation of financial statements on a monthly basis; this policy remained in force up to the date of this Prospectus.

Upon the exit of Baltic SME Fund C.V., both Swedish shareholders followed suit leaving SIA MACRO RĪGA as the sole shareholder of the Company for approximately one year. On 7 October 2015, FlyCap Investment Fund I AIF, a limited partnership registered in Latvia, became a shareholder of the Company by acquiring a 17.21% stake.

For information on the current shareholding structure of the Company, please see the table below.

Shareholders of the Company

Since its establishment, the Company has had a number of shareholders. The below table presents information on shareholders of the Company as of the date of this Prospectus.

Table No 3 Major Shareholders of the Company (over 5% of the share capital)

Shareholder	Number of shares and votes owned	Percentage of share capital
SIA MACRO RĪGA*	1'185'938	64.83%
FlyCap Investment Fund I AIF, Limited Partnership**	403'933	22.08%
Swedbank pension funds	117'400	6.42%
Total:	1'707'271	93.33%

*The ultimate beneficial owner of SIA MACRO RĪGA is Mr. Ilmārs Osmanis holding a 100% share.

**The limited partners of FlyCap Investment Fund I AIF are as follows: (1) SIA FlyCap AIFP (with no investment); and (2) SIA "Latvijas Garantiju aģentūra" (Latvian Guarantee Agency) (with investment of EUR 10'000'000). Note: Latvian Guarantee Agency became shareholder in AS "Attīstības finanšu institūcija Altum" on 15 April 2015 following a merger. The ultimate beneficial owners of SIA FlyCap AIFP are natural persons (residents of the Republic of Latvia): (1) Mr. Jānis Liepiņš (holding 33.33% of shares); (2) Mr. Ģirts Milgrāvis (holding 33.33% of shares); and (3) Mr. Jānis Skutelis (holding 33.33% of shares). The ultimate beneficial owners of AS "Attīstības finanšu institūcija Altum" are: (1) the Ministry of Economics of the Republic of Latvia (holding 30% of shares); (2) the Ministry of Finance of the Republic of Latvia (holding 40% of shares); and (3) the Ministry of Agriculture of the Republic of Latvia (holding 30% of shares).

For more information on the current and historic shareholder structure of the Company, please see Section 4.16 "Major Shareholders".

Changes in the share capital

Throughout its operation, the Company made several changes to the amount of its share capital.

Initially, at the time the Company commenced operation, its authorized share capital amounted to LVL 18'000 (approximately EUR 25'611). As the result of Latvia having joined the Eurozone on 1 January 2014, the Latvian currency changed – lats (LVL) were substituted by euro (EUR). As all legal entities were required to denominate the currency of their share capital, on 20 August 2014, the currency of the Company's share capital was restated from lats to euros to amount to EUR 1'280'272.

On 7 October 2015, as a consequence of the abovementioned investment by FlyCap Investment Fund I AIF, Limited Partnership (the total amount of investment was EUR 599'680, including a cash investment by increasing the share capital of the Company by EUR 266'108 and a premium in the amount of EUR 333'572), the total of the Company's share capital changed to EUR 1'546'380.

Additionally, on 16 May 2016 the General Meeting of Shareholders of the Company adopted the decision to increase the share capital. As of the date of this Prospectus, the increase in the amount of the Company's share capital has been accomplished; the share capital currently amounts to EUR 1'829'381.

Corporate changes

At the end of 2014, the Company went through a reorganization (separation) process, which entailed reorganization of a part of the Company's business into an independent Latvian limited liability company SIA HM Holding. The separated entity was registered with the Register of Enterprises on 23 December 2014. However, on 7 March 2016, SIA HM Holding was liquidated following acquisition of 100% of SIA HM Holding shares by SIA MACRO RĪGA.

On 24 September 2015, the Company went through another reorganization (by means of identity change and change of organizational form). As a result, the legal form of the Company was changed from limited liability company to a joint stock company; simultaneously, the Company's legal name (firm) was changed from "Hanzas elektronika" to "HansaMatrix". On 30 December 2015, the Company was registered with the Register of Enterprises as joint stock company HansaMatrix. All of the property, rights and obligations of the Company were transferred to and assumed by the reorganized joint stock company HansaMatrix. As a consequence of the described reorganization, the limited liability company Hanzas elektronika ceased to exist without liquidation.

On 18 December, 2015 the Company's Subsidiary SIA EUROLCDs initiated reorganization in order to spin-off its 100% subsidiary SIA Lightspace Technologies from SIA EUROLCDs. The purpose of the reorganization was to separate the types of commercial activities of SIA EUROLCDs and SIA Lightspace Technologies, taking into account the unique nature of products developed by each of the companies, different product distribution markets, as well as different potential exit markets and strategies. On completion of the reorganization, the structure of SIA Lightspace Technologies shall become similar to the structure of SIA EUROLCDs which will remain unchanged. The reorganization is planned to be accomplished within 3 months after the date of this Prospectus.

As of the date of this Prospectus, the amount of registered and paid up share capital of the Company is EUR 1'829'381, divided into 1'829'381 paid up and issued dematerialized bearer shares with a nominal value of EUR 1.00 each, carrying one

voting right each. The existing shares of the Company have been issued under the laws of the Republic of Latvia and rank *pari passu* in all respects with each other.

Business development

Boasting over 15 years of engineering and manufacturing experience, the Company ranks as one of the leading Nordic and Baltic electronic system development and manufacturing companies.

The Company offers product design, original design manufacturer product customization, research and development services and engineering solutions complemented by integrated manufacturing services to leading Northern and Central European original equipment manufacturers – industrial companies. As a manufacturing business, the Company designs, produces and assembles electronic printed circuit boards, mechanical and electromechanical components and complete systems for a diverse range of markets: industrial, commercial, networking, telecommunications, transportation, automotive, renewable energy, defence and medical sectors.

The Company's product design engineering and research and development teams specialize in electronics, mechanics, robotics, optics, high speed imaging, smart glass driving, embedded and radio frequency ("RF") test systems. The Company also ranks high in terms of global competence leadership in the development of smart glass driver systems and high speed 3D volumetric imaging systems and related areas. Within these areas of expertise, the Company offers original design manufacturing business model ("ODM") combined with product customization to fit customer needs.

The entirety of described engineering and manufacturing processes take place at the Company's manufacturing plants and engineering sites (for further information, please see the sections on manufacturing plants and engineering sites below).

a. Ogre manufacturing plant

During the first half of 2001, the Company had purchased and reconstructed premises located at 49 Akmeņu Street, Ogre, Latvia (600 m²), for the purpose of commencing the initial operation of the Ogre manufacturing plant. On 7 June 2001, the plant officially became operational. In the same year, the Company purchased an additional land plot at 72 Akmeņu Street in Ogre, Latvia for further development of the Ogre manufacturing plant. In the years 2002 and 2003, a new plant was constructed (initially, its total size was 2'200 m²). In 2003, the Company moved into the brand new premises of Ogre manufacturing plant. During 2005, the plant was expanded by adding a further 3'000 m² of space.

Over the years, the plant in Ogre pioneered the process of introduction of advanced technologies. It may be placed among the most advanced manufacturing sites in the Nordic and Baltic countries. It operates as a reference high mix medium volume low cost manufacturing site. The engineering team of Ogre plant has accumulated significant experience in the areas of all core technologies offered and used by the Company, while its product industrialization team possesses extensive experience in the areas of component engineering, printed circuit board ("PCB") layout and design for manufacturability ("DFM") analysis expertise. The Ogre manufacturing plant employs a highly skilled and successful software development team.

Over the next few years, the Ogre manufacturing plant will undergo extensive development.

Table No 4 Basic information on Ogre manufacturing plant

Ogre manufacturing plant	
Address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Telephone number	+371 65 049 088
Fax number	+371 65 049 087
E-mail address	info@hansamatrix.com



b. Ventspils manufacturing plant

Ventspils manufacturing plant was launched in 2007 to function as a backup manufacturing site. In 2015, the plant underwent a comprehensive upgrade resulting in the addition of a new facility. Ventspils manufacturing plant is recognised for its "state of the art" technology and lean manufacturing layout. The plant has the capacity of a medium volume low cost manufacturing site. The engineering team working at the plant has all requisite expertise in all core technologies utilized. As a consequence of the deployment of a dedicated assembly line, the prototype process is efficient and flexible. Ventspils plant specializes in box build processes. All the technologies are standardized and are identical to the plant in Ogre.

Table No 5 Basic information on Ventspils manufacturing plant

Ventspils manufacturing plant	
Address	1 Ventspils Augsto tehnoloģiju parks, Ventspils, LV-3602, Latvia
Telephone number	+371 63 620 900
Fax number	+371 63 620 901
E-mail address	info@hansamatrix.com



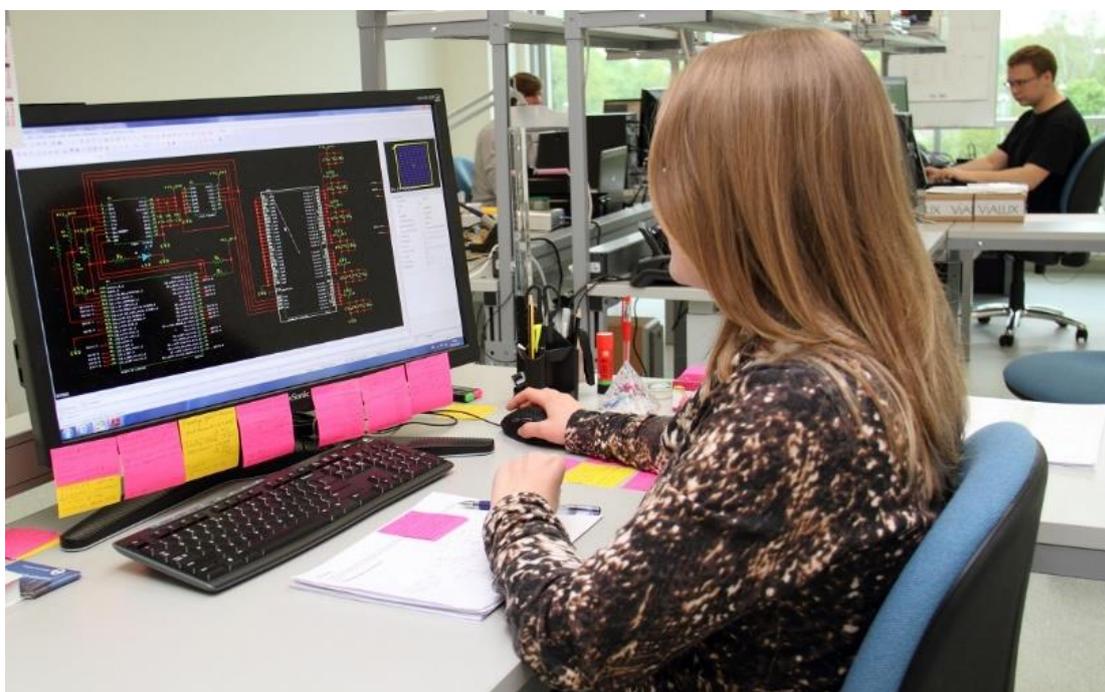
c. The head office and Riga product engineering site

The product development engineering laboratory in Riga has been in operation since 2012. The product development engineering team at this laboratory is highly skilled in the areas of analogue and mixed signal circuit development, printed circuit board (“PCB”) layout, microcontroller firmware development, field programmable gate array (“FPGA”) high speed and general low to high complexity digital designs.

The premises in Riga are simultaneously being used to host the head office of the Company.

Table No 6 Basic information on the head office and Riga product engineering site

Riga product engineering site	
Address	17A Lielirbes Street, Riga, LV-1046, Latvia
Telephone number	+371 67 550 500
Fax number	+371 65 049 087
E-mail address	info@hansamatrix.com



d. Mārupe product engineering and prototype manufacturing site

The product development engineering laboratory in Mārupe has been in operation since 2015. At present, the Company operates engineering teams highly skilled in the areas of:

- industrial products and smart glass driving devices;
- mechanics and robotic systems engineering;
- testing systems, RF and imaging products.

The prototype manufacturing facility and precise metal parts workshop in Mārupe has been in operation since 2015.

Table No 7 Basic information on Mārupe product engineering and prototype manufacturing site

Mārupe product engineering and manufacturing site	
Address	3 Zemzaru Street, Mārupes area, LV- 2167, Latvia
Telephone number	+371 67 550 500
Fax number	+371 65 049 087
E-mail address	info@hansamatrix.com

For detailed information on the Company's manufacturing and product engineering sites, please see Section 4.6 "Property, Plants and Equipment".

4.3.2 Investments

Over the last five years, the Company has been consistently expanding its business, focusing on sales throughout Northern and Central European countries and partnering arrangements with several companies in the USA.

The company operates:

- two similar "state of the art" volume manufacturing plants reliant on complex assembling and electronic system production processes;
- a "state of the art" clean room manufacturing facility for the production of clean technology (liquid crystal and smart glass technologies) and medical technology products;
- a dedicated rapid prototype manufacturing and research and development engineering site;
- development of a high-tech science park infrastructure which is expected to become operable within the next couple of years.

Major investments

The overview of the Company's major investments during the reporting period for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015, is presented in the table below:

Overview of major investments

2013	Amount invested (EUR)	Place
Printed-circuit laser marking line	EUR 10 99 48.66	Ogre
SMT production line capacity increase	EUR 32 47 04.31	Ogre
Additional module of SMT assembly line	EUR 21 09 45.58	Ventspils
Selective soldering device	EUR 6 39 57.06	Ventspils
2014		
Investments into IT infrastructure and production management software	EUR 12 07 62.29	Ogre
Optical inspection device	EUR 4 15 66.67	Ventspils
2015		
sFAB automatic production line	EUR 76 01 28.14	Ogre
Additional equipment to SMT module production line	EUR 24 63 89.55	Ogre
Precision metal parts processing devices	EUR 25 25 51.43	Mārupe
Investments into leased research and production facility	EUR 3 83 87.38	Mārupe
New SMT assembly robots	EUR 97 82 43.05	Ventspils

Development of infrastructure

The Company is developing a high-tech science park infrastructure for product development teams, rapid manufacturing processes and a product development accelerator (the "Science Park" or the "Laboratory Hotel"). The launch of the Science Park is scheduled for early 2018. The Laboratory Hotel infrastructure will provide a creative framework for product development teams, as well as high-tech manufacturing environment for the production of initial articles and pilot series of new products. Moreover, the infrastructure will host spin-off companies SIA Lightspace Technologies and SIA Zero Power Display.

The campus Science Park is being developed as joint high-tech industry project. Apart from the Company, other partners participating in the development of Science Park are AS SAF Tehnika, SIA LEO Pētījumu centrs and the Latvian Electrical Engineering and Electronics Industry Association ("LETERA"). The Company has assumed the lead role in this project by holding a 24% share in the property development and operating company SIA Zinātnes parks. The project development has already been initiated. In addition, acquisition of land lots is in progress.

Solicitation of investors

In 2015, the Company has obtained investment from FlyCap Investment Fund I AIF, Limited Partnership, in the amount of EUR 599'680. The funds are used toward expansion of production capacity and development of new manufacturing and testing technologies. Moreover, given the increase in demand, in January 2016, the Company has expanded the existing plant facility in Ogre through purchase of an additional land plot sized 1.5 ha. It is believed that the respective project will increase the Company's working capital base, setting the base for continued growth.

4.4 Business Overview

The Company is a manufacturing business providing technologically efficient high quality engineering, logistics and manufacturing services, product development and manufacturing electronic components and systems.

Buttressed by its flexible, efficient and low-cost volume manufacturing operation, the Company has succeeded in implementing a superior three-level business model (innovation, product development and manufacturing) that gives it a competitive edge over rivals, combined with an ability to generate greater value for the Company and its shareholders. It provides the full spectrum of new product introduction ("NPI") engineering services, test system engineering, design for manufacturability and testability engineering services. The Company's integrated manufacturing services comprise high complexity product manufacturing solutions with core technologies in mechanical, optical and electronic printed circuit board and system assembly. The customer service and supply chain management solutions are order and forecast-driven utilizing "just-in-time" delivery process.

The Company is the manufacturing partner for the leading original equipment manufacturers ("OEM") in the fields of industrial and commercial, telecommunications, wireless and networking, renewable energy, medical, as well as defence and security industries. The Company's engineers design products customizable to accommodate specific requirements of its customers; the process is supported by rapid first article fabrication process enabling implementation of a genuine fast-track-to-market approach for various products, including high complexity products.

The Company operates two similar "*state of the art*" volume manufacturing plants in Ogre and Ventspils applying complex assembly and electronic system production processes. In addition, the Company operates a "*state of the art*" clean room facility manufacturing clean technology (liquid crystal and smart glass technologies) and medical technology products, along with a dedicated rapid prototype manufacturing and R&D engineering site.

The quality management system of the Company covering processes, procedures, documentation, workflows, records and data, has been developed as integrated part of digital manufacturing environment. The Company has been ISO9001:2008 certificated for quality, ISO13485:2003 and cGMP (US FDA) certificated for medical devices and ISO14001:2004 certificated for environment. In July 2015, three ISO standards ISO9001, ISO14001 and ISO13485 have been renewed to cover the next three-year period.

4.4.1 Principal Activities

The Company provides innovation, product development and manufacturing services to leading North and Central European data network infrastructure, Internet of Things and industrial companies. It operates within four product development segments: (i) innovation, (ii) product development and industrialization engineering services, (iii) manufacturing services, and (iv) after sale service. The service support is based on the Company's supply chain management system.

Innovation

The Company not merely invests in development. It develops innovative ideas to ultimately create products and high value-added manufacturing solutions.

With respect to new product design, the Company relies on the original design manufacturing ("ODM") business model. By applying the model, the Company seeks to benefit from a success fee from the innovation investment it undertakes. To this end, the Company utilizes several alternative approaches: (i) inclusion of design and know-how margin into manufacturing cost, (ii) royalty payments, (iii) involvement into joint ownership of start-up businesses, alongside financial investors, enabling sharing of business risks.

Engineering services

The extensive experience possessed by the Company in the fields of technology and engineering is the backbone for new product introduction ("NPI"), a multi-pronged process comprising several components – electronic and mechanical component supplier selection and qualification, product research and design services, test program development and test system engineering, configuration of standard and customizable manufacturing processes. Design of products containing electronic circuits comprises both mechanical and electronic circuit features. It includes development of high speed data processing printed circuit board ("PCB") and field programmable gate array ("FPGA") designs, VHSIC hardware description language ("VHDL") designs, design quality and design for manufacturability ("DFM") analysis. The Company provides PCB layout design, electronic component specifications and selection, embedded microcontroller design for both hardware and software, as well as development of programmable digital circuit and system design. In addition, the Company produces product prototypes and concept demonstrators.

Manufacturing services

Drawing on extensive expertise in the field of engineering automated manufacturing, the Company offers customers high efficiency integrated manufacturing solutions to satisfy volume production requirements, including industrialization, rapid prototyping service, continuous product and process improvement which, in addition to other key features, allow customers to attain cost reduction.

The rapid prototyping production is carried out through a precise metal parts manufacturing workshop by means of computer numerical control ("CNC") machines for product metal parts and manufacturing tooling. The electronic system manufacturing comprises automated high mix, high complexity, low to high volume PCB assembly, technological soldering and complementing technologies compliant with Directive No 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment ("RoHS Directive"), as well as low to high volume box build processes, including processes embedding robotic and automated solutions. As part of PCB assembly, the Company manufactures PCBs with various types of conformal coating, encapsulated PCBs and modules, along with miniature electronic modules assembled on boards or substrates and taped for further system assembly automation. High complexity and yield volume production capabilities are ensured by scalable, flexible, surface mount FUJI NXT platform-based standardized assembly line layouts. In addition, the Company operates its own clean room (clean technology, liquid crystal display and optical system) manufacturing plant.

In addition to PCB production, the Company offers its customers box building processes. This process features electromechanical assembly embodying enclosure fabrication, installation of subassemblies and components, along with installation and routing of cabling or wire harnesses. The process is accomplished by utilizing

a variety of standard or customized robotics assembly cells, as well as assembly conveyors.

The Company takes advantage of its preventive defect-free quality management system combining integrated computer aid design ("CAD") and bill of materials ("BOM") data verification, design for X (every aspect of product) ("DFX") analysis, assembling simulation and machine program generation, all of which are developed as part of digital manufacturing environment. To ensure a high quality manufacturing cycle, the Company performs assembled electronic PCB and system testing by means of visual inspections, comprehensive multi-stage automated optical inspections ("AOI/AXI"), analogue signature analysis, power-off, flying probe and circuit testing ("ICT"), broad functional tests, as well as by applying other means of measurement enabling examination of product features. The Company produces traceable product test data in both on-line and off-line database formats.

Apart from offering manufacturing services, the Company provides to customers the whole manufacturing process matrix comprising standard factory layouts facilitating easy cross factory balancing of resources, backup function, safety and supply contingency. The layouts are also lean-optimized. A uniform new product introduction ("NPI") and process setup fits all manufacturing sites.

After sale service

The application of product life cycle engineering support approach enables provision by the Company of solutions for constant product and procedure improvement process, end of life and obsolete component replacement and electronic printed circuit board redesign to accommodate replacement.

The Company's product data management ("PDM") information system serves as a single version platform for all products and supplier data ensuring delivery visibility and traceability, change and revision control concerned with quality and safety aspects. The product unit manufacturing traceability information includes integration of customer developed test systems into product traceable digital environment.

Support services (supply chain management)

Throughout the entire supply cycle, the Company applies a supply chain solution ensuring consistent order fulfilment accuracy that enables customers to maintain minimum inventory and reduces their working capital levels. Relying on its extensive expertise in global vendor development, sourcing and procurement, the Company provides strategic purchasing services that help customers manage sourcing relationships across the entire supplier chain to attain higher efficiency throughout supply cycle.

The Company's PDM information system enables verification of purchasing information and storage of the entire track record of purchasing data.

The Company's order and forecast driven customer service, planning and logistics operation ensures accuracy of delivery and the level of customer service that is one of the highest in the industry.

4.4.2 Principal Markets

Over the last five years, the Company has been consistently expanding its business, focusing on sales in the Baltic, Nordic and other (rest of Europe) countries. In

addition, the Group pursues sales opportunities in parts of the USA (for example, to companies operating in the states of Minnesota and Michigan).

The below table illustrates the direct and indirect presence of the Group in specified markets.

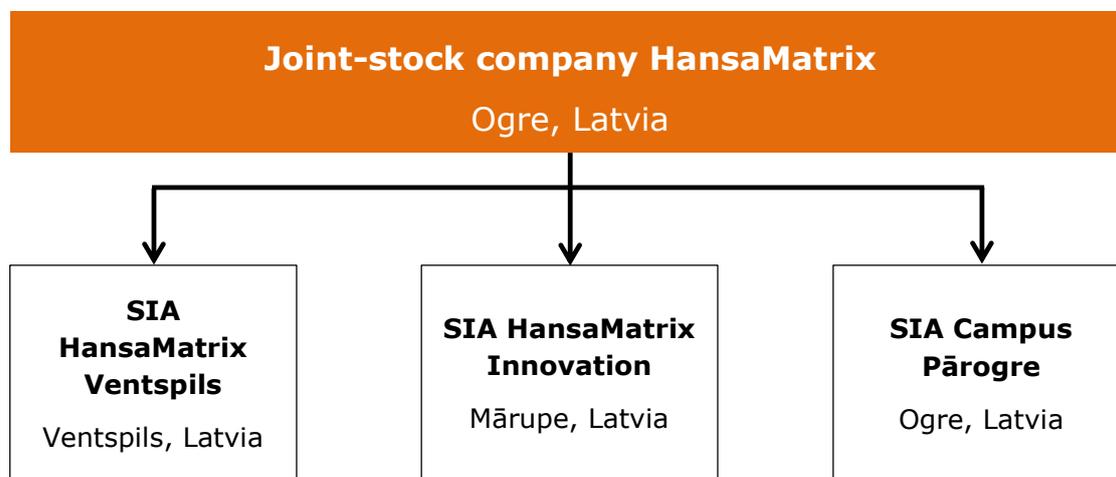
Table No 8 Direct and indirect market presence of the Group companies



4.5 Organizational Structure

The following chart identifies the principal Subsidiaries of the Issuer, along with the overall structure of the Group as of the date of the Prospectus.

Table No 9 Group structure as of the date of the Prospectus



Together with its Subsidiaries, the Issuer forms a Group of companies, as identified above. In addition to the Issuer's interest in its Subsidiaries, the Issuer holds direct or indirect minority shareholdings in other legal entities identified in the below table.

Table No 10 Shareholdings of the Issuer in the Subsidiaries and other legal entities as of the date of the Prospectus

Company name	Country of incorporation	Status	Amount of shares and votes held by the Issuer (%)
SIA HansaMatrix Ventspils	Latvia	Wholly-owned subsidiary	100%
SIA HansaMatrix Innovation	Latvia	Wholly-owned subsidiary	100%
SIA Campus Pārogre	Latvia	Wholly-owned subsidiary	100%
SIA Zinātnes parks	Latvia	Minority shareholding	24%
SIA EUROLDCS	Latvia	Minority shareholding	13.65%
SIA Zero Power Display	Latvia	Indirect minority shareholding	13.65%*
SIA Lightspace Technologies	Latvia	Indirect minority shareholding	13.65%*
SIA LEO PĒTĪJUMU CENTRS	Latvia	Minority shareholding	10.01%
SIA LEITC	Latvia	Minority shareholding	3.93%

*The indicated shares are 100% owned by SIA EUROLDCS, the company in which the Issuer is a minority shareholder

The main registration data of the Issuer, the Subsidiaries and other legal entities in which the Issuer owns minority shareholdings are identified below.

Joint-stock company HansaMatrix (the Issuer)

The Issuer is the parent company of the Group. The table below sets forth certain key information on the Issuer.

For further information on the Issuer, please see Section 4 "INFORMATION ABOUT THE ISSUER".

Table No 11 Registration information of the Issuer, its Subsidiaries and other legal entities in which the Issuer owns minority shareholdings

Name of the company	Joint-stock company HansaMatrix
Legal form	Joint Stock Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	40003454390
Business profile	Parent company of the Group, manufacturing facilities in Ogre and Mārupe
Registration date	30 July 1999
Registered address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board) Mr. Alvis Vagulis Mr. Aldis Cimoška
Members of the Supervisory Board	Mr. Jānis Skutelis (Chairman of the Supervisory Board) Mr. Krišs Osmanis (Deputy Chairman of the Supervisory Board) Mr. Andris Bērziņš Ms. Ingrīda Blūma Mr. Māris Rambaks
Authorized capital	EUR 1'829'381
Shares	1'829'381 dematerialised bearer shares with a nominal value of EUR 1.00 each
Shareholders (over 5% of shares)	SIA MACRO RĪGA – 1'185'938 shares (64.83% of the share capital) FlyCap Investment Fund I AIF, Limited Partnership – 403'933 shares (22.08% of the share capital) Swedbank pension funds – 117'400 shares (6.42% of the share capital)

Subsidiaries

Subsidiaries of the Issuer play an important role in the Group operation. The table below sets forth certain key information on all Subsidiaries of the Issuer.

Table No 12 Wholly-owned Subsidiaries of the Company

Company name	SIA HansaMatrix Ventspils
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	40003779058
Business profile	"Cost centre" company located at Ventspils plant that provides manufacturing services for the Group operation
Registration date	1 November 2005
Registered address	Ventspils Augsto tehnoloģiju parks 1, Ventspils, LV-3602, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis
Authorized capital	EUR 426'852
Shares	3'006 registered shares with a nominal value of EUR 142 each
Shareholders	Joint-stock company HansaMatrix – 3'006 shares (100% of share capital)

Company name	SIA HansaMatrix Innovation
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	40103814400
Business profile	"Cost centre" company operating at 17A Lielirbes Street, Riga, Latvia and 3 Zemzaru Street, Mārupe, Latvia that provides product development and R&D services for the Group
Registration date	6 August 2014
Registered address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board)

Authorized capital	EUR 20'000
Shares	200 registered shares with a nominal value of EUR 100 each
Shareholders	Joint-stock company HansaMatrix – 200 shares (100% of share capital)

Company name	SIA Campus Pārogre
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	40103934323
Profile of business	Development of manufacturing campus real estate at Ogre facility
Registration date	30 September 2015
Registered address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board)
Authorized capital	EUR 2'800
Shares	2'800 registered shares with a nominal value of EUR 1.00 each
Shareholders	Joint-stock company HansaMatrix – 2'800 shares (100% of share capital)

Companies in which the Issuer is a minority shareholder (directly or indirectly)

There are several companies providing the necessary infrastructure facilitating the Group operations in which the Issuer holds minority stakes. The table below sets forth certain key information on such companies.

Table No 13 Companies in which the Issuer has direct or indirect minority shareholding

Company name	SIA Zinātnes parks
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia

Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	40103901040
Business profile	Operating company - hi-tech science park ("Laboratory Hotel") infrastructure located at Riga International Airport
Registration date	21 May 2015
Registered address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board) Ms. Inese Cvetkova
Authorized capital	EUR 4'000
Shares	100 registered shares with a nominal value of EUR 40 each
Shareholders	Biedrība, Latvijas Elektrotehnikas un elektronikas rūpniecības asociācija (<i>Latvian Electrical Engineering and Electronics Industry Association, Society</i>) – 28 shares (28% of the share capital) Joint-stock company HansaMatrix – 24 shares (24% of the share capital) SIA LEO PĒTĪJUMU CENTRS – 24 shares (24% of the share capital) AS SAF TEHNIKA – 24 shares (24% of the share capital)

Company name	SIA EUROLCDs
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	41203040030
Business profile	Nanotechnology and liquid crystal based product development and manufacturing company. Clean room factory comprising 1800 m ² of clean room manufacturing area
Registration date	10 March 2011
Registered address	Ventspils Augsto tehnoloģiju parks 2, Ventspils, LV-3602, Latvia

Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board)
Members of the Supervisory Board	Mr. Pēteris Treimanis (Chairman of the Supervisory Board) Mr. Ake Gunnar Hornell (Deputy Chairman of the Supervisory Board) Mr. Alvis Vagulis
Authorized capital	EUR 31'290
Shares	2'235 registered shares with a nominal value of EUR 14 each
Shareholders	BaltCap Latvia Venture Capital Fund, Limited Partnership – 1'117 shares (49.98% of the share capital) Hornell Teknikinvest AB – 513 shares (22.95% of the share capital) Joint-stock company HansaMatrix – 305 shares (13.65% of the share capital) Ake Hornell Holding AB – 300 shares (13.42% of the share capital)

Company name	SIA Zero Power Display
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	40103840494
Business profile	Product development company. Developing and manufacturing outdoor information displays with excellent sunlight readability and fail safe information retention (due to the optical memory). Main applications: traffic management and public information systems
Registration date	29 October 2014
Registered address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board) Mr. Ģirts Valdis Kristovskis
Authorized capital	EUR 2'800

Shares	2'800 registered shares with a nominal value of EUR 1.00 each
Shareholders	SIA EUROLCDs – 2'800 shares (100% of the share capital)*

**The Issuer is a minority shareholder in SIA EUROLCDs holding 13.65% of the shares*

Company name	SIA Lightspace Technologies
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Register authority	The Register of Enterprises of the Republic of Latvia
Registration number	40103758550
Business profile	Product development company. Developing and commercializing 3D volumetric imaging systems for medical, scientific and defence applications. SIA Lightspace Technologies is the owner of Lightspace Technologies, Inc., a US subsidiary owning and maintaining 3D Volumetric display patent portfolio
Registration date	12 February 2014
Registered address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Members of the Management Board	Mr. Ilmārs Osmanis (Chairman of the Management Board)
Authorized capital	EUR 2'800
Shares	2'800 registered shares with a nominal value of EUR 1.00 each
Shareholders	SIA EUROLCDs – 2'800 shares (100% of the share capital)*

**The Issuer is minority shareholder in SIA EUROLCDs holding 13.65% of the shares*

Company name	SIA LEO PĒTĪJUMU CENTRS
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	51203037371

Business profile	Latvian Optical and Electronics industry competence centre, established in order to administer new product development financing program on behalf of structural funds administration office of the Ministry of Economics of Latvia and the Ministry of Finance of Latvia
Registration date	27 July 2010
Registered address	93-5 Dzirnavu Street, Riga, LV-1011, Latvia
Members of the Management Board	Ms. Inese Cvetkova (Chairman of the Management Board)
Members of the Supervisory Board	Mr. Normunds Bergs (Chairman of the Supervisory Board) Mr. Aleksandrs Zaslavskis (Deputy Chairman of the Supervisory Board) Mr. Ilmārs Osmanis Mr. Valdis Avotiņš Mr. Guntars Balodis Mr. Agris Nikitenko
Authorized capital	EUR 7'102
Shares	7'102 registered shares with a nominal value of EUR 1.00 each
Shareholders	SIA ORAM Mobile – 853 shares (12.01% of the share capital) Joint-stock company HansaMatrix – 711 shares (10.01% of the share capital) AS ALFA RPAR – 711 shares (10.01% of the share capital) SIA AUTONAMS – 711 shares (10.01% of the share capital) AS SAF TEHNIKA – 711 shares (10.01% of the share capital) Biedrība, Latvijas Elektrotehnikas un elektronikas rūpniecības asociācija (<i>Latvian Electrical Engineering and Electronics Industry Association, Society</i>) – 568 shares (7.98% of the share capital) SIA LATspace – 426 shares (5.99% of the share capital) SIA GEOSTAR – 284 shares (3.99% of the share capital) SIA HEE Photonic Labs – 284 shares (3.99% of the share capital) SIA OPTILAS – 284 shares (3.99% of the share capital) SIA SensoTech – 284 shares (3.99% of the share capital)

	<p>SIA HansaMatrix Ventspils – 284 shares (3.99% of the share capital)*</p> <p>SIA Vidzemes Elektrotehnikas Fabrika – 284 shares (3.99% of the share capital)</p> <p>Rīgas Tehniskā Universitāte (<i>Riga Technical University</i>) – 142 shares (1.99% of the share capital)</p> <p>Elektronikas un datorzinātņu institūts (<i>Institute of Electronics and Computer Science</i>) – 113 shares (1.59% of the share capital)</p> <p>Latvijas Universitāte (<i>University of Latvia</i>) – 113 shares (1.59% of the share capital)</p> <p>Latvijas Valsts koksnes ķīmijas institūts (<i>Latvian State Institute of Wood Chemistry</i>) – 113 shares (1.59% of the share capital)</p> <p>AS Transporta un sakaru institūts (<i>JSC Transport and Telecommunication Institute</i>) – 113 shares (1.59% of the share capital)</p> <p>Ventspils augstskola (<i>Ventspils University College</i>) – 113 shares (1.59% of the share capital)</p>
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* SIA HansaMatrix Ventspils is 100% owned by the Issuer

Company name	SIA LEITC
Legal form	Limited Liability Company
Country of incorporation	Republic of Latvia
Registering authority	The Register of Enterprises of the Republic of Latvia
Registration number	40103436993
Business profile	Accredited test laboratory for running of electromagnetic compatibility test measurements and operating of large non-echo radiofrequency measurement chamber
Registration date	14 July 2011
Registered address	12 Āzenes Street, Riga, LV-1048, Latvia
Members of the Management Board	Mr. Uldis Stūre
Members of the Supervisory Board	<p>Ms. Inese Cvetkova (Chairman of the Supervisory Board)</p> <p>Mr. Ilmārs Osmanis</p> <p>Mr. Normunds Bergs</p> <p>Mr. Guntars Balodis</p> <p>Mr. Vitālijs Aišpurs</p>

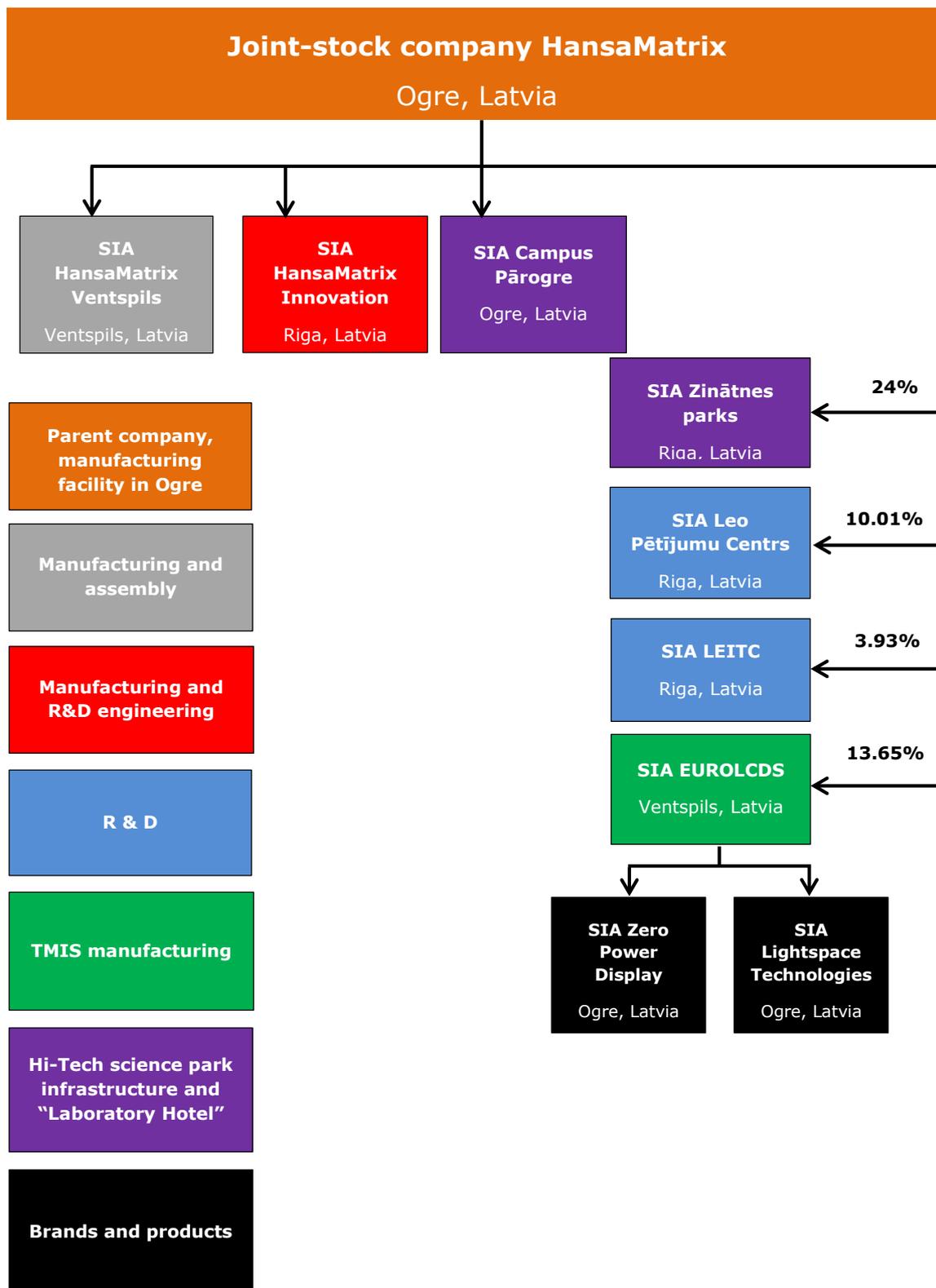
	Mr. Dmitrijs Raziņkovs Mr. Juris Bolužs
Authorized capital	EUR 2'847
Shares	2'847 registered shares with a nominal value of EUR 1.00 each
Shareholders	<p>Biedrība, Latvijas Elektrotehnikas un elektronikas rūpniecības asociācija (<i>Latvian Electrical Engineering and Electronics Industry Association, Society</i>) – 1427 shares (50.12% of the share capital)</p> <p>Rīgas Tehniskā Universitāte (<i>Riga Technical University</i>) – 568 shares (19.95% of the share capital)</p> <p>AS SAF TEHNIKA – 476 shares (16.71% of the share capital)</p> <p>SIA ARCUS ELEKTRONIKA – 151 shares (5.30% of the share capital)</p> <p>Joint-stock company HansaMatrix – 112 shares (3.93% of the share capital)</p> <p>SIA Baltic Scientific Instruments – 75 shares (2.63% of the share capital)</p> <p>SIA ADI – 38 shares (1.34% of the share capital)</p>

Portfolio companies fully or partially controlled by the Issuer operate as a cluster of business-to-business (“B2B”) oriented ICT businesses focused on the following five key areas:

- (1) Industrial & commercial (robotic & automated systems, smart and remote metering);
- (2) Wireless and networking (internet routers, RF filters);
- (3) Medical (PCBA for diagnostic medical devices, volumetric imaging systems);
- (4) Defence and security (communication headsets); and
- (5) Traffic management information systems (LCD & LED display elements and full custom systems).

The table below illustrates the consolidated ownership and functional structure of the Group.

Table No 14 Principal activities of the Issuer, Subsidiaries and related companies of the Group as of the date of the Prospectus



4.6 Property, Plants and Equipment

As of 31 December 2015, the net value of property, plants and equipment according to the Issuer's statement of financial results was EUR 7'692'822.

4.6.1 Property and Plants

Given the scope of the Issuer's main business activities, being services in the areas of high-tech manufacturing and engineering, the Issuer operates several manufacturing plants and engineering sites.

a. Ogre

Table No 15 Overview of the property in Ogre

Overview of the property in Ogre (I)	
Property address	72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Property type	Land; two industrial buildings
Property owner	Joint-stock company HansaMatrix
Size of land plot	1.0451 ha
Size of the premises	5'500 m ²
Cadastral number	7401 006 0670
Cadastral value	EUR 32'028
Pledges and encumbrances	AS "Citadele banka"
Overview of the property in Ogre (II)	
Property address	74 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia
Property type	Land
Property owner	AS "HansaMatrix"
Size of land plot	1.535 ha
Cadastral number	7401 006 0845
Cadastral value	EUR 36'350
Pledges and encumbrances	AS "Citadele banka"

Property

One of the plants belonging to the Issuer was built on the land estate owned by the Issuer, located in Ogre, Latvia. The estate was acquired in accordance with a property purchase agreement dated 18 December 2001.

The property is located at 72 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia and is registered under the cadastral number of 7401 006 0670. As of 1 January 2016, the cadastral value of the property was EUR 32'028. In addition, the Issuer

owns two other buildings located on the same immovable property. The cadastral value of one of such other buildings is EUR 134'424 (cadastral number 7401 006 0670 001), while that of the other building EUR 179'310 (cadastral number 7401 006 0670 002). Both additional buildings are categorized as industrial buildings and are utilized by the Issuer for the purpose of manufacturing.

To further develop the Ogre manufacturing plant, an additional land plot was purchased in 2016. The plot is located at 74 Akmeņu Street, Ogre, Ogres region, LV-5001, Latvia, and was acquired pursuant to a property purchase agreement dated 14 January 2016. The immovable property consists of a land plot of size 1.535 ha and is registered under the cadastral number 7401 006 0845.

Manufacturing site

The manufacturing plant in Ogre built in 2001 was the first plant built by the Issuer. The plant became operational on 7 June 2001 as a production and manufacturing facility. Over the years, the plant in Ogre pioneered introduction of various advanced technologies. The plant is acclaimed as one of the most modern manufacture facilities in the Nordic and Baltic countries. The plant in Ogre embodies the concept of mixed medium volume low cost manufacturing facility. The engineering team of Ogre plant boasts comprehensive experience throughout the entire array of core technologies offered and used by the Issuer, while the product development support team has extensive expertise in the areas of component engineering, PCB layout and DFM analysis. Moreover, the Ogre manufacturing plant employs a highly skilled software development team.

In the course of next several years, the Issuer plans to accomplish an extensive re-development of Ogre plant.

b. Ventspils

Table No 16 Overview of the property in Ventspils

Overview of the property in Ventspils (I)	
Property address	1 Ventspils Augsto tehnoloģiju parks, Ventspils, LV-3602, Latvia
Property type	Land
Property owner	Municipality of Ventspils
Size of land plot (leased to the Company)	5'830 m ²
Cadastral number	2700 027 0203
Overview of the property in Ventspils (II)	
Property address	1 Ventspils Augsto tehnoloģiju parks, Ventspils, LV-3602, Latvia
Property type	Industrial building
Property owner	Municipality of Ventspils

Size of premises (leased to the Company)	3'436.3 m ²
Cadastral number	2700 527 0015

Property

The property in Ventspils is located at Ventspils Augsto tehnoloģiju parks, Ventspils, LV-3602, Latvia. On 25 January 2013, the address of the property was renamed from "9 Kaiju Street" to "1 Ventspils Augsto tehnoloģiju parks" following decision by the municipality of Ventspils; subsequently, the address was changed to "Ventspils Augsto tehnoloģiju parks" by another decision adapted by the municipality of Ventspils. The real estate consists of a plot of land sized 10'040 m² and an industrial building sized 1'409.8 m².

The aforementioned plot of land and industrial building are leased out to SIA HansaMatrix Ventspils, registration number 40003779058, a Subsidiary of the Issuer, by Ventspils Augsto tehnoloģiju parks, a foundation created for the purpose of maintaining infrastructure and providing support to development of high-tech industries in the city of Ventspils. The lease agreement dated 3 March 2008 (as amended) is registered with the Ventspils Land registry. The lease agreement, as amended, will remain in legal force until 30 April 2021.

On 1 December 2014, the Issuer entered into another lease agreement according to which the Freeport of Ventspils Authority has committed to lease out a plot of land sized about 3'436.3 m², together with a building of about 5'830 m², both of which are located at Ventspils Augsto tehnoloģiju parks, Ventspils, LV-3602, Latvia. The cadastral number of the real estate is 2700 027 0203. In accordance with the aforementioned lease agreement, the Freeport of Ventspils Authority has committed to construct the building pursuant to the terms and conditions set forth in the lease agreement and its appendixes. The lease agreement will remain in legal force until 1 August 2019.

The two aforementioned lease agreements (dated 3 March 2008 and 1 December 2014) cover two parts of one joined production area.

Manufacturing site

The manufacturing plant in Ventspils was put into operation in the year 2007 as a backup manufacturing site. During 2015, the plant underwent a major upgrade and a new facility was added. The plant benefits from "state of the art" technology and flexible production facility layout. The site capacity falls into the category of medium volume low cost manufacturing facility. The engineering team servicing the plant possesses all requisite expertise throughout the entire array of core technologies utilized. Due to the deployment of a dedicated assembly line, the prototype process is efficient and flexible. Ventspils plant specializes in box-build manufacture process. All technologies are standardized and identical to the plant in Ogre.

c. Riga

Table No 17 Overview of the property in Riga

Overview of the property in Riga (I)	
Property address	17A Lielirbes Street, Riga, LV-1046, Latvia

Property type	Commercial building
Property owner	SIA PANORAMA TC
Size of land plot (leased to the Company)	235.9 m ² (No 033) 277.8 m ² (No 010)
Cadastral number	0100 075 0479

Property

The Riga production site is located at 17A Lielirbes Street, Riga, LV-1046, Latvia; two groups of premises sized 235.9 m² (No 033) and 277.8 m² (No 010) are leased to the Issuer by SIA PANORAMA TC, registration number 40103705464. On 27 February 2015, there were entered into two agreements according to which the tenant for both of the groups of premises was changed to SIA HansaMatrix Innovation, the latter being a Subsidiary of the Issuer. The lease agreements covering both premises will expire on 31 December 2016.

The premises are utilized to host the main office of the Issuer, along with an engineering laboratory.

Product engineering site

The product development engineering laboratory in Riga has been in operation since 2012. The product development engineering team employed by the laboratory is highly competent within the areas of analogue and mixed signal circuit development, PCB layout, microcontroller firmware development, FPGA high speed and general low to high complexity digital designs.

d. Mārupe

Table No 18 Overview of the property in Mārupe

Overview of the property in Mārupe	
Property address	3 Zemzaru Street, Mārupe, Mārupes region, LV-2167, Latvia
Property type	Land; administrative building and a warehouse
Property owner	SIA AMFORT
Size of land plot (leased to the Company)	1.103 ha
Size of premises (leased to the Company)	1'423.6 m ² (No 002)
Cadastral number	8076 003 0013; 8076 003 0542

Property

A plot of land and premises in an administrative building, along with warehouse space leased to the Issuer by SIA AMFORT, registration number 40103835559. The

plot of land and premises are located at Zemzaru iela 3, Mārupe, Mārupes region, LV-2167, Latvia.

Product engineering and prototype manufacturing site

The premises are used to host the Issuer’s engineering laboratories in automation, robotics, industrial products, prototype manufacturing workshop and precise metals parts production workshop.

4.6.2 Equipment

Table No 19 List of major equipment owned by the Group

List of major equipment		
Location	Type of equipment	Owned or leased
Ogre	SMT LINE A in Ogre plant – DEK screen printer, FUJI NXT II 8 pick and place modules M6, SMT reflow N2 oven, MVP AOI equipment, NUTEK conveyors and PCB handling equipment	Owned
Ogre	SMT LINE B in Ogre plant – DEK screen printer, FUJI NXT II 4 pick and place modules M6, SMT reflow N2 oven, MVP AOI equipment, NUTEK conveyors and PCB handling equipment	Owned
Ogre	SMT LINE C in Ogre plant – DEK screen printer, FUJI NXT II 2 pick and place modules M6, SMT reflow N2 oven, TERRADYNE AXI equipment, NUTEK conveyors and PCB handling equipment	Owned
Ventspils	SMT LINE D in Ventspils plant – DEK screen printer, FUJI NXT III 6 pick and place modules M6, SMT reflow N2 oven, MVP AOI equipment, NUTEK conveyors and PCB handling equipment	Owned
Ventspils	SMT LINE PROTO in Ventspils plant – DEK screen printer, FUJI NXT I 6 pick and place modules M6, SMT reflow N2 oven, MVP AOI equipment, NUTEK conveyors and PCB handling equipment	Owned
Ogre	Laser marking line in Ogre plant – NUTEK handling and laser marking equipment	Owned
Ventspils	Laser marking line in Ventspils plant – NUTEK handling and laser marking equipment (part of SMT D line)	Owned
Ogre	T/H ASSEMBLING LINE D in Ogre plant – FUJI sFAB assembling cell, SEHO N2 wave soldering oven, Cyber Optics AOI equipment, NUTEK conveyors and PCB handling equipment	Owned
Various	Several models of SEHO, EBSO soldering machines	Owned
Mārupe	Metal CNC workshop machines – HAAS VF-3YT and ST-20Y	Owned

The main equipment utilized by the Issuer at the manufacturing and product engineering sites is owned by the Issuer.

The approximate total value of the equipment owned by the Issuer is EUR 4'137'533.

Licences and permits

The Issuer has acquired a special permit (licence) for the operation of ionizing radiation sources (special permit (licence) No RD13JL0264 with amendments) issued by the Radiation Safety Centre of the State Environmental Service of the Republic of Latvia. The special permit (licence) is in legal force until 21 October 2023. The ionizing radiation sources are two X-ray machines for the quality control of soldering printed circuit boards – model MXR 130/M3 (manufactured in 2001) and model Teradyne XStation MX (manufactured in 2008).

4.6.3 Encumbrances

The Issuer has pledged two real estates – at 72 Akmeņu Street, Ogre, Latvia and at 74 Akmeņu Street, Ogre, Latvia, as security for the loans granted by AS Citadele banka. As part of the pledge, both estates owned by the Issuer have been made subject to certain negative pledges, covenants and restrictions for the benefit of AS Citadele banka (i.e., the properties cannot be sold, transferred, given away, split or encumbered without the prior approval of AS Citadele banka).

For more information, please see Section 4.21 “Material Contracts”.

4.6.4 A description of any environmental issues that may affect the Issuer’s utilization of the tangible fixed assets

The Company is not aware of any such issues.

4.7 Operating and Financial Review

This Section contains a discussion of consolidated operating activities of the Issuer for the financial years ended 31 December 2013, 2014 and 2015. The following discussion should be read in conjunction with the consolidated financial statements of the Issuer, including all notes thereto, as presented in the Appendices of this Prospectus. The Issuer’s consolidated financial statements and other information presented herein have been prepared in accordance with Latvian Accounting Standards and, in relation to the financial year ended 31 December 2015, IFRS on the basis of the assumption that the Issuer is a going concern.

4.7.1 Financial Condition

For information concerning the Issuer’s capital resources and borrowing structure of the Issuer please refer to the Section 5.2 “Capitalisation and Indebtedness” in this Prospectus and audited consolidated financial statements of the Group for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015.

The following table presents the Issuer's consolidated financial condition for the periods indicated.

	Year ended 31 December		
	2013 (EUR)	2014 (EUR)	2015 (EUR)
Statement of financial position			
Intangible assets	144,986	172,660	485,154
Tangible assets	6,393,395	5,927,742	7,692,822
Other long term assets	5,084,223	18,549	525,239
Total long term assets	11,622,604	6,118,951	8,703,215
Inventories	1,227,164	1,168,212	2,129,367
Receivables	492,420	1,632,236	3,380,638
Prepaid expense	18,813	15,302	26,341
Asset held for sale	0	1,950,000	0
Cash and cash equivalents	30,334	93,526	255,402
Total current assets	1,768,731	4,859,276	5,791,748
Total assets	13,391,335	10,978,227	14,494,963
Share capital	1,280,585	1,280,272	1,546,380
Share premium	761,415	761,415	1,094,987
Other reserves	0	313	313
Non-current asset revaluation reserve	1,534,800	1,468,231	1,401,665
Retained earnings	1,759,088	-1,866,827	-706,959
Total equity	5,335,888	1,643,404	3,336,386
Long term loans from credit institutions	2,543,681	4,958,451	4,727,849
Finance lease	0	0	47,723
Deferred income	429,450	325,377	911,861
Deferred income tax liability	548,077	617,519	665,405
Total long term liabilities	3,521,208	5,901,347	6,352,838
Issues debt securities	1,935,409	0	0
Loans from credit institutions	856,339	1,123,117	1,177,130
Finance lease	0	0	18,100
Prepayments received from customers	32,931	23,675	817,775
Trade payables	971,574	977,185	1,797,062
Taxes payable	197,779	182,186	217,305
Other liabilities	142,925	876,370	431,202
Accrued liabilities	168,708	146,870	177,588
Deferred income	175,216	104,073	169,577
Undrawn dividends	53,358	0	0
Total current liabilities	4,534,239	3,433,476	4,805,739
Total Equity and Liabilities	13,391,335	10,978,227	14,494,963

4.7.2 Operating Results

The following Section analyses the consolidated financial results of the Issuer for the financial years ended 31 December 2013, 2014 and 2015.

It should be noted that, while the Issuer is not dependent on a single large individual customer (for further information, please refer to the Section 3.2 "Risk Factors Characteristic of the Group"), Issuer has 2 customers which, together, were responsible for 40% of the Company's turnover in 2015. A single sizable contract with a customer in either domestic or export market in a particular period may influence the outcome of the market share of the region on the Issuer's total revenues. These circumstances, however, may not necessarily reflect the overall trend of the Issuer's revenues.

Notably, the Issuer's 2014 operating results were distorted because of the sale of shares in Hanza Holding AB. The Issuer has earned income from the sale of said

shares in the amount of EUR 550'000 (recorded under "loss on sale of investment"). However, with respect to the same transaction, the Issuer has also recorded a loss in the value of the shares in Hanza Holding AB sold for EUR 1'898'954 (recorded under "loss on sale of investment"). Moreover, the Issuer has recorded impairment of outstanding shares in Hanza Holding AB of EUR 1'215'758. These losses relating to the investment were the one-off driving factor underlying the loss of EUR 2'045'484 reported in 2014.

In 2015, 100% of the shares in the Issuer's subsidiary SIA HM Holding were sold to SIA MACRO RĪGA for EUR 2'500'000, of which EUR 1'950'000 relate to the shares in Hanza Holding AB. SIA HM Holding was liquidated in 2016.

The following table presents the Issuer's consolidated operating results for the periods indicated.

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Consolidated statement of comprehensive income data			
Net turnover	10,321,552	10,691,515	13,352,837
Cost of sales	-8,112,603	-8,600,102	-10,690,179
Gross profit	2,208,949	2,091,413	2,662,658
Distribution costs	-439,555	-506,965	-590,550
Administrative expense	-907,049	-822,276	-976,864
Other operating income	0	210,907	444,081
Other operating expense	0	-34,268	-53,797
Operating profit	862,345	938,811	1,485,528
Loss on sale of investments	0	-1,348,954	0
Impairment of investments	0	-1,215,758	0
Interest receivable and similar income	230,226	0	54,138
Interest payable and similar expense	-206,886	-247,703	-293,984
Profit before tax	885,685	-1,873,604	1,245,682
Corporate income tax	-101,303	-102,438	-115,399
Real estate tax	-5,186	-69,442	-47,886
Net profit for the period	779,196	-2,045,484	1,082,397

The following table presents various sales and expense items of the Issuer as a percentage of total revenue for the periods indicated. This illustrates the relative weight of the two main sales markets and the key expense items in relation to the total revenue of the Issuer.

	Year ended 31 December		
	2013	2014	2015
	(%)	(%)	(%)
Consolidated statement of comprehensive income data			
Net turnover	100.0	100.0	100.0
Cost of sales	-78.6	-80.4	-80.1
Gross profit	21.4	19.6	19.9
Distribution costs	-4.3	-4.7	-4.4
Administrative expense	-8.8	-7.7	-7.3
Other operating income	0.0	2.0	3.3
Other operating expense	0.0	-0.3	-0.4
Impairment of investments	0.0	-11.4	0.0
Operating profit	8.4	8.8	11.1
Interest receivable and similar income	2.2	0.0	0.4
Interest payable and similar expense	-2.0	-2.3	-2.2
Profit before tax	8.6	-17.5	9.3
Corporate income tax	-1.0	-1.0	-0.9

Real estate tax	-0.1	-0.6	-0.4
Net profit for the period	7.5	-19.1	8.1

Revenues

	Year ended 31 December		
	2013	2014	2015
	(EUR000)	(EUR000)	(EUR000)
Net turnover	10,322	10,692	13,353
Baltic countries	3,279	3,633	5,359
Nordic countries	3,854	3,164	4,920
Rest of EU / Other	3,189	3,894	3,074

	Year ended 31 December		
	2013	2014	2015
	(EUR000)	(EUR000)	(EUR000)
Net turnover	10,322	10,692	13,353
Data networks	4,914	6,329	6,651
Internet of Things	533	603	1,608
Industrial	3,908	3,193	4,562
Other	967	566	532

	Year ended 31 December		
	2013	2014	2015
	(% y-o-y)	(% y-o-y)	(% y-o-y)
Net turnover	39.4	3.6	24.9
Baltic countries	19.4	10.8	47.5
Nordic countries	3.6	-17.9	55.5
Rest of EU / Other	200.3	22.1	-21.1

	Year ended 31 December		
	2013	2014	2015
	(% y-o-y)	(% y-o-y)	(% y-o-y)
Net turnover	39.4	3.6	24.9
Data networks	61.3	28.8	5.1
Internet of Things	14.6	13.2	166.7
Industrial	10.6	-18.3	42.9
Other	100.5	-41.4	-6.1

The Issuer's revenues are driven by the capability to generate sales through competitive pricing, technological advancement and the ability to attract and retain customers. Since revenues are generated on a project by project basis, the order flow can fluctuate. As a result, the ability to generate revenue is subject to inherent volatility. Additionally, despite the fact that the Issuer has a relatively large customer portfolio, its sales originate from a relatively small number of customers. The volatility in revenue should decrease as the Issuer expands operations and its customer base grows. The expansion of customer base is something that the Issuer has been diligently working on over the past few years.

The growth in sales during 2013 were driven by continued economic recovery. The growth in sales contributed to the increase in the Issuer's market share and general

stabilization of the EMS business segment, which in turn benefited from an increase in the volume of customer orders compared to 2012.

In addition, in 2013 the Issuer pursued an aggressive marketing and sales campaign aimed at the development of new business customer relations. The effort began to bear fruit in 2013 with the advent of new customer order flow and continued into 2014. The marketing and sales continued to gain strength on the back of investment into modernization of the SMD (surface mount device) process, along with the increase in the production capacity of Ogre plant by 25% in 2013.

In 2014, the Issuer continued to expand market share and consolidate its position in the EMS market. The development of EMS segment came on the back of the ability to secure three long-term orders by new customers towards the end of 2014. The revenue growth should continue to gain momentum, given the establishment in 2014 of a new product development division which handles development and design of electronic equipment and devices.

The Issuer's consolidated revenues in 2014 increased by 3.6% to EUR 10,691,515 compared to 2013. This growth was driven by Baltic sales, which increased by 10.8%, and other non-Nordic country sales, which increased by 22.1%, in 2014 relative to 2013. However, the total growth in sales were curtailed by Nordic sales, which declined by 17.9% relative to 2013.

In 2015, Baltic sales were up by 47.5% year-on-year, driven by an increased demand for products in the data network infrastructure and other market segments in the Baltic region. The 55.5% year-on-year increase in the Nordic countries was supported by the growth of the Internet of Things and industrial products. Other EU Member States reported a 21.1% year-on-year drop due to a lower demand for data network infrastructure and industrial products.

In the consolidated financial reports prior to 2015, the Issuer reported sales by segregating between export and domestic markets. Starting from the 2015 annual report, the company chose to disclose additional information on revenue in terms of revenue by product type and revenues by geographic distribution. Such an approach provides added insight into the Issuer's operations and markets, as well as focus, expansion and potential for the Issuer in terms of markets. Moreover, such an approach enables better insight in terms of geographic distribution, compared to the mere distribution by export and domestic markets previously applied by the Issuer.

The Company's main source of revenue is the data networks segment, which continued to demonstrate consistent growth. While this segment faces stiff global competition, the Company believes that it can benefit from continuing to offer competitive pricing to medium volume customers.

Internet of Things is a relatively new business segment for the Company; it has been demonstrating the most rapid volume growth over the last three years. The success of this segment hinges on a high degree of automation, the ability to manufacture miniscule electronic systems and comprehensive expertise in the area of RF connectivity solutions.

The other key segment of the Company's business is the industrial segment, which is more diversified in terms of subsectors. However, several of the customers in this segment are applying a project-based business model, a factor capable of affecting consistency of the Company's sales attributable to the segment. All in all, such customers tend to require manufacturing site proximity to their engineering resources and markets.

In terms of revenue distribution by geographic region, the Issuer's focus on being a dominant supplier in the local Latvian market has paid off well with strong Baltic sales growth over the past three years from EUR 3,279k in 2013 to EUR 5,359k in 2015. The Baltic market is represented by four customers.

On a related note, the effort by the Issuer to secure a market share in the Nordic region has led to an increase in importance of this market, with EUR 4,920k having been generated in 2015. The volatility in sales figures for the Nordic region over the last three years is, to some extent, attributable to projects undertaken in the year 2013. The fact that the Issuer was able to secure two new customers, elevating the total number of its Nordic customers to eight, lends further support to the revenue base of the Issuer in this region.

The remaining three customers are from other EU countries. Meanwhile, the limited focus on this region has resulted in the lack of material sales growth in the period 2013 to 2015. This notwithstanding, this region may be considered as an opportunity capable of supporting future growth.

Cost of sales

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Cost of sales	8,112,603	8,600,102	10,690,179
Cost of raw materials	5,058,510	4,982,897	5,891,674
Staff costs	1,740,266	2,052,978	2,114,626
Depreciation	609,417	676,067	830,362
Other	704,410	888,160	1,853,517

	Year ended 31 December		
	2013	2014	2015
	(% sales)	(% sales)	(% sales)
Cost of sales	78.6	80.4	80.1
Cost of raw materials	49.0	46.6	44.1
Staff costs	16.9	19.2	15.8
Depreciation	5.9	6.3	6.2
Other	6.8	8.3	13.9

	Year ended 31 December		
	2013	2014	2015
	(% y-o-y)	(% y-o-y)	(% y-o-y)
Cost of sales	50.2	6.0	24.3
Cost of raw materials	44.6	-1.5	18.2
Staff costs	51.1	18.0	3.0
Depreciation	-13.2	10.9	22.8
Other	1,261.1	26.1	108.7

There occurred a significant 50.2% year-on-year increase in 2013 cost of sales resulting in a gross margin of 21.4% in 2013. In part, the increase was attributable to the growing cost of raw materials to EUR 5,058,510 in 2013. On the other hand, sales in 2013 had increased relative to 2012. There also had occurred a notable increase in staff costs to EUR 1,740,266 in 2013.

The Issuer's cost of sales had increased by 6.0% in 2014 relative to 2013. This increase was higher compared to the increase in sales, resulting in a lower gross margin of 19.6% in 2014 compared to the 2013 level. In the 2015 audited consolidated report, R&D costs were restated for both 2014 and 2015 under cost

of sales, as the Issuer initiated R&D activities as a core business in 2014 with the establishment of Riga R&D. Prior to this, no comparable R&D sales or cost of sales were recorded.

The cost of raw materials amounted to 46.6% of sales in 2014 and 49.0% of sales in 2013. The share of total cost of sales relative to sales had increased in 2014 from 78.6% to 80.4% year-on-year. This was mostly as a result of expanding business and attracting new customers with lower added value (or more expensive materials parts of manufactured products) manufacturing business.

The two other main cost of sales items were staff costs, which represented 23.9% and 21.5% of the total cost of sales in 2014 and 2013, respectively, and depreciation relating to cost of sales, which represented 7.9% and 7.5% of the total cost of sales in 2014 and 2013.

In 2015, the Company's cost of sales had increased by 24.3% on a year-on-year basis. This occurred due to the increase in sales for the year, however the gross margin also widened from 19.6% to 19.9%.

Operating expenses

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Operating expenses	1,346,604	1,329,241	1,567,414
Distribution costs	439,555	506,965	590,550
Administrative expenses	907,049	822,276	976,864

	Year ended 31 December		
	2013	2014	2015
	(% sales)	(% sales)	(% sales)
Operating expenses	13.0	12.4	11.7
Distribution costs	4.3	4.7	4.4
Administrative expenses	8.8	7.7	7.3

	Year ended 31 December		
	2013	2014	2015
	(% y-o-y)	(% y-o-y)	(% y-o-y)
Operating expenses	27.4	-1.3	17.9
Distribution costs	34.3	15.3	16.5
Administrative expenses	24.3	-9.3	18.8

During 2013, the Issuer continued to pursue an aggressive marketing and sales strategy which had contributed to the 27.4% year-on-year increase in operating expenses to amount to EUR 1'346'604. This comprised, primarily, administrative expenses amounting to EUR 907'049 and cumulative staff costs of EUR 750'565.

In 2014, the Issuer's operating expenses had decreased by 1.3% year-on-year, with the total operating expenses reaching EUR 1'329'241. While distribution costs increased relative to 2013, mostly due to higher staff costs, administrative expenses decreased relative to 2013. The higher staff costs had been a result of the increase in the average number of staff headcount, which had increased from 212 in 2013 to 238 in 2014, partly explaining the increased staff costs attributable to the cost of sales.

In comparative terms, the operating expenses in 2015 increased by 17.9% year-on-year, with 16.5% year-on-year growth for distribution expenses and 18.8%

year-on-year growth for administrative expenses. This increase in distribution expenses was in line with the increase in 2015 revenues, with distribution expenses remaining at a relatively flat 4.4% of sales compared to 4.7% of sales in 2014.

Investments

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Loss on disposal of investments	0	-1,348,954	0
Income from the sale of shares in Hanza Holding AB	0	550,000	0
Value of the shares in Hanza Holding AB sold	0	-1,898,954	0

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Impairment of investments	0	1,215,758	0
Acquisition value of the shares in Hanza Holding AB	0	5,064,712	0
Value of the shares in Hanza Holding AB sold	0	-1,898,954	0
Value of the remaining shares in Hanza Holding AB	0	3,165,758	0
Impairment of the investment in SIA HM Holding attributable to the shares in Hanza Holding AB	0	-1,950,000	0

During the financial year 2014, the Issuer recorded a loss on the disposal of investments and an impairment of investments. Both items were the direct result of the sale and impairment of the Issuer's shareholdings in SIA HM Holding and Hanza Holding AB. They included impairment of historic investments of EUR 2'564'712, which the Issuer intended to recover from future profits. This loss related to the impairment of an investment made by the Issuer in December 2007 in a Swedish business, which was subsequently sold to the sole shareholder at the time, Macro Riga.

In April 2015, 100% of the shares in SIA HM Holding were sold for EUR 2'500'000, of which EUR 1'950'000 related to the shares in Hanza Holding AB.

Other operating income and expense

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Other operating income	230,226	210,907	444,081
Income from research grant recognition	0	0	278,332
Income from EU grant recognition (accrued)	228,328	175,216	156,624
Income from EU grant recognition	1,790	35,414	8,986
Gain on disposal of PPE	0	0	83
Other income	108	277	56

Throughout 2013 and 2014, other operating income of the Issuer remained relatively stable. The majority of this income is attributable to the EU grant recognition. In 2005, 2006 and 2011, the Issuer had been awarded various grants under state aid programs and from the funds of the Investment and Development Agency of Latvia to enable investment into production facilities and equipment. These are recorded in the statement of financial position as non-current and current deferred income and are gradually recognized as grant income.

EU grant recognition income was included in 2013 under interest and similar income. In 2014 and 2015 it was reclassified under other operating income. For comparability reason, in 2013 this income in the aforementioned table only has been included for year 2013, however no similar adjustments has been made to consolidated statement of comprehensive income.

The Issuer is exposed to foreign currency exchange risks associated with cash and cash equivalents, trade receivables, trade payables and borrowings, with the main exposure relating to the exchange rate of U.S. dollar. In 2014, there arose a significant increase in expenditure related to performance of contractual obligations and a net currency exchange loss.

Financial income and expenses

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Interest payable and similar expense	194,657	247,703	293,984
Interest payments	179,407	234,290	276,445
Expense related to the conclusion of contracts	15,250	13,413	17,539

The majority of the Issuer's financial expenses in both 2013 and 2014 relate to debt interest payments (refer to Section 5.2 "Capitalisation and Indebtedness"). In 2013, interest payments of the Issuer amounted to less than EUR 200'000. As of the end of 2013, the Issuer had loans outstanding to AS Swedbank subject to an interest rate tied to the 3-month EURIBOR plus a spread of 2.5-5%. For 2014, the amount of interest payable had increased to over EUR 200'000. As of the end of 2014, the Issuer's debt was subject to an interest rate tied to the 6-month EURIBOR plus a spread of 3.5-5%. In 2014, the Company entered into a loan facility of nearly EUR 6.5m provided by AS Citadele banka.

Taxes

In 2013, the Issuer recorded corporate income tax amounting to EUR 101'303 and, in 2014, amounting to EUR 102'438. In addition, the Issuer pays annual real estate tax. In 2015, corporate income tax amounted to EUR 115'399, while real estate tax amounted to EUR 47'886.

Net profit

	Year ended 31 December		
	2013	2014	2015
	(EUR)	(EUR)	(EUR)
Net profit	779,196	-2,045,484	1,082,397

	Year ended 31 December		
	2013	2014	2015
	(% sales)	(% sales)	(% sales)
Net profit	7.5	-19.1	8.1

	Year ended 31 December		
	2013	2014	2015
	(% y-o-y)	(% y-o-y)	(% y-o-y)
Net profit	3.5	-362.5	n.m.

In 2013, the Issuer recorded a net profit of EUR 779'196. The loss of EUR 2'045'484 recorded in 2014, on the other hand, was attributable to abnormal operating conditions; the loss was a function of impairments. Under normal operating conditions, the Issuer would have earned a net profit of around EUR 500'000, which would have represented a net margin of around 4.9%. In 2015, the Company resumed generating profits, recording a profit of EUR 1'082'397 for the year. The profit was a function of stronger sales and lack of extraordinary expenses, such as having been incurred in 2014.

4.8 Capital Resources

The majority of cash flows of the Issuer are attributable to business operations, external borrowings and other sources. Funding from these sources is sufficient to satisfy working capital and debt service requirements of the Issuer for the next 12 months of operation and foreseeable future.

In the financial year 2014, the Issuer made several investments to strengthen its manufacturing capacity. Because of these investments, the capital expenditure incurred in the financial year 2014 exceeded cash flows from operations. In the financial year 2014, the Issuer incurred a loss of EUR 2'045'484, which took into account the operating profit of EUR 938'811 and impairment of historic investments amounting to EUR 2'564'712. The Issuer plans to recover the write-off loss from future profits.

The capital investments continued during 2015, with the Company significantly increasing the book value of its property, plant and equipment from EUR 5'927'742 at the end of 2014 to EUR 7'692'822 at the end of 2015. This was related to the major upgrade of and addition of the new facility to Ventspils manufacturing plant in 2015 (for more information, please see Section 4.6 "Property, Plants and Equipment").

4.9 Research and Development, Patents and Licences

Development

The Company is a typical hi-tech manufacturing business and is recognized on the market as development, product industrialization and manufacturing partner. Sustained experience in product design and industrialization, research and development services along with engineering solutions complemented by integrated manufacturing services allow the Company to act as a market leader in the Baltic and Scandinavian region.

The Company's manufacturing system is enjoying a robust natural protection, given ample technology investment, the accumulated 15 years of expertise, quality management and established reputation on the market. All of the above factors serve as barriers to market entry by competitors.

The Company deploys its original design manufacturing ("ODM") business model with product development to fit customer needs and full spectrum of engineering services for industrialization of new products ("NPI"), engineering of testing systems, design for manufacturability and testing engineering services. The Company offers customers the entire matrix of manufacturing process comprising standard factory layouts enabling an easy cross-factory balancing of resources, backup, safety and supply contingency. The ODM business model allows the

Company to accumulate know-how and expertise in multiple areas to elaborate a platform for the future and profit from utilization of the platform by customers.

The Company possesses extensive product development expertise in the following areas:

- Embedded microcontroller systems, including circuits and firmware;
- RF systems (Bluetooth, ISM Radio, GPS, Wi-Fi and others);
- Electronic printed circuit board (hard and flex) layouts;
- Battery powered embedded systems;
- Fast digital designs and data processing solutions;
- High voltage driving.

Moreover, the Company has invested into and holds shares (24%) in company SIA Zinātnes parks ("Science Park"), established to carry out development and construction of science park infrastructure in the area adjacent to International Airport "Riga". The Science Park is designed to promote innovation and will be hosting a range of research and development facilities and laboratories, office and accommodation premises where overseas scientists, researchers and engineers would have an opportunity to come together with local specialists and engineers in order to take part in the development of new products, innovative technologies and research. Moreover, the Science Park will host a manufacturing site designed for testing and implementing innovative products and ideas. For convenience of personnel and guests, the facility will include a restaurant, fitness centre, conference hall and exhibition gallery. The Science Park is expected to be inaugurated in early 2018. The Science Park premises were acquired by the company SIA Zinātnes parks for the consideration of EUR 1'000'000. The amount of consideration includes land lease rights granted by International Airport "Riga" until 2052.

Intellectual Capital

The intellectual property of the Company can be divided into three categories:

- "organizational capital" such as technology and technology related software, systems and methodologies, responsible teamwork of personnel;
- "knowledge capital" such as know-how and ideas, personnel competence, skills and experience;
- "relationship capital" such as brand, network and customer relationships.

The Company ensures that all intellectual property inherent in the results of work created or developed by its employees is transferred to and made subject to proprietary rights of the Company.

The Company's talented product design engineering teams are highly educated and specialize in electronics, mechanics and robotics, optics and high speed imaging, smart glass driving, embedded and radio frequency ("RF") test systems. They possess considerable expertise and have acquired extensive experience in the relevant areas. This know-how is being documented and accumulated into quality management system and document management system. Both systems are verified by third party experts and ISO certified. The Company's highly trained and skilled production assembly staff is regarded as a valuable asset of the Company, given the more than 15 years' expertise that it has accumulated.

The competence and expertise of the Company's staff is summarized in a set of written documents forming a part of the Company's know-how which may be successfully commercialized in part or in whole.

Know-how

The know-how possessed by the Company includes the following:

- High complexity product manufacturing solutions reliant on core technologies in mechanical, optical and electronic printed circuit board and system assembly;
- Global competence leadership within the area of developing smart glass driver systems, high speed volumetric imaging systems and related areas;
- Use of high efficiency design tools and IT applications;
- Expertise in automation of assembly processes by utilizing various standard or customized robotics assembly cells along with assembly conveyors;
- Flexibility in manufacturing setup by utilizing a network of suppliers of short lead time parts;
- Existence of a comprehensive network of suppliers of mechanical parts of proven quality (machined parts, processed sheet metal, plastic components, enclosures and other types) parts within the Nordic and Baltic countries as well as in the Far East;
- Competence in "box build" solutions for varying and demanding environments and equipment protection levels;
- Absolute traceability of products, product components and operators by units and batches.

Confidentiality and Secrecy

The results of research and development undertaken by the Company are protected by the most commonly used tools in the industry – secrecy and confidentiality. All results of research and development, along with know-how and experience acquired in the course of design, manufacturing and assembly processes are protected as commercial secrets of the Company. Because research-intensive areas of the Company's services are rapidly evolving, while business environment is in the state of constant change, the Company decided not to keep its know-how, expertise or results of research and development publicly available, as it would be required to do if it opted for patent protection.

The Company has implemented a set of detailed and extensive confidentiality guidelines and policies designed to safeguard and protect the usage, circulation and disclosure of commercial secrets and confidential information of the Company, along with information pertinent to customers of the Company. Confidential information of the Company is accessible strictly on need-to-know basis. The Company has developed a set of security measures designed to ensure the safekeeping and storage of its commercial secrets and other proprietary information, along with the manner of usage of such information by its employees.

All Company employees are trained in safeguarding and the appropriate treatment of confidential information and have adhered to standard non-disclosure undertakings. As a rule, the term of such undertakings extends beyond the term of validity of their employment with the Company.

Registered Rights

To attain the objectives of customer loyalty and recognition in the market, the Company applies on high quality customer service, excellent manufacturing and quality management system and "state of the art" technologies. These core values of the Company define the strength of its long operating and locally recognizable brand "HANSAMATRIX" (logo), which is a registered trademark protected in Latvia and overseas, including throughout the European Union, China and the United

States. In addition, the Company uses 5 domain names: "HansaMatrix.eu", "HansaMatrix.com", "HansaMatrix.lv", "HansaMatrix.se" and "he.lv". The Company is the registered owner of the above domain names.

4.10 Trend Information

When assessing market conditions, position, strengths and weaknesses of manufacturing operation supply chain in the Baltics and Eastern Europe, the logical choice is usually juxtaposing the market conditions of the Baltics and Eastern Europe against those of the Far East.

There can be identified several economic factors re-defining the competitiveness of business:

- The most highly acclaimed industrial zones of China, such as Shenzhen, have become substantially more expensive compared to previous years, with salary levels having increased threefold over the last 5 years. Similarly, property and land costs have experienced considerable growth.
- Operational costs in the Far East are traditionally pegged to the USD. This factor currently adds to costs because of a higher USD/EUR exchange rate.
- Shipping routes to Europe have been extended by at least a week due to the unstable political situation in the Middle East.

There can be identified several additional factors which put the Baltic operation at an advantage:

- The legal framework of the EU and long-established tradition of protecting intellectual property.
- A well-educated workforce proficient in foreign languages.
- Down-to-earth and straightforward customer communication, same time zone, cultural similarity, flexibility and the ability to meet next day at customer or supplier engineering labs or manufacturing locations.
- Fast track to market for new products or introduction to manufacturing phase.

The Baltics are experiencing considerable salary inflation (around 5 - 6% annually), however these rates have remained well under the Chinese equivalents and are capable of being offset by automation of production processes.

These trends are encouraging businesses to switch from the Far Eastern to Eastern European supply chains. The trend has been dubbed "nearshoring".

According to Global Industry Analysts, the size of the European electronics manufacturing market in 2015 was estimated to amount to USD 43.4 billion, with an estimated CAGR 3.9% growth rate up to the year 2020. The main drivers of growth are expected to be automotive, industrial, medical electronics and renewable energy sectors.

The data network product market is growing across the range from small office data infrastructure, public and private wireless access points, to data centre equipment. Stiff competition in the data services market compels operators to be on a constant look-out for tier 2 suppliers of high quality data network products that can offer more competitive functionality compared to top brand products.

The industrial segment has been growing in all economic conditions and at all times. Despite the fact that, in the current economic climate, sectors of the economy dependent on oil resources are suffering a considerable decline, the general

business trend remains towards positive growth. Electronics systems and appliances have been steadily penetrating many industrial sectors.

The growth in the Internet of Things segment is expected to outpace general market growth. On top of that, there are constantly emerging initiatives such as smart city, smart grid and smart metering which are reliant on Internet of Things solutions. The EU energy saving initiative run by DG ENERGY is noteworthy in the context (for further information, please see: <https://ec.europa.eu/energy/en/topics/markets-and-consumers/smart-grids-and-meters> and <http://ses.jrc.ec.europa.eu/smart-metering-deployment-european-union>).

4.11 Profit Forecast or Estimates

The Company does not intend to make profit forecasts. Meanwhile, it has set a turnover target of EUR 20'000'000 to be achieved in 2018, subject to completion of this Offering. The Company's EBITDA is expected to increase in absolute terms provided there can be attained an increase in turnover. On the other hand, the EBITDA margin is likely to gradually contract over time, as the Company's share of high value products continues to grow.

4.12 Administrative, Management, and Supervisory Bodies and Senior Management

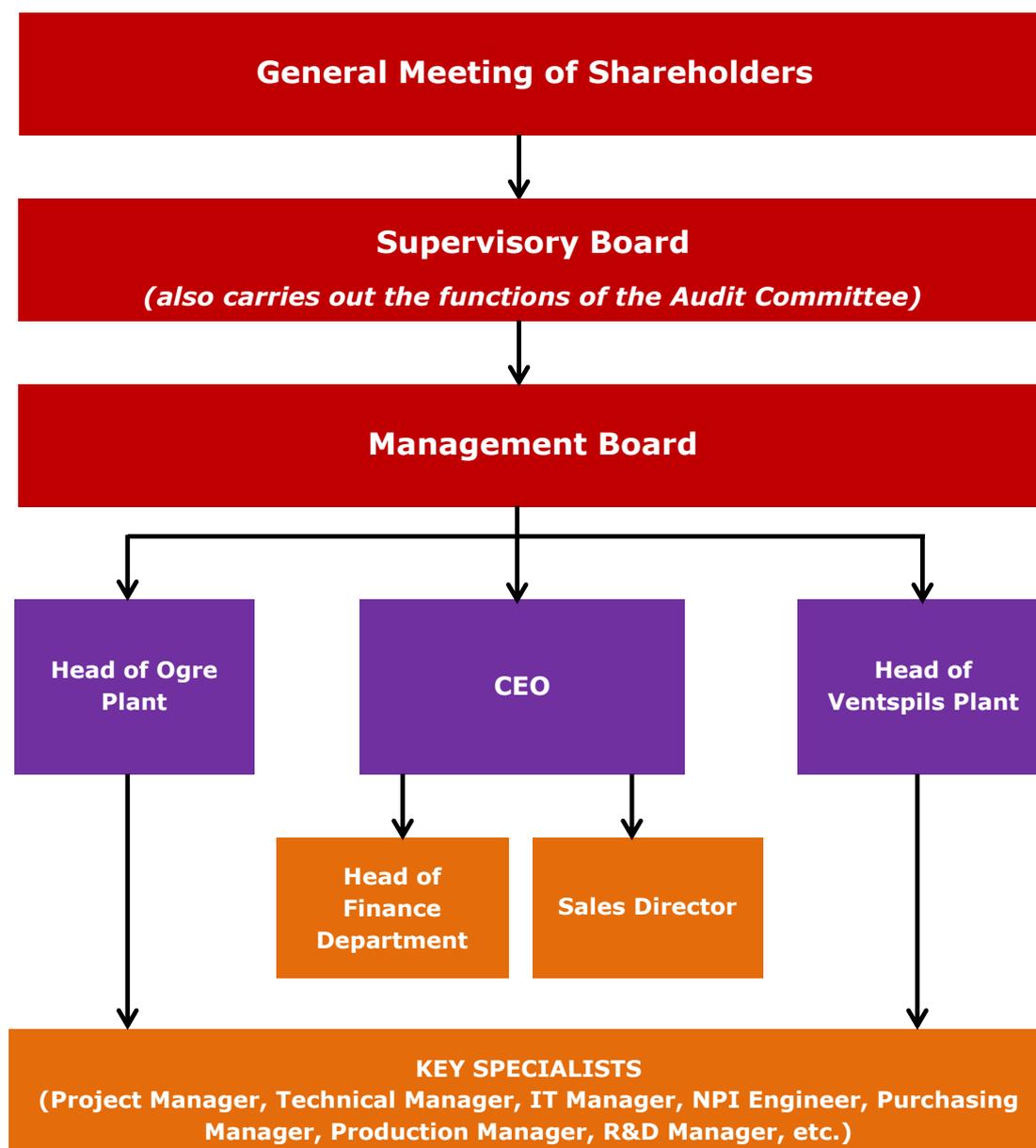
Set out below is a summary of relevant information concerning the Management Board, the Supervisory Board and Key Executives accompanied by a brief summary of certain significant provisions of the Commercial Law of Latvia, the Company's Articles of Association and specific issues arising from the corporate governance codes relevant to the activities of Management and Supervisory Boards.

4.12.1 Management Structure of the Company

The Company has implemented two-tier management system comprising of the Management Board and Supervisory Board.

The internal management structure of the Company is illustrated below (please see the next page).

Table No 20 Internal management structure of the Company



4.12.2 Members of the Administrative, Management and Key Executives

The Company applies a transparent decision making process, relying on a set of clear rules designed to enhance shareholder confidence. The transparent decision making process contributes to the protection of shareholder rights, improves the overall business performance of the Company, enables better access to capital and helps mitigate risks.

Management Board

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

The scope of competence of the Company's Management Board coincides with the scope of competence of a Management Board stipulated by the Commercial Law of Latvia. Such competence includes, in particular:

- the management and representation of the Company;
- supervision and management of Company affairs;
- ensuring that the business activities conducted by the Company and Company accounts are compliant with applicable laws;
- administration of property of the Company.

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

The Supervisory Board can revoke the authority of any member of the Management Board prior to expiration of his/her term of office for cause, including, *inter alia*, by reason of gross violation of the scope of member's authority, failure to properly perform his/her duties, incapacity to perform his/her duties, causing harm to the Company, as well as due to loss of shareholder confidence expressed at a General Meeting. The determination as to whether the reason for revocation of the authority of a member of the Management Board is sufficient is made by the Supervisory Board. As regards the loss of shareholder confidence, the determination can be made by the General Meeting, in its sole discretion, at any time. In accordance with the Commercial Law of Latvia, a member of the Management Board may, at any time, resign from office by giving the Company a written notice of resignation.

The Management Board, as a body, is responsible for the day-to-day management of the Company and enjoys the exclusive right to represent the Company in dealings with third parties.

As of the date of this Prospectus, the Company's Management Board is composed of 3 members: The Chairman of the Management Board and two Members of the Board.

In accordance with the Articles of Association, in order for the Management Board to adopt a decision on certain key issues, the Supervisory Board is required to give its consent. For more information, please see Section 4.20 "Additional Information".

The table below sets forth the names, function and appointment date of the current members of the Management Board as of the date of the Prospectus.

Table No 21 Members of the Management Board

Name	Function	Date of appointment
Ilmārs Osmanis	Chairman of the Management Board	30 December 2015
Alvis Vagulis	Member of the Management Board	30 December 2015
Aldis Cimoška	Member of the Management Board	30 December 2015

The business address of the Management Board of the Company is at 17A Lielirbes Street, Riga, LV-1046, Latvia.

A brief description of qualifications and professional experience of each member of the Management Board of the Company is presented below.

Ilmārs Osmanis

Mr. Ilmārs Osmanis is the Chairman of the Management Board and the CEO of the Company.

Mr. Osmanis' educational background is electronic engineering later complemented by executive MBA studies (Master of Business Administration). His entrepreneurial experience includes successful development of an electronic components distribution business in the Baltic countries, a business that was subsequently successfully sold. During the last fifteen years, Mr. Osmanis, who created the Company, served as its CEO. The Company has subsequently evolved into one of the most modern high tech manufacturing groups in the Nordic and Baltic countries comprising 3 manufacturing plants currently employing around 240 employees.

Mr. Ilmārs Osmanis also serves as a board member of the Latvian Electrotechnical and Electronic Industry Association (LETERA).

Alvis Vagulis

Mr. Alvis Vagulis is a member of the Management Board of the Company, the Vice President of Operations and the Head of Ogre Plant.

Mr. Vagulis holds Mechanical Engineering degree from Riga Technical University and an MBA from Brussels Business School (Master of Business Administration). His previous experience includes the position of a plant manager at Schneider Electric. Mr. Vagulis has been with the Company since 2008.

Aldis Cimoška

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

Mr. Cimoška holds Engineering degree in wood processing from Latvian University of Agriculture. He possesses extensive experience in managing a wooden house fabrication company. Mr. Cimoška has been with the Company since 2013.

Supervisory Board

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

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

The scope of competence of the Supervisory Board is determined by the Commercial Law of Latvia and the Articles of Association of the Company (for more information, please see Section 4.20 "Additional Information").

The table below sets forth the name, function, appointment date and expiration date of the term of office of each current member of the Supervisory Board, as of the date of the Prospectus.

Table No 22 Members of the Supervisory Board

Name	Function	Appointment date	Expiration date of the term of office
Jānis Skutelis	Chairman of Supervisory Board	13 June 2016	13 June 2021
Krišs Osmanis	Deputy Chairman of Supervisory Board	13 June 2016	13 June 2021
Andris Bērziņš	Member of Supervisory Board	13 June 2016	13 June 2021
Ingrīda Blūma	Member of Supervisory Board	13 June 2016	13 June 2021
Māris Rambaks	Member of Supervisory Board	13 June 2016	13 June 2021

Similarly, to the Management Board, the business address of the Company's Supervisory Board is 17A Lielirbes Street, Riga, LV-1046, Latvia.

A brief description of qualifications and professional experience of each member of the Supervisory Board is presented below.

Jānis Skutelis

Mr. Jānis Skutelis is the Chairman of the Supervisory Board of the Company.

Mr. Skutelis is the Chairman of the Management Board at FlyCap Investment Fund. Having been involved in business transactions and supervision of more than 25 companies, Mr. Skutelis possesses 8 years of venture capital and private equity industry experience. Mr. Skutelis holds a MSc. degree from Stockholm School of Economics (Sweden). His previous experience includes entrepreneurship, managing own business, management and finance advisory functions, corporate finance and CFO roles.

Krišs Osmanis

Mr. Krišs Osmanis is the Deputy Chairman of the Supervisory Board of the Company, as well as representative of SIA MACRO RĪGA.

Mr. Krišs Osmanis is the leading Electronics Design Engineer with the Company's R&D department since 2012. He holds Msc.Ing degree in Electronics from Riga Technical University and currently finalizes postdoctoral studies in Electronics. The

professional experience of Mr. Osmanis includes high speed FPGA architecture and design, high speed driving of DLP based optical projection systems. He is the author of several scientific publications and patents.

Andris Bērziņš

Mr. Andris Bērziņš is a member of the Supervisory Board of the Company.

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

Ingrīda Blūma

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

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

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

Māris Rambaks

Māris Rambaks is a Member of the Company's Supervisory Board.

Māris Rambaks holds Bachelor's degree in Business Administration from the International University Concordia Audentes, Estonia, along with Master's degree in Law and Finance from Riga Graduate School of Law. Moreover, Mr. Rambaks holds CFA (*Chartered Financial Analyst*) designation. The previous experience of Māris Rambaks is in the field of banking and investment services sector and financial markets. For more than 4 years, Māris Rambaks had worked as the Head of Broker Department of AS "LHV Pank". From 2014 to April 2016, he was in charge of the Latvian branch of AS "LHV Pank".

In addition to the aforementioned, Mr. Rambaks helped to establish one of the leading and widely-recognised investment service providers in Latvia. He also represented investors at various shareholder general meetings and took an active part in multiple investor conferences.

Key Executives

The Company has a number of business units supporting the conduct of the Company's affairs and those of its Subsidiaries – the Business Development Department, managed by the Chief Executive Officer ("**CEO**"), Finance Department, managed by the Head of the Finance Department, and Operations Department, managed by the Vice-President of Operations (the Head of the Ogre Plant).

Furthermore, the Company's operation at Ventspils Plant is managed by the Head of the Plant, who joined the Company in 2013. Recently, the Company has established a new key executive position, Sales Director, who is responsible for the management of sales personnel, along with development and implementation of an efficient sales strategy for the business in general.

The Head of the Finance Department and Sales Director are directly subordinated and report to the Chief Executive Officer of the Company, while the Heads of Ogre Plant and Ventspils Plant are directly subordinated and report to the Management Board of the Company.

In the opinion of the Company, the aforementioned executives with responsibility for the overall management and operation of the Group companies, are the most valuable assets of the Group (the "**Key Executives**").

The table below sets forth the name, function and appointment date of each Key Executive of the Company as of the date of the Prospectus.

Table No 23 Key Executives

Name	Position	Date of appointment
Ilmārs Osmanis	Chief Executive Officer	30 July 1999
Vineta Grecka	Head of Finance Department	4 August 2008
Alvis Vagulis	Vice-President of Operations, Head of Ogre Plant	1 January 2008
Aldis Cimoška	Head of Ventspils Plant	1 January 2013
Gundars Kūlups	Sales Director	1 January 2016

A brief description of qualifications and professional experience of each Key Executive is presented below.

Ilmārs Osmanis

For a brief description of qualifications and professional experience of Mr. Ilmārs Osmanis, please see Section 4.12.2 "Members of the Administrative, Management and Key Executives" under subsection "*Management Board*".

Vineta Grecka

Ms. Vineta Grecka is the Head of the Finance Department.

Ms. Grecka holds a Master degree in Finance accounting from the University of Latvia. Her previous extensive experience includes the position of senior accountant with SIA Swedbank Leasing. She has been with the Company since 2008.

Alvis Vagulis

For a brief description of qualifications and professional experience of Alvis Vagulis, please see Section 4.12.2 "Members of the Administrative, Management and Key Executives" under subsection "*Management Board*".

Aldis Cimoška

For a brief description of qualifications and professional experience of Aldis Cimoška, please see Section 4.12.2 "Members of the Administrative, Management and Key Executives" under subsection "*Management Board*".

Gundars Kūlups

Mr. Gundars Kūlups is the Vice President of Sales of the Company. He holds a Master of Science degree in Information Technologies from Riga Technical University. His previous experience includes the positions of a sales director at DEAC (European data centre operator), and key account manager at Nexum. He has been with the Company since 2016.

4.12.3 Declarations

As far as the Company is aware, during the last five years of operation, no member of the Management Board, Supervisory Board, nor any of the Key Executives: (i) could be held liable for fraudulent behaviour or gross misconduct, (ii) was involved in any bankruptcy, receivership or liquidation in his/her capacity as a member of any administrative, management or supervisory body, general partner, founder or senior executive, (iii) was subject to any criminal allegation, persecution or imposition of a penalty by any court, state, governmental or administrative authority (including with respect to conduct of any activity in the capacity of member of a professional body), or (iv) was disqualified or prohibited by any competent court from acting as a member of any administrative, management or supervisory body or from managing or conducting affairs of any company or organization.

4.12.4 Conflicts of Interest of Members of the Administrative, Management and Key Executives

The Chairman of the Company's Management Board, Ilmārs Osmanis, also serves in the capacity of sole member of the Board and shareholder of SIA MACRO RĪGA, the shareholder entity of the Company, owning 64.83% of the Company's shares as of the date of this Prospectus. Thus, Mr. Osmanis is an indirect shareholder of the Company.

Furthermore, the deputy Chairman of the Supervisory Board, Krišs Osmanis, is a son of the Chairman of the Company's Management Board, Ilmārs Osmanis.

Given the above, there exists a risk that the indirect shareholder of the Company (who also acting as Chairman of the Company's Management Board) may favour his own personal interests over those of the Company.

Other than the above aspects, the Company is not aware of the existence of any potential conflict of interests in the context of fiduciary duties owed by members of the Company's Management and Supervisory Boards and the Key Executives.

Apart from the existing relationship between Ilmārs Osmanis and Krišs Osmanis, no member of the Management Board is related to any other member of the Board, nor to any member of the Supervisory Board or Key Executive.

There exist no arrangements with the shareholders of the Issuer, nor with any of its customers, suppliers or other business partners, pursuant to which any member of the Management Board, Supervisory Board or any of the Key Executives has been nominated or may potentially be nominated to serve as a member of management or senior management or as an executive of any company or organization.

There exist no restrictions or negative pledges or covenants applicable to the transferability of the Issuer's Shares to members of the Management Board, Supervisory Board or Key Executives or the ability by members of the Management Board, Supervisory Board or Key Executives to own shares of the Company, with the exception for the statutory restrictions stipulated in accordance with Latvian laws.

4.13 Remuneration and Benefits

In the year 2013, the Company paid to members of its top management (including all members of the Management Board) aggregate annual remuneration of EUR 90'392, EUR 96'775 in the year 2014 and EUR 85'338 in the year 2015. The remuneration paid was a combination of salaries, mandatory social security contributions, employee health insurance and unemployment insurance.

Table No 24 Total annual remuneration paid to top management

Year	Remuneration (EUR)*
2013	90'392
2014	96'775
2015	85'338

** Remuneration includes all types of salary, benefits, contingent and deferred compensation.*

During the years 2013, 2014 no member of the Supervisory Board received any remuneration for service on the Supervisory Board, however during the year of 2015 one Supervisory Board Member received remuneration in the amount of EUR 2'921.

4.14 Board Practices

Term of office

The term of office of each member of the Management Board, Supervisory Board and each Key Executive of the Company is specified in the table below.

Table No 25 Tenure of office by members of the Management Board, Supervisory Board and Key Executives of the Company

Name	Position	Term of office since	Term of office until
Management Board			
Ilmārs Osmanis	Chairman of Management Board	30 December 2015	30 December 2020
Alvis Vagulis	Member of Management Board	30 December 2015	30 December 2020
Aldis Cimoška	Member of Management Board	30 December 2015	30 December 2020
Supervisory Board			
Jānis Skutelis	Chairman of Supervisory Board	13 June 2016	13 June 2021
Krišs Osmanis	Deputy Chairman of Supervisory Board	13 June 2016	13 June 2021
Andris Bērziņš	Member of Supervisory Board	13 June 2016	13 June 2021
Ingrīda Blūma	Member of Supervisory Board	13 June 2016	13 June 2021
Māris Rambaks	Member of Supervisory Board	13 June 2016	13 June 2021
Key Executives			
Ilmārs Osmanis	Chief Executive Officer	30 July 1999	Indefinite
Vineta Grecka	Chief Financial Officer	4 August 2008	Indefinite
Alvis Vagulis	Vice-President of Operations, Head of Ogre Plant	1 January 2008	Indefinite
Aldis Cimoška	Head of Ventspils Plant	1 January 2013	Indefinite

According to the Commercial Law of Latvia, a member of Management Board can be elected to serve on the Board for a term not to exceed 5 years, if not otherwise stated in the Articles of Association. The Law stipulates no restrictions on the number of terms of office each individual member of the Management Board can serve. The appointment of a Member of the Management Board can be terminated at any time by decision of the General Meeting of Shareholders. A member of the Management Board is entitled to resign from office at any time, by submitting to the Company a notice of resignation.

In accordance with the Commercial Law of Latvia, members of Supervisory Board can be elected to the office for the term not to exceed 5 years. The Law stipulates no restrictions on the number of subsequent terms of office a member of Supervisory Board can serve. In a manner similar to members of the Management Board, the service by a member of Supervisory Board can be terminated at any time by a decision of the General Meeting of Shareholders. A Supervisory Board member can, at any time, resign from office by submitting to the Company a notice of resignation. Whenever one or more Supervisory Board members resign prior to expiration of their term of office, there shall be held a new election of the Supervisory Board whereby the entire composition of the Supervisory Board shall be re-elected.

The Key Executives are employed by the Company for an indefinite term. The employment of each Key Executive can be terminated by the Company on the grounds specified under Latvian Labour Law.

Information on severance provisions under service contracts between members of management bodies and the Issuer or any of its Subsidiaries

Under Latvian Labour Law, on termination of employment, any employee of a company registered in Latvia shall be entitled to obtain a severance payment (except where the termination of employment occurs by invoking certain specified grounds, such as when employment is terminated on the basis of employee's own volition, by reason of gross negligence on the part of the employee, etc.).

Each employment agreement entered into between Group companies and members of Management Boards, Supervisory Boards and Key Executives of the respective companies contain severance payment provisions compliant with applicable requirements of Latvian Labour Law.

There is an exception, however, in one of the employment agreements. The agreement contains a clause according to which, in the event the employee continues to work during further three months after termination of the employment, the employee shall be entitled to receive a severance payment for three months. The practice of including clauses such as this into employment agreements has been discontinued.

Audit Committee

In accordance with the Latvian Financial Instruments Market Law, a company whose transferable securities are admitted to trading on the regulated market shall establish an audit committee. In addition, if a company complies with the criteria of a small and medium-sized enterprise, the tasks of an audit committee may be performed by a supervisory body of the company (i.e., the supervisory board of a company).

Taking into account the aforementioned, as the Company complies with the criteria of a small and medium-sized enterprise, on 16 May 2016 the General Meeting of

Shareholders has adopted a decision to transfer the tasks of the audit committee to the supervisory body of the Company, i.e., its Supervisory Board.

The task of the Audit Committee

The responsibility for providing support to the Supervisory Board in relation to internal and external audits of the Company and related matters, including relations with external auditors, developing internal audit plans and reviewing internal audit reports, as well as supervision of external audit process, rests with the Audit Committee. This body is also responsible for reviewing specific incidents occurring outside the ambit of regular internal or external audit reviews.

The Audit Committee supports the Supervisory Board in the discharge of its responsibility to supervise audits. The function includes carrying out of reviews of the terms of reference, policies and procedures of the Internal Audit Division and provision of recommendations with respect thereto to the Supervisory Board, reviews of the annual audit plan prepared by the Internal Audit Division, quarterly reviews of the most significant findings of the Internal Audit Division, and reviews of the annual assessments of the performance by the Internal Audit Division's according to audit plan. In addition, the Audit Committee supervises Group's relations with external auditors and makes recommendations on the appointment of external auditors, their re-appointment or removal, provides recommendations on issues identified by the FCMC, and supplies annual assessments to the Supervisory Board on a variety of topics.

Each member of the Audit Committee is appointed by the General Meeting of Shareholders. The General Meeting has the right to dismiss the entire Audit Committee or any of its members and appoint a new committee or individual member of the committee. Taking into account that the tasks of the Audit Committee are carried out by the Supervisory Board of the Company, the aforementioned also applies.

Members of the Audit Committee receive remuneration for their work. Such remuneration is subject to approval by the General Meeting of Shareholders.

The table below sets forth the names, function and appointment date of each current executor of the tasks of the Audit Committee as of the date of the Prospectus.

Table No 26 Executors of the tasks of the Audit Committee in the Company

Name	Function	Date of appointment for the execution of the tasks of the Audit Committee
Jānis Skutelis	Chairman of the Supervisory Board, executor of the duty of the Chairman of the Audit Committee	13 June 2016
Krišs Osmanis	Member of the Supervisory Board, executor of the duty of the member of the Audit Committee	13 June 2016

Andris Bērziņš	Member of the Supervisory Board, executor of the duty of the member of the Audit Committee	13 June 2016
Ingrīda Blūma	Member of the Supervisory Board, executor of the duty of the member of the Audit Committee	13 June 2016
Māris Rambaks	Member of the Supervisory Board, executor of the duty of the member of the Audit Committee	13 June 2016

According to the regulations of the Audit Committee of the Company, the main functions of the committee comprise the following:

- provision of recommendations to the Supervisory Board regarding selection, appointment, reappointment and removal of external auditors, along with the terms and conditions of engagement of external auditors;
- monitoring the process of external audit of the Company;
- monitoring of compliance of the activities conducted by the external auditors with the principles of independence and objectivity;
- observing the process of preparation of financial reports of the Company;
- monitoring the efficiency of internal controls and risk management systems of the Company; once a year, assessment of the necessity of the internal audit function;
- monitoring proper implementation of recommendations and opinions expressed by the Audit Committee on the part of the Company's Management Board and Supervisory Board.

Remuneration and Nomination Committees

Neither a Nomination Committee, nor a Remuneration Committee have been formed by the Issuer.

Statement of compliance with the Corporate Governance Framework

After the admission to trading, the Company will be compliant with any and all corporate governance rules and requirements set forth by applicable law and the Rules of the Nasdaq Riga.

After the admission to trading, the future corporate governance reports of the Company will be available on the website of the Nasdaq Riga (<http://www.nasdaqbaltic.com>). In addition, future corporate governance reports of the Company will be available on the Company's website (<http://www.hansamatrix.com>).

In accordance with Article 56² of the Latvian Financial Instruments Market Law and Article 15.14 of the Nasdaq Riga Rules on Listing and Trading of Financial Instruments on the Markets Regulated by the Nasdaq Riga and the Corporate Governance Principles and Recommendations on their Implementation (issued by the Nasdaq Riga), the Company will be preparing and publishing annual corporate governance reports.

The aforementioned reports will be disclosing the information on the compliance with the corporate governance principles based on the “comply” and “explain” principle as recommended in the Corporate Governance Principles and Recommendations on their Implementation issued by the Nasdaq Riga.

4.15 Employees

A breakdown of employees of the Group (performing their duties under employment agreements) as of the end of each financial year is presented in the table below. Additionally, the Company and the Group make use of project specific services by certain individuals that are hired on the basis of individual contracts, without entering into employment relationship. As of 31 December 2015, the average number of employees of the Group hired for specific projects on the basis of individual contracts is 137.

The average number of employees of the Group (performing their duties under employment agreements) is indicated in the table below.

Table No 27 Total amount of employees

Group companies	2013	2014	2015
Employees	212	238	237

Key specialists

The Company employs a number of key specialists, such as IT Manager, R&D Manager, Technical Manager, several Project Managers, Production Manager, NPI Engineers, Purchasing Manager, etc. Each of the Key Specialists is directly subordinated and reports to the respective Head of Plant (i.e., the Head of Ogre Plant or the Head of Ventspils Plant).

Collective Bargaining Agreements

The Group has not entered into any collective agreement with respect to any of its employees or group of employees. The Group anticipates no collective bargaining initiatives at any of its companies in the foreseeable future.

Employee shares and share option plans

No such arrangements exist for the benefit of Company employees.

4.16 Major Shareholders

As of the date of this Prospectus, the authorised share capital of the Company amounts to EUR 1'829'381; it is divided into 1'829'381 dematerialised bearer shares with a nominal value of EUR 1.00 each. All shares issued by the Company carry equal voting rights.

The table below identifies the Company’s shareholders, along with the amount of shares and votes held by each shareholder as of the date of this Prospectus.

Table No 28 Largest Shareholders of the Company (over 5% of the share capital)

Shareholder	Number of shares and votes held	Percentage of total share capital
SIA MACRO RĪGA*	1'185'938	64.83%
FlyCap Investment Fund I AIF, Limited Partnership**	403'933	22.08%
Swedbank pension funds	117'400	6.42%
Total:	1'707'271	93.33%

*the ultimate beneficial owner of SIA MACRO RĪGA is Mr. Ilmārs Osmanis holding 100% share in the capital thereof.

**the shareholders of Limited Partners of FlyCap Investment Fund I AIF are: (1) SIA FlyCap AIFP (with no investment); and (2) SIA Latvijas Garantiju aģentūra (Latvian Guarantee Agency) (with investment of EUR 10.000.000). Note: The Latvian Guarantee Agency became shareholder in AS "Attīstības finanšu institūcija Altum" on 15.04.2015 following a merger. The ultimate beneficial owners of SIA FlyCap AIFP are natural persons (residents of the Republic of Latvia): (1) Mr. Jānis Liepiņš (holding 33.33% of the shares); (2) Mr. Ģirts Milgrāvis (holding 33.33% of the shares); and (3) Mr. Jānis Skutelis (holding 33.33% of the shares). The ultimate beneficial owners of AS "Attīstības finanšu institūcija Altum" are: (1) the Ministry of Economics of the Republic of Latvia (holding 30% of the shares); (2) the Ministry of Finance of the Republic of Latvia (holding 40% of the shares); and (3) the Ministry of Agriculture of the Republic of Latvia (holding 30% of the shares).

Shareholder Agreement

For further information on Shareholder Agreement, please see Section 4.21 "Material Contracts".

Voting rights of major shareholders of the Issuer

Each Share of the Issuer confers upon its holder equal voting rights.

Arrangements known to the Issuer which may result in change in control of the Issuer

To the best of the Issuer's knowledge, no such arrangements exist as of the date of this Prospectus.

Lock-up agreement

On 16 May 2016, AS "LHV Pank" and the main shareholders of the Issuer - SIA MACRO RĪGA and FlyCap Investment Fund I AIF have entered into lock-up agreement (the "**Lock-up Agreement**") with the objective of restricting the ability of SIA MACRO RĪGA and FlyCap Investment Fund I AIF to transfer the Shares.

The key terms of the Lock-up Agreement are as follows:

- During the period commencing on the date of the Lock-up Agreement and ending 12 months after the date of the Lock-up Agreement, without the prior consent of AS "LHV Pank", SIA MACRO RĪGA and FlyCap Investment Fund I AIF is prohibited to directly or indirectly transfer, offer, sell, agree to sell or otherwise dispose of any Share owned by SIA MACRO RĪGA and FlyCap Investment Fund I AIF. The same restriction applies to all securities of the Company convertible into or exchangeable for Shares or any swap or other arrangement purporting to transfer ownership in any of the Shares.

- Each SIA MACRO RĪGA and FlyCap Investment Fund I AIF is prohibited to do, directly or indirectly, any of the following: (a) engage in any selling efforts of any of the shares of the Company owned by it at any time; (b) take any action designed to or that has constituted or that might reasonably be expected to cause or result, in stabilisation or manipulation of the price of any security of the Company to facilitate the sale or resale of the shares of the Company; (c) take any action designated to or that has constituted or that might reasonably be expected to cause or result in stabilisation or manipulation of the price of any security of the Company to facilitate the sale or resale of the shares of the Company.

Notwithstanding the above restrictions, AS "LHV Pank", SIA MACRO RĪGA and FlyCap Investment Fund I AIF have agreed that AS "LHV Pank" shall not unreasonably withhold its consent to any transfer of the Shares by any shareholder, SIA MACRO RĪGA or FlyCap Investment Fund I AIF, provided that the proposed buyer or prospective buyer of the Shares has executed or has agreed to execute a lock-up agreement on the terms similar to those set forth in the Lock-up Agreement.

4.17 Related Party Transactions

General overview

The transactions with related parties are divided into 4 categories:

- loans granted/received;
- sale/ purchase of non-current assets;
- sale of goods and services;
- purchase of goods and services (including by way of subcontracting).

The Management Board of the Company believes that all transactions with related parties are entered into at arm's length. It believes, further, that there are no transactions with related parties capable of affecting the core business of the Company either directly or indirectly.

The related parties of the Company, as of the date of this Prospectus and in 2015, 2014 and 2013, were its Subsidiaries, shareholders of the Company and those of its Subsidiaries and affiliated Group companies.

The following table identifies the Company's transactions that have occurred with related parties during the financial year that ended 31 December 2015, based on the audited separate financial statement of the Company for the respective period.

Table No 29 Related Party Transactions

Related party	Description of the transaction	Balance due to/ from related parties as at 31/12/2014	Counter-performance ***	Payment	Balance due to/ from related parties as at 31/12/2015
SIA Ventspils Elektronikas Fabrika*	Production services received	115 518	(2 577 196)	2 770 870	309 192
SIA Ventspils Elektronikas Fabrika*	Raw materials received	-	(219 694)	219 694	-
SIA Ventspils Elektronikas Fabrika*	Raw materials sold	-	139 688	(139 688)	-
SIA Macro Rīga	Sale of SIA HM Holdings - loan	-	2 500 000	(178 354)	2 321 646
SIA Macro Rīga	Loan interest		54 098	-	54 098
SIA Macro Rīga	Acquisition of shares in SIA EUROLCDs	-	(178 354)	178 354	-
SIA Macro Rīga	Services received	86	(134 334)	134 248	-
SIA Macro Rīga	Materials sold	-	714	(714)	-
SIA Mārupes Elektronikas Tehnoloģijas**	Share capital	(10 000)		10 000	-
SIA Mārupes Elektronikas Tehnoloģijas**	Loan received	(9 900)	-	9 900	-
SIA Mārupes Elektronikas Tehnoloģijas**	Services received	-	(247 929)	280 700	32 771
SIA Mārupes Elektronikas Tehnoloģijas**	Services provided, materials sold		4 564	(2 005)	2 559
SIA HM Holding	Loan received	(2 500)	-	2 500	-
TOTAL:		93 204	(878 693)	698 049	2 720 266
TOTAL RECEIVABLE:		115 604			2 720 266
TOTAL PAYABLE:		(22 400)			-

* As of 26 April 2016, the company was renamed SIA HansaMatrix Ventspils

** As of 26 April 2016, the company was renamed SIA HansaMatrix Innovation

*** All amounts are inclusive of VAT

4.18 Financial Information Concerning the Issuer's Consolidated Assets and Liabilities, Financial Position and Profits and Losses

For more information on Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses, please see Section 4.7 "Operating and Financial Review".

4.18.1 Historical Consolidated Financial Information

For more information, please see Section 4.7 "Operating and Financial Review".

4.18.2 Pro Forma Financial Information

There has not been prepared any pro forma financial information by the Issuer.

4.18.3 Consolidated Financial Statements

For more information on financial statements, please see Section 4.7 "Operating and Financial Review".

4.18.4 Auditing of Historical Annual Consolidated Financial Information

There are qualifications in the audit reports on the historical financial information of 2013, 2014 and 2015 which all relate to a segregate investment which was disposed of in 2014 on the basis of its value, loss and impairment (regarding the sale of Hanza Holding AB shares):

In the audit report of 2013

Basis for Qualified Opinion of the audited consolidated financial statements of the Group for the year ended 31 December 2013

As disclosed in Note 13 of the audited consolidated financial statements of the Group for the year ended 31 December 2013, which are incorporated by reference, SIA "Hanzas Elektronika" non-current assets comprise other investments in the amount of LVL 3 559 500 as of 31 December 2013. During the audit, SIA "Deloitte Audits Latvia" was unable to obtain sufficient audit evidence to verify recoverable amount of this investment. Consequently, SIA "Deloitte Audits Latvia" expressed no opinion as the value of other investments as of 31 December 2013.

Qualified Opinion of the audited consolidated financial statements of the Group for the year ended 31 December 2013

In the opinion of SIA "Deloitte Audits Latvia", except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph above, the consolidated financial statement gives a true and fair view of the financial position of the Group as of 31 December 2013, and of its financial performance and cash flows for the year ended in accordance with the law of the Republic of Latvia "On the Consolidated Annual Reports".

In the audit report of 2014

Basis for Qualified Opinion of the audited consolidated financial statements of the Group for the year ended 31 December 2014

As disclosed in Note 8 of the audited consolidated financial statements of the Group for the year ended 31 December 2014 as incorporated by reference, long term financial investments are EUR 2,000 thousand (31.12.2013 – EUR 5,065 thousand). In the year 2014 there was recognized an impairment of investment of EUR 1,2 thousand. SIA "Ernst & Young Baltic" was unable to determine whether adjustment might have been necessary in respect of the investment balance as of 31 December 2013 and in respect of profit for the year 2013 reported in the consolidated income statement and the net cash flows from operating activities reported in the consolidated cash flow statement. Auditors' report issued on 25 April 2014 on the consolidated financial statements by predecessor auditor (i.e., SIA "Deloitte Audits Latvia") for the year ended 31 December 2013 was qualified in respect of this matter. SIA "Ernst & Young Baltic" report on the current period's consolidated financial statements is also modified because of the possible effect of this matter on the comparative information and in respect of consolidated profit for the year 2014 reported in the consolidated income statement and the net cash flows from operating activities reported in the consolidated cash flow statement.

Qualified Opinion of the audited consolidated financial statements of the Group for the year ended 31 December 2014

In the opinion of SIA "Ernst & Young Baltic", except for the possible effects of the matters described in paragraph of the Basis for Qualified Opinion above, the consolidated financial statements give a true and fair view of the consolidated financial position of SIA "Hanzas Elektronika" and its Subsidiaries as at 31 December 2014 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the law of the Republic of Latvia On Consolidated Annual Reports.

In the audit report of 2015

Basis for Qualified Opinion of the audited consolidated financial statements of the Group for the year ended 31 December 2015

As disclosed in Note 19 of the audited consolidated financial statements of the Group for the year ended 31 December 2015 as incorporated by reference, financial investment in Hanza Holding AB as of 31 December 2013 was 5.065 thousand EUR. In the year 2014 impairment of investment of 1,216 thousand EUR was recognized. Consequently net book value of assets held for sale consisting of financial investment in Hanza Holding AB as of 31 December 2014 was 1.950 thousand EUR. SIA "Ernst & Young Baltic" was unable to determine to what period the impairment recognized in 2014 relates and whether adjustments might have been necessary in respect of the investment in Hanza Holding AB balance as of 31 December 2013, retained earnings as of 31 December 2014 and profit for the year 2014 reported in the consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flow. Auditors' report issued on 25 April 2014 on the consolidated financial statements by predecessor auditor (i.e., SIA "Deloitte Audits Latvia") for the year ended 31 December 2013 and SIA "Ernst & Young Baltic" report for the year ended 31 December 2014 issued on 29 May 2015 were qualified in respect of this matter. The opinion of SIA "Ernst & Young Baltic" on the current period's consolidated financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

Qualified Opinion of the audited consolidated financial statements of the Group for the year ended 31 December 2015

In the opinion of SIA "Ernst & Young Baltic", except for the possible effects of the matter described in paragraph of the Basis for Qualified Opinion above, the consolidated financial statements give a true and fair view of the consolidated statement of financial position of joint-stock company "HansaMatrix" and its Subsidiaries as at 31 December 2015 and of its consolidated financial performance and consolidated statement of cash flows for the year then ended in accordance with the IFRS as adopted by the EU.

4.18.5 Age of Latest Financial Information

The latest available financial information referred to in this Prospectus is based on the audited consolidated financial report of the Company published for the financial year ended 31 December 2015.

4.18.6 Interim and Other Financial Information

No interim information will be provided.

4.18.7 Audited Consolidated Financial Information

For more information, please see Section 4.7 "Operating and Financial Review".

4.18.8 Unaudited Financial Information

In this Prospectus, no unaudited reports are provided, while the majority of information is derived from the consolidated financial statements.

4.18.9 Dividend Policy

The Shares confer upon their holders the rights to receive dividends (if any) as would be declared by the Company. Each Share shall rank equally (*pari passu*) with all the other Shares of the Issuer.

The Company intends to pay dividends, provided its financial results will permit it to do so. At the same time, the Company cannot guarantee payment of dividends in future or, if dividends will be paid, cannot make representations as to the value or amount of dividends. The declaration and payment by the Company of future dividends and the value thereof are contingent on the amount of operating income of the Company, its financial condition, cash requirements, future prospects and other factors.

The decision on the distribution of dividends shall be adopted by the General Meeting of Shareholders of the Company.

4.18.10 Legal and Arbitration Proceedings

At the date of this Prospectus, the Company is not involved in, nor is it aware of any active or pending legal, arbitration or administrative proceedings, in which the

Company is involved or may potentially be involved as a claimant, defendant or as third party, in Latvia or abroad. In general, the pursuit of legal proceedings as a means of resolving disputes with customers or vendors is not a part of the Company's overall strategy or policy; the Company is more inclined toward amicable settlement of disputes arising in the ordinary course of business.

In 2003, the Company, acting as defendant, was involved in legal proceedings with one of its former employees demanding reinstatement. The proceedings resulted in amicable settlement. Neither the settlement, nor the proceedings had a material impact on the Group's business, operations, or financial condition.

4.18.11 Significant Changes in the Issuer's Financial or Trading Position

The Issuer was established as a private limited liability company SIA Hanzas elektronika, registration number 40003454390, registered address at 72 Akmeņu Street, Ogre, Ogre district, LV-5001, Latvia. As of 30 December 2015, the Issuer was reorganized as a Latvian-registered public joint stock company, operating under the new name Joint-stock company HansaMatrix registration number 40003454390, registered address 72 Akmeņu Street, Ogre, Ogre district, LV-5001, Latvia.

4.19 Taxation

This section outlines some of the key principles of Latvian tax regime which may be relevant to the acquisition, holding and transfer of the Shares by shareholders. The section does not purport to present a comprehensive or exhaustive description of all aspects of Latvian tax law that may be of relevance to shareholders. The description in this section is based on domestic Latvian tax laws in effect as of the date of this Prospectus and the provisions of double taxation treaties currently in force between Latvia and other countries. The description contained in this section does not substitute the need for individual shareholders to seek professional tax advice. It is therefore recommended that each shareholder consults his/her own tax advisor regarding the tax implications of acquiring, holding, or transferring shares and the required procedures to secure the payment of Latvian withholding tax, if applicable. Only qualified tax advisors are in the position to adequately assess and advise with respect to the particular tax situation of each individual shareholder.

Taxation of the Company

General

The Company's taxable income, whether distributed or retained, is generally subject to Latvian corporate income tax at a flat rate of 15%.

Taxable income is the income reported in the Company's annual Income statement, prepared in accordance with the Annual Accounts Law of the Republic of Latvia (as of 1 January 2016 the aforementioned law was replaced by the Law of Annual Accounts and Consolidated Annual Accounts) and subject to certain adjustments specified in the Law on Corporate Income Tax of the Republic of Latvia. The main adjustments increasing taxable income include non-business expenses multiplied by the coefficient of 1.5, financial depreciation and amortization, penalties paid, 60% of representation costs, revaluation losses, increase in provisions and reserves for bad and doubtful debts. The main adjustments deductible from taxable income

and permitted by law include tax depreciation, written-off debts provided certain criteria are met, revaluation gains, decrease in provisions and reserves for bad and doubtful debts.

Dividends and capital gains received by the Company

Dividends received by the Company from its Latvian shareholdings are not subject to corporate income tax. Nor are dividends subject to deduction at source ("withholding tax"), if received by the Company from its Latvian Subsidiaries or affiliated companies.

Similar principles apply to capital gains earned by the Company from sale of its shareholdings, which are exempt from corporate income tax. Should the sale result in a loss, however, the Company would not be allowed to deduct the amount of the loss for tax purposes. Furthermore, costs associated with acquiring, holding and selling of the shares cannot be deducted and are taxable.

Interest expense

Thin capitalization rules restrict the extent to which interest expense can be deducted for tax purposes. Under the existing rules, the amount of non-deductible interest is determined as follows:

(1) Interest expense above certain statutory interest rate calculated by multiplying a weighted average interest rate on loans provided to non-financial enterprises by the coefficient of 1.57;¹ (2) Interest expense proportionate to the extent at which the average amount of loan outstanding within a taxation period exceeds Company's equity multiplied by coefficient 4 (i.e. debt-to-equity ratio 4 to 1). The amount of equity shall be determined at the beginning of the respective taxation period and shall be reduced by the amount of revaluation reserves for long-term investments and other reserve provisions excluding those formed out of profits.

The taxable income is increased by the larger amount resulting from the above two calculations. In addition, the second provision on calculation of non-deductible interest does not apply to loans obtained from a supervised financial institution registered within the European Union or European Economic Area, or in a country with which Latvia has concluded a treaty for the avoidance of double taxation.

The restrictions on deductible interest payments do not apply to:

- loans provided by credit institutions registered in a Member State of the European Union or European Economic Area, or in a country with which Latvia has concluded a treaty for the avoidance of double taxation;
- publicly traded treasury debt instruments registered in a Member State of the European Union or European Economic Area.

Tax losses

Whenever the Company incurs a tax loss for the reporting period, the amount of the loss can be carried forward indefinitely, as long as control over the Company has not been acquired by a third party. Even if control has passed to a third party, however, tax loss carry-forward would be allowed, provided the Company continues to carry out its core business activity during at least five years after the change of

¹ The weighted average interest rate on loans provided to non-financial enterprises is annually specified by the Bank of Latvia. In 2015, the weighted average interest rate was 3.2% for loans in euro, and 4.06% for loans in other currencies. Meanwhile, in the year 2015, the total allowed (maximum) interest rate was 5.02% for loans in euro and 6.37% for loans in other currencies.

control. In the context, "control" is defined as holding by the same person of more than 50% of share capital and voting rights directly or indirectly (through other shareholdings).

Since no group relief for tax purposes is allowed in Latvia, tax losses generated by the Company, its subsidiaries or affiliated entities are not eligible for transfer to profitable companies of the Group.

Taxation of Shareholders

Shareholders are taxed with respect to income arising from the holding of shares (taxation of dividend income) and sale of shares (taxation of capital gains).

For the purposes of this summary, shareholders are classified as follows:

- *Resident individuals* – physical individuals who are deemed Latvian residents for personal income tax purposes under Latvian tax law and any applicable double taxation treaty. As a general rule, an individual would be considered Latvian resident for personal income tax purposes if the individual:
 - has a declared place of residence in Latvia; or
 - has been present in Latvia for 183 days or longer during any twelve-month period beginning or ending in a taxable year, or
 - is a Latvian citizen employed by the government of Latvia abroad,unless the individual is treated as a resident of another country in accordance with the double taxation treaty entered into between Latvia and that country, as explained below. According to the provisions of double taxation treaties, whenever an individual qualifies as tax resident under the domestic tax rules of both countries, the individual's tax residence is determined by applying the following criteria:
 - the individual shall be deemed to be a resident of the country in which he/she has a permanent home available to him; if the individual maintains permanent homes in both countries, he/she shall be deemed to be a resident only of the country with which his/her personal and economic relations are closer (centre of vital interests);
 - if the state in which the individual has his/her centre of vital interests cannot be determined, or if the individual has no permanent home available to him/her in either country, he/she shall be deemed to be a resident only of the country in which he/she has a habitual abode;
 - if the individual has a habitual abode in both countries or in neither of them, he/she shall be deemed to be a resident only of the country of which he/she is a national;
 - if the individual is a national of both countries or neither of them, the competent authorities of both countries shall settle the question by mutual agreement.
- *Non-resident individual* means an individual who is not deemed to be a resident individual as explained above.
- *Resident entity* means a person, other than an individual or partnership, which is established and registered or which was required to be established and registered in Latvia in accordance with the laws of Latvia.
- *Non-resident entity* means a person, other than an individual or partnership, which is not deemed to be a resident entity as explained above.

Taxation of dividend income

Dividends distributed by the Company to resident and non-resident individuals are subject to deduction at source ("withholding tax") at the rate of 10%. The basis for determining the dividend withholding tax is the dividend approved for distribution by the Company's general meeting. The tax shall be withheld, reported and paid to the State budget by the custodian company, which holds shares booked with the LCD on behalf of the respective shareholder.

For resident individuals this would be the final tax, and no additional tax payments should be paid. Each non-resident individual, however, should determine the extent of tax obligations applicable in his/her country of residence with regards to taxation and reporting requirements. Provided the individual is resident in a country with which Latvia has effective double taxation treaty, he/she should be entitled to mitigate tax liability in his/her country of residence arising from dividend income by applying either credit method or exemption method. Under the exemption method, the income would be subject to a tax exemption in his/her country of residence, while under the credit method the amount of income tax payable in his/her country of residence would be credited (reduced) by the amount of Latvian withholding tax already deducted. Each non-resident individual should seek professional advice with respect to administration of tax procedures applicable in his/her residence country for obtaining the relief.

Dividends distributed by the Company to resident and non-resident entities are exempt from Latvian withholding tax, unless the recipient is located, established or incorporated in a jurisdiction or territory treated as a "tax haven". Dividends paid to a recipient in a tax-haven jurisdiction or territory are subject to withholding tax at the rate of 15%. Similar to the above, the applicable withholding tax shall be withheld, reported and paid to the State budget by the custodian company holding shares booked with the Latvian Central Depository on behalf of the respective shareholder.

The list of "tax-haven" countries and territories is contained in the Cabinet of Ministers Regulation No 276 (dated 26 June 2001). The list of "tax havens" notwithstanding, a tax haven country or territory would not be treated as such for Latvian tax purposes, as long as the country or territory in question either has signed an effective agreement on exchange of information with Latvia, or has ratified a multi-lateral convention on mutual administrative assistance in tax matters.

Taxation of capital gains

A capital gain (the difference between the disposal price and acquisition value of an asset) obtained by the resident individual from the sale of the Shares would be subject to personal income tax at the rate of 15%. The tax on capital gains should be paid and reported either on monthly/quarterly or annual basis, depending on the amount of capital gain.

A capital gain earned by a non-resident individual from the sale of the Shares would not be subject to taxation in Latvia, provided the Shares, at the time of the sale, were listed on the regulated market of a Member State of the European Union or European Economic Area. This notwithstanding, each non-resident individual should clarify the extent of tax obligations applicable in his/her country of residence with regards to taxation and reporting requirements of capital gains.

A capital gain earned by a Latvian entity from the sale of the Shares would be exempt from taxation irrespective of the percentage of shareholding and holding

period. Should, however, the sale result in a loss, the amount of the loss would not be deductible for tax purposes. Moreover, costs associated with the acquisition, holding and sale of the Shares by a Latvian entity would be treated as non-deductible expense and, hence, would be taxable.

A capital gain earned by non-resident entity from the sale of the Shares would be exempt from taxation in Latvia, provided that, at the time of the sale, the Shares were listed on the regulated market of a Member State of the European Union or European Economic Area.

Other Taxes

No Latvian transfer tax, value added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of Shares. No net wealth tax is applied in Latvia.

4.20 Additional Information

4.20.1 Share Capital

The registered and paid share capital of the Company equals EUR 1'829'381, consisting of 1'829'381 dematerialised bearer shares with the nominal value of EUR 1.00 each.

Table No 30 Share capital of the Company

Type of shares	Number of shares	Nominal value, EUR	Total nominal value, EUR	Percentage of total share capital, %
Dematerialised bearer shares	1'829'381	1.00	1'829'381	100%

Table No 31 Changes in share capital of the Issuer during the last 5 years

Date of registration of the change in share capital	Amount of share capital prior to the change	Change	Reason for the change	Share capital after the change
20 June 2016	EUR 1'546'380	+ EUR 283'001	Increase of the Company's share capital	EUR 1'829'381
7 October 2015	EUR 1'280,272	EUR +266'108	Increase of the Company's share capital by means of monetary investment	EUR 1'546'380

20 August 2014	LVL 900'000	-	Conversion of share capital and nominal value of shares from LVL to EUR	EUR 1'280'272
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As of the date of this Prospectus, the Company's registered and paid-up share capital is EUR 1'829'381, divided into 1'829'381 paid up and issued dematerialized bearer Shares with a nominal value of EUR 1.00 each and carrying one voting right each. The existing Shares have been issued under the laws of the Republic of Latvia. All the existing Shares rank *pari passu* in all respects with each other.

Table No 32 Share capital of the Company

Shareholder	Number of shares	Value of shares, EUR	Amount of investment (EUR)	%
SIA "MACRO RĪGA", registration No 40003362005	1'185'938	1.00	1'185'938	64.83
Limited partnership "FlyCap Investment Fund I AIF", registration No 40103697951	403'933	1.00	403'933	22.08
Swedbank pension funds	117'400	1.00	117'400	6.42
Others	122'110	1.00	122'110	6.67

The Shares are registered with the Latvian Central Depository in the book-entry form (ISIN LV0000101590). All Shares are freely transferable, pursuant to the restrictions set by the Shareholders' Agreement and the Lock-Up Agreement"; no restrictions on Share transferability have been imposed under the Company's Articles of Association, nor are the Shares subject to any general restrictions on transferability.

For more information on restrictions on Share transferability, please refer to Section 4.21 "Material Contracts" under subsection "Shareholder Agreement".

Information on shares not representing capital

The Issuer has issued no shares not representing participation in its capital.

The number, book value and face value of shares of the Issuer held by or on behalf of the Issuer itself or by Subsidiaries of the Issuer

The Issuer does not own its own shares, nor are any Shares held on the Issuer's behalf or by its Subsidiaries.

The amount of convertible securities, exchangeable securities and warrants; conditions governing the conversion and exchange thereof or subscription therefor

The Issuer has issued no convertible or exchangeable securities whatsoever, nor any warrants.

Information on the terms of share options, acquisition rights and obligations related to authorised but unissued capital; undertakings to increase share capital

The Issuer has issued no share options, nor acquisition rights whatsoever with respect to its share capital. The Issuer is not subject to any obligations over authorised but unissued share capital, nor undertakings of any kind exist to increase share capital of the Issuer.

Information on shares of any company of the Group which are subject to an option or have been agreed conditionally or unconditionally to be made subject to an option; details of such options, including persons to whom the option rights have been granted

No company of the Group is a party to any arrangement of the nature described.

4.20.2 Articles of Association

Issuer's objects and purposes

According to Article 1 of the Company's Articles of Association, the Company is established under the laws of the Republic of Latvia and is duly registered with the Register of Enterprises. The Company is not established for a definite period of time or for the achievement of a specified goal. Accordingly, the Company may carry out its business indefinitely.

The following are the objects of the Company's business: manufacture of loaded electronic boards, manufacture of computers and peripheral equipment, manufacture of communication equipment.

Any activity subject to licensing requirements under applicable laws, or activity performed under established formal procedures can only be carried out by the Company under the condition of receipt of all requisite licenses and permits.

Governing Bodies of the Company

Pursuant to Article 4 of the Company's Articles of Association, the Company is governed by the General Meeting of Shareholders, the Supervisory Board and Management Board.

General Meeting of Shareholders

The scope of competence of the General Meeting of Shareholders is set out in Article 5 of the Company's Articles of Association. The General Meeting is authorized to adopt decisions whenever shareholders representing at least half (50%) of voting share capital of the Company are present at the meeting – an equal requirement compared to the requirement of the Commercial Law, according to which a quorum is also deemed to be present whenever the meeting is attended by shareholders jointly representing no less than one half of the share capital conferring voting rights.

Decisions on the following matters require no less than three quarters of the Shareholders' votes present at the General Meeting of Shareholders in order to be considered to have been adapted:

- amendments to the Articles of Association;

- winding up or continuation, suspension or reinstatement of the Company's activity, reorganisation or liquidation of the Company;
- approval of annual report;
- distribution of profit and payment of dividends;
- increase or decrease in the amount of share capital of the Company;
- appointment and removal of members of the Supervisory Board of the Company and determination of the general principles, form and criteria of remuneration payable to members of the Supervisory and Management Boards.

According to Latvian Commercial Law, the General Meeting is authorized to adopt decisions in matters falling within the competence of the Management Board or Supervisory Board.

A regular General Meeting shall be convened by the Management Board at least once a year in order to approve the annual accounts, decide on distribution of profit, and elect the auditor. Should the Management Board fail to convene the regular General Meeting, the right to convene the General Meeting can be exercised by the Supervisory Board or the Office of Register of Enterprises (in the latter instance, against payment of a fee).

The Management Board is under an obligation to convene an extraordinary General Meeting in cases specified in the Articles of Association, as well as whenever there occur any of the following events: (i) the amount of operating loss incurred by the Company exceeds half of the amount of share capital; (ii) the Company finds itself in financial dire straits and signs of insolvency are determined to exist, or insolvency is likely to occur, (iii) the Company's Supervisory Board has requested convening of a General Meeting; or (iv) convening of a General Meeting has been requested by shareholders representing no less than 10% of the total share capital of the Company.

Each General Meeting of Shareholders of the Company shall be convened in the administrative territory in which the legal address of the Company is registered.

Supervisory Board

According to Latvian Commercial Law, the Supervisory Board is the supervisory body of the Company representing the interests of shareholders in-between General Meetings of Shareholders and exercising supervision over activities of the Management Board within the scope specified in the Commercial Law and the Articles of Association. Under the Articles of Association of the Company, the Supervisory Board shall comprise five members elected by the General Meeting. The members of the Supervisory Board shall elect from among themselves the Chairman of the Supervisory Board and one Deputy Chairman of the Supervisory Board.

According to Article 6.2 of the Company's Articles of Association, the Supervisory Board is entitled to adopt decisions provided that more than half of the members are present at the meeting of the Supervisory Board.

According to Article 6.3 of the Company's Articles of Association, all decisions by the Supervisory Board shall be adopted by a simple majority of votes of those present.

A Supervisory Board member who is not present at the meeting may vote in writing by delivering his/her vote to another Supervisory Board member, over phone or in any other manner, provided the means of communication available enable Supervisory Board members to concurrently participate in discussions and adapt

decisions and provided, further, that the discussions are promptly protocolled or recorded.

The functions and scope of competence of the Company's Supervisory Board are as follows:

- making decisions regarding the restriction (prohibition) of competition for the Management Board member(s) with the Company (for example, to enter into transactions for the Management Board member's own benefit in the area of the commercial activity of the Company; to serve as Management Board member of another independent company operating in the same area of the commercial activity as the Company, etc.);
- to grant or refuse consent to acts by the Management Board in the instances specified in the Articles of Association;
- other competence set forth under the rules of statutory law;
- to elect and revoke the authority of members of the Management Board and to continuously supervise the discharge by the Management Board of its duties;
- to monitor whether the business of the Company is conducted in accordance with law, the Articles of Association and decisions of the General Meeting;
- to examine annual accounts of the Company and proposals by the Management Board for the distribution of profits and draw up reports on its findings;
- to represent the Company in courts with respect to any action brought up by the Company against members of the Management Board or by the Management Board against the Company, and represent the Company in other dealings with members of the Management Board;
- to approve transactions between the Company and members of the Management or Supervisory Boards, between the Company and related parties, or between the Company and its auditor;
- to perform advance examination of all matters included into agenda of General Meetings of Shareholders and to issue Supervisory Board opinions on such matters.

Shareholders of the Company jointly representing no less than one tenth of the share capital of the Company have the right to request in writing that the Supervisory Board conducts an examination of specific activities performed by the Management Board. The request shall indicate reasons for the examination. Should the Supervisory Board fail to run the examination and inform the shareholders of its findings within a month from the date of receiving the request, the shareholders would have a right to convene a General Meeting of Shareholders to address the matter.

According to Latvian Commercial Law, the Supervisory Board is entitled, at any time, to request the Management Board to report on the current state of business of the Company or any transaction or activity conducted by the Management Board. The Supervisory Board is entitled, further, to examine any of the documents or registers in the Company's possession, the cashier's office or any property of the Company. The Supervisory Board is entitled to delegate any such tasks to any of its members or appoint an external expert. The Supervisory Board is entitled to convene extraordinary General Meetings of Shareholders or to request the Management Board to convene a General Meeting, if the interests of the Company so require.

Under Latvian Commercial Law, the Supervisory Board has no authority to decide in matters falling within the exclusive competence of the Management Board.

As of the date of this Prospectus, the Supervisory Board consists of five members.

Table No 33 Composition of the Supervisory Board as of the date of the Prospectus

Name	Citizenship	Year of birth	Member since	Position	Current term expires
Jānis Skutelis	Latvian	1977	13 June 2016	Chairman	13 June 2021
Krišs Osmanis	Latvian	1987	13 June 2016	Deputy Chairman	13 June 2021
Andris Bērziņš	Latvian	1971	13 June 2016	Member	13 June 2021
Ingrīda Blūma	Latvian	1961	13 June 2016	Member	13 June 2021
Māris Rambaks	Latvian	1984	13 June 2016	Member	13 June 2021

Under Latvian Commercial Law, the term of office on the Supervisory Board shall not exceed five years. The term of service on the Supervisory Board by any member may be terminated at any time by decision of the General Meeting of Shareholders. At the same time, a Supervisory Board member may, at any time, resign from the office voluntarily by submitting to the Company a notice of resignation. Whenever a Supervisory Board member resigns from office or his/her authority is terminated prior to expiration of the term of office, there shall be held elections of a new Supervisory Board, whereat the entire composition of the Supervisory Board is re-elected.

For more information on the Supervisory Board of the Company, please see Section 4.21 "Material Contracts" under sub-section "Shareholder Agreement".

Management Board

The Management Board is a collegial executive body of the Company comprising 3 (three) members – Chairman of the Management Board and two members. The Management Board is responsible for managing day-to-day business operations of the Company. Members of the Management Board are elected by the Supervisory Board. The Chairman of the Management Board is elected by the Supervisory Board from among members of the Management Board. Members of the Management Board are appointed for indefinite term.

The Chairman of the Management Board has the authority to represent the Company as sole representative. Alternatively, the Company may be represented by two members of the Management Board acting jointly.

Transactions falling outside the scope of ordinary course of business of the Company (*ultra vires* transactions) may only be entered into by the Management

Board with the consent of the Supervisory Board. Moreover, according to Article 7.3 of the Articles of Association of the Company, the entry by the Management Board into any of the following transactions shall require consent by the Supervisory Board to be valid:

- grant of a *procura*, commercial power of attorney or any other form of power of attorney entitling its holder to act on behalf of the Company, capable of materially affecting the operation or financial position of the Company, except where the commercial power of attorney is necessary in the ordinary course of business of the Company;
- setting up, establishment, winding up, liquidation, or reorganization of any subsidiary company, representation office, branch office, permanent establishment, as well as transferring or selling of any shares, securities, participations or other forms of interest in same;
- participation by the Company in any joint venture or partnership;
- change, termination or expansion of the type of activity of the Company, starting of business activity, resulting of which the main types of commercial activity of the Company are significantly affected or changed;
- approval of the annual budget of the Company;
- commencement or termination of any litigation, arbitration or mediation proceedings, as well as settlement of any ongoing dispute;
- entering into, amending or terminating the agreements between the Company and third party if the value of, or impact of one or several transactions of the type (within one fiscal year) on the financial status of the Company, exceeds EUR 100'000 (one hundred thousand euros), except if such transactions has been prescribed in the annual budget of the Company approved accordingly, or if it exceeds the budgeted amount;
- purchase of fixed assets exceeding EUR 100'000 in value, provided the purchase has not been described in the duly approved annual budget of the Company;
- taking of loan, if the value of such one or several mutually linked loans exceeds EUR 100'000 (one hundred thousand euros).

In accordance with the Articles of Association, the Management Board shall require the consent of the Supervisory Board approved by at least 4 (four) members of the Supervisory Board, to decide on the following issues:

- entering into, amending or terminating the agreements between the Company and the Shareholder, Member of the Management Board or Member of the Supervisory Board, holding company or its affiliate;
- granting of loans or issuance of guarantees or indemnities on behalf of the Company to secure obligations of third parties, except if such transactions are conducted in the ordinary course of business of the Company within the Company's group (in Latvian "*koncerns*").
- an issue that is beyond the ordinary course of business of the Company material value of which exceeds EUR 500'000.

The scope of competence of the Management Board of the Company is similar, in all material respects, to the scope of competence of Management Board as set forth in the Commercial Law. Hence, no additional areas of competence are specified in the Company's Articles of Association.

As of the date of this Prospectus, the Management Board consists of three members.

Table No 34 Composition of the Management Board as of the date of the Prospectus

Name	Year of birth	Member since	Position	Rights of representation
Ilmārs Osmanis	1961	30 December 2015	Chairman	Sole right of representation
Alvis Vagulīis	1962	30 December 2015	Member	Together with one other member of the Board
Aldis Cimoška	1975	30 December 2015	Member	Together with one other member of the Board

For more information on the Management Board of the Company, please see Section 4.21 "Material Contracts" under the subsection "Shareholder Agreement".

Shareholder Rights

The rights conferred upon shareholders of the Company by virtue of them holding the Shares are as follows:

- to take part in distribution of the Company's profits (to receive dividends);
- to receive cash or other assets whenever the share capital of the Company is reduced, as part of distribution of the Company's funds to its shareholders;
- the right of pre-emption with respect to new allotments of shares of the Company;
- to receive a part of the residual assets of the Company in the event of the Company's liquidation;
- to attend General Meetings of Shareholders;
- to raise questions at General Meetings to the extent such questions relate to items included in the agenda of the General Meeting of Shareholders;
- to vote at General Meetings of Shareholders in accordance with the voting rights attached to shares;
- to receive information on matters pertaining to the Company's business in accordance with the procedure stipulated by the Commercial Law;
- to apply to the court as prescribed by the Commercial Law;
- other proprietary and non-proprietary rights stipulated under applicable Latvian laws.

Each Share confers upon its holder the rights equal (*pari passu*) to holders of other Shares of the Company.

A description of any provision of the Articles of Association, statutes, charter or bylaw that would have an effect of delaying, deferring or preventing a change in control of the Company

There are no such provisions.

An indication of the Articles of Association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed

There are no such provisions.

A description of the conditions imposed by the Articles of Association, statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law

No more stringent provisions apply compared to requirements of law.

4.21 Material Contracts

Manufacturing Agreements

a. Agreement with SIA "Mikrotikls"

The Company maintains long term relationship with its main customer, SIA "Mikrotikls", a Latvian company, supplying hardware and software enabling Internet connectivity around the world. The agreement between the Company and SIA "Mikrotikls" was entered into on 27 February 2007. The Company acts as production partner for SIA "Mikrotikls"; it assembles and delivers products under Mikrotikls orders. The agreement contains provisions enabling semi-annual adjustments to be made to applicable price lists. The agreement with SIA "Mikrotikls" is for an indefinite term and is terminable by either party upon giving one month's notice of termination to the other party.

b. Agreement with Helico Aerospace Industries

On 16 April 2015, the Company entered into agreement with SIA "Helico Aerospace Industries" for the development and production of first of its kind in the world auto-follow drone "AirDog" equipped with GoPro cameras designed for adventure sports. Recently, AirDog was awarded the distinction of "Best Drone or Robot" at the CES 2015 held by The Consumer Electronics Association in Las Vegas. AirDog has also received "The investment of the year" award as the most successful investment project of private investment and venture capital sector in Latvia in 2015. The winner was chosen by the members of Latvian Venture Capital Association and Latvian Business Angel Network.

The production of the drones commenced in June 2015; first products were shipped to customers in the middle of 2015. Under this master supply and purchase agreement, the Company has undertaken, at customer's orders, to produce and deliver various products meeting the buyer's specifications. The agreement was entered into for a term of 12 months and is automatically renewable, unless terminated by either party upon 90-day written notice to the other party.

Financing Agreements

a. Agreements with AS "Citadele banka"

The Company utilizes financing provided by AS "Citadele banka" ("Citadele banka") to meet its long term investment plans and support current operational activities. The Company is a party to the following loan agreements with Citadele banka (each, individually, "Citadele Financing Agreement", and together, "Citadele Financing Agreements"):

- Loan Agreement No 2.3.-14/41, dated 7 August 2014, as amended, for the total amount of EUR 2'773'083 repayable on 6 August 2019. The applicable interest rate is based on six-months EURIBOR, plus 3.5%. As of 31 December 2015, the outstanding amount of the loan was EUR 2'154'953.

- Loan Agreement No 2.3.-14/42, dated 7 August 2014, for the total amount of EUR 2'214'362, repayable on 6 August 2020. The applicable interest rate is based on six-months EURIBOR, plus 3.5%. As of 31 December 2015, the outstanding amount of the loan was EUR 1'733'670.
- Loan Agreement No 2.3.-14/47, dated 25 August 2014, as amended, for the total amount of EUR 1'500'000 repayable on 24 August 2019. The applicable interest rate is based on six-months EURIBOR, plus 5%. As of 31 December 2015, the outstanding amount of the loan was EUR 1'159'026.
- Loan Agreement No 2.3.-15/32, dated 30 April 2015, as amended, for the total amount of EUR 980'000, repayable on 29 April 2021. The applicable interest rate is based on six-months EURIBOR, plus 1% (until the loan principal for the import letter of credit is issued) or 4% (after the loan principal for the import letter of credit is issued). As of 31 December 2015, the outstanding amount of the loan was EUR 916'311.
- Agreement on the Issue and Servicing of Letters of Credit No 2.3.-15/33, dated 30 April 2015, for the total amount of EUR 980'000.
- Agreement on the Issue of Bank Guarantees No 2.3.-15/11, dated 31 March 2015, as amended, for the total amount of EUR 50'000, expiring on 30 March 2017. As of 31 December 2015, the outstanding limit under the issued guarantees was EUR 0.

Citadele Financing Agreements stipulate, *inter alia*, the following events of default: failure to pay any amount due under any Citadele Financing Agreement for more than 30 days, provided the failure to pay is not cured within 7 days after receipt of a written demand to pay; more than 10% loss or decrease in market value of the property used as a collateral under Citadele Financing Agreements; failure to comply with other material obligations under Citadele Financing Agreements; initiation against the Company or provider of any collateral under any Citadele Financing Agreement of any insolvency, restructuring or liquidation proceedings; termination of any loan agreement entered into between the Company and a party affiliated with the bank.

Moreover, under Citadele Financing Agreements, the Company is required to comply with several financial covenants as follows:

- the EBITDA for each financial quarter of the Company's operation shall remain positive;
- the debt service coverage ratio (DSCR) for each financial quarter shall be maintained at no less than 1.2;
- the DEBT/EBITDA ratio according to both unaudited quarterly and annual audited financial statements shall not exceed 4.

According to the Company's management, as of the date of the Prospectus, all of the above requirements have been complied with.

Citadele Financing Agreements have been secured by various collateral instruments, including the following:

- Historically, a commercial pledge in the amount of EUR 11'080'889 over 62% of the Shares of the Company was created and registered in the Commercial Pledge Register of the Register of Enterprises (when the Shares were still ordinary registered shares in paper form) as a security for the repayment of the loan provided under Citadele financing agreements. However, on the date of this Prospectus the respective commercial pledge has been terminated (deleted) from the Commercial Pledge Register of the Register of Enterprises in full since the Shares are currently issued in the

form of dematerialized bearer shares and are registered with the LCD in book entry form under the identification (ISIN) code LV0000101590.

- Commercial pledge for the total amount of EUR 11'080'889 over 100% of shares in SIA HansaMatrix Ventspils (former SIA "VENTSPILS ELEKTRONIKAS FABRIKA"). The pledged shares cannot be transferred, disposed of, or encumbered without the consent of Citadele banka.
- Commercial pledge for the total amount of EUR 11'080'889 over all current and future assets of the Company. The pledged assets may not be transferred, disposed of, or encumbered without the consent of Citadele banka.
- Commercial pledge for the total amount of EUR 11'080'889 over all current and future assets of SIA HansaMatrix Ventspils (former SIA "VENTSPILS ELEKTRONIKAS FABRIKA"). The pledged assets cannot be transferred, disposed of, or encumbered without the consent of Citadele banka.
- Commercial pledge for the amount of EUR 75'000 over all current and future assets of the Company. The pledged assets may not be transferred, disposed of, or encumbered without the consent of Citadele banka.
- Real estate mortgage comprising a single land plot located at 74 Akmeņu Street, Ogre with two production buildings at 72 Akmeņu Street, Ogre, owned by the Company. The mortgaged property cannot be transferred, disposed of, leased out or encumbered without the consent of Citadele banka.
- Surety (in Latvian – "*galvojumi*") issued by SIA HansaMatrix Ventspils (former SIA "VENTSPILS ELEKTRONIKAS FABRIKA") and SIA MACRO RĪGA, under which both companies have assumed responsibility for the payment obligations of the Company under the loan agreements between the Company and Citadele banka, if the Company defaults.
- Surety (in Latvian – "*galvojums*") issued by Ilmārs Osmanis, under which Mr. Osmanis has assumed responsibility for the payment obligations of the Company under the loan agreements between the Company and Citadele banka, in the event the Company defaults.
- Financial collateral over current bank accounts of the Company under which the Company has created in favour of Citadele banka a collateral over all cash on its accounts to secure repayment of the loan under the loan agreements with Citadele banka.
- Financial collateral over the current bank account of SIA HansaMatrix Ventspils whereby SIA HansaMatrix Ventspils (former SIA "VENTSPILS ELEKTRONIKAS FABRIKA") has created in favour of Citadele banka a collateral over all cash on its current bank account to secure repayment of the loan under the loan agreements between the Company and Citadele banka.
- Guarantee issued by SIA "Latvijas Garantiju Aģentūra" for EUR 1'000'000 under which SIA "Latvijas Garantiju Aģentūra" has undertaken to pay the debt outstanding under the Loan Agreement No 2.3.-14/41, dated 7 August 2014, as amended, set to expire on 6 August 2020, in the event the Company defaults. As of 31 December 2015 the maximum liability limit under the guarantee was EUR 866'835.03.
- Insurance of pledged assets in favour of Citadele banka.

Should the borrowers under Citadele Financing Agreements fail to honour their loan repayment or interest payment obligations, Citadele banka would be entitled to satisfy its claims by enforcing the undertakings of security providers or by means of effectuating sale of the pledged and mortgaged assets, without court

proceedings or auction of any kind, at a price determinable in the sole discretion of Citadele banka.

b. Agreements with Swedbank Līzings

The Company has engaged AS "Swedbank Līzings" ("Swedbank Līzings") to provide certain factoring services with the aim of obtaining additional current assets and optimizing cash flow. The Company is a party to the following factoring agreements with Swedbank Līzings ("Swedbank Līzings Factoring Agreements"):

- Factoring Agreement No 212075, dated 25 June 2012, as amended, subject to a factoring limit of EUR 1'240'500, expiring on 25 June 2016. The applicable interest rate under the agreement is three-months EURIBOR base rate, plus 2.9% (but no less than 0%).
- Factoring Agreement No 212076, dated 25 June 2012, as amended, subject to a factoring limit of USD 291'100, expiring on 25 June 2016. The applicable interest rate under the agreement is three-months Libor base rate, plus 2.9%.

c. Loan agreements related to the Science Park

SIA "Zinātnes parks", a Latvian company where the Company owns 24% of shares, has concluded the loan facility agreement with Citadele banka and the mezzanine loan agreement with AS "Attīstības finanšu institūcija Altum". This financing will be used to purchase the real estate located near the Riga airport with the aim to develop the Science Park. SIA "Zinātnes parks" is a party to the following agreements:

- Loan Agreement No 2.18.2. – 16/46, dated 25 May 2016, for the total amount of EUR 800'000, maturing on 24 May 2018. The applicable interest rate is based on six-months EURIBOR, plus 4.1%.
- Mezzanine Loan Agreement No 216039/01MA, dated 25 May 2016, for the total amount of EUR 400'000, maturing on 20 January 2026. The applicable interest rate is based on six-months EURIBOR, plus 4.1%.

The above mentioned financing agreements have been secured by several collateral instruments:

- Commercial pledge over all current and future assets of SIA "Zinātnes parks". The pledged assets may not be transferred, disposed of, or encumbered without the consent of Citadele banka and AS "Attīstības finanšu institūcija Altum".
- Real estate mortgage comprising a production building located at the territory of the Riga airport, owned by SIA "Zinātnes parks". The mortgaged property cannot be transferred, disposed of, leased out or encumbered without the consent of Citadele banka and AS "Attīstības finanšu institūcija Altum".
- Financial collateral over current bank accounts of SIA "Zinātnes parks" under which SIA "Zinātnes parks" has created in favor of Citadele banka a collateral over all cash on its accounts to secure the repayment of loan under the loan agreement with Citadele banka.
- Surety (*galvojums*) issued by the Company, under which it has assumed responsibility for the payment obligations of SIA "Zinātnes parks" under the mezzanine loan agreement between SIA "Zinātnes parks" and AS "Attīstības finanšu institūcija Altum", if SIA "Zinātnes parks" defaults.

The above mentioned financing agreements stipulate several financial covenants and provide standard events of default.

Other Material Contracts

a. Shareholder Agreement

On 31 August 2015, the shareholders of the Company, SIA "MACRO RĪGA" and limited partnership "FlyCap Investment Fund I AIF" and the Company entered into a shareholders' agreement and executed amendments to the respective shareholders' agreement dated 16 May 2016 (hereinafter, collectively, the "**Shareholders' Agreement**").

Thus, SIA "RIGA MACRO" and limited partnership "FlyCap Investment Fund I, AIF" are considered to be "persons acting in concert" within the meaning of the Latvian Financial Instruments Market Law.

The Shareholder of the Company, limited partnership "FlyCap Investment Fund I AIF" ("FlyCap") is a risk capital fund, registered as an alternative investment fund whose activities and manager are supervised by the Financial and Capital Markets Commission in accordance with the Law on Alternative Investment Funds and Their Managers. More information about FlyCap is available at its website on internet (www.flycap.lv). AS "Attīstības finanšu institūcija ALTUM" is the largest investor of FlyCap. The United Development Financial Institution ALTUM provides state support in the form of full range of financial instruments – loans, credit guarantees, mezzanine loans and co-investments in risk capital funds. More information about ALTUM is available on its Internet website (www.altum.lv).

Risk capital funds operate based on similar principles throughout the world. FlyCap applies these principles toward its operation, as required by ALTUM. For example, a representative of FlyCap is elected to the Supervisory Board of the Company. The purpose of these principles is to afford a degree of protection to FlyCap's investment and to enable transfer of additional knowledge and experience to the Company – the whole FlyCap team (not only the FlyCap nominated Member of the Supervisory Board) contribute their time, contacts and expertise to help the Company to develop and increase its value.

The Shareholders' Agreement, *inter alia*, contain the following terms and conditions:

Membership on the Supervisory Board

FlyCap is entitled to nominate the Chairman of the Company's Supervisory Board. SIA MACRO RĪGA shall be entitled to nominate the remaining two members of the Supervisory Board. At least the majority of the Supervisory Board members shall be representatives of the shareholders of the Company, while the rest may be experts in different areas.

FlyCap and SIA MACRO RĪGA undertake to vote in favour of the candidates to the Supervisory Board nominated according to the above described procedure.

Decisions of the Supervisory Board

The Supervisory Board meeting is competent only if FlyCap's nominated Supervisory Board Chairman is present. The adjourned Supervisory Board meeting with the same agenda is convened no less than 2 (two) weeks later, and is competent if simple majority (three) of the members is present. The Chairman of the Company's Supervisory Board shall have a casting vote.

Final decisions on certain matters shall be capable of being adopted at meetings of the Supervisory Board only, in order to be valid. Such matters include: (1) issue by the Company of any power of attorney or *procura* that may materially affect the operations of the Company; (2) setting up, establishment, winding up or liquidation of any subsidiary, branch, permanent establishment or structural unit of the Company; (3) participation by the Company in any joint venture; (4) change of the type of business activity or business objective pursued by the Company; (5) approval of the annual budget; (6) commencement or termination of any litigation or arbitration proceedings; (7) decisions on applying non-compete obligations to any member of the Management Board; (8) entry into or termination of any transaction whenever the value of the transaction exceeds EUR 100'000 or purchase of capital assets exceeding EUR 100'000 in value, if such matters have not been described in the duly approved annual budget; (9) entry into or termination of any agreement between the Company, its shareholder, Management or Supervisory Board member, holding Company and any of its affiliated companies; (10) any borrowing by the Company; (11) issue by the Company of any loan or guarantee to secure the obligation of any third party.

Specific resolutions of the Supervisory Board shall be made by affirmative votes of at least 4 (four) Supervisory Board members: (1) entering into, amending or terminating the agreements between the Company and the Shareholder, Member of the Board of Directors or Member of the Supervisory Board, holding company or its affiliate; (2) granting of loans or issuance of guarantees or indemnities on behalf of the Company to secure obligations of third parties, except if such transactions are conducted in the ordinary course of business within the Company's group (in Latvian "*koncerns*"); (3) an issue that is beyond the ordinary course of business of the Company material value of which exceeds EUR 500'000 (five hundred thousand euros).

Management Board

SIA MACRO RĪGA shall cause Ilmārs Osmanis to act in the capacity of member of the Management Board of the Company for as long as FlyCap remains the shareholder of the Company, unless decision is adapted by the Company's General Meeting of Shareholders to revoke the authority of Mr. Osmanis to serve on the Management Board. The total amount of gross remuneration paid by the Company or any of the Company's subsidiaries to Ilmārs Osmanis in any month shall not exceed EUR 10'000.

Access to Information

The Company is under an obligation to provide FlyCap with access to certain key information appertaining to the Company's business. Such information includes monthly, quarterly, semi-annual and annual financial statements. Furthermore, the Company is required to deliver to FlyCap annual budgets of the Company for the next financial year and all other information the delivery of which is required by the Supervisory Board.

Conflict with the Company's Articles of Association

In the event of discrepancy between any provision of the Shareholder Agreement with one or more provisions of the Company's Articles of Association, the provisions of the Shareholder Agreement shall take precedence in relation to each shareholder which is a party to the Shareholder Agreement. The parties to the Shareholder Agreement shall exercise all voting and other rights and powers arising out of the Shareholder Agreement to ensure that the Company attains maximum profitability

of operations, is managed with reasonable care and efficiently, and operates according to the best practices of financial health and stability.

Certain Dealings in Shares

SIA MACRO RĪGA and FlyCap aim to sell the Company as an ongoing business by 31 December 2020, or a later date, subject to approval of such date by FlyCap. FlyCap has a right, exercisable not earlier than on 1 January 2019, to request a buy-out by SIA MACRO RĪGA of all shares in the Company owned by FlyCap (and SIA MACRO RĪGA has an obligation to purchase such shares) at a purchase price equal to the amount of the original capital investment made by FlyCap (including issued loans) multiplied by the accrued internal rate of return (put option).

SIA MACRO RĪGA can only dispose of its shares in the Company by means of block sale of the entire holding, or otherwise, subject to approval by FlyCap in writing. FlyCap has consented to the sale of the Sale Shares.

Should SIA MACRO RĪGA opt for disposing of its shares (except the Sale Shares) in the Company, FlyCap would be entitled to request that the same third party buyer purchases all shares owned by FlyCap (tag-along right). Should FlyCap dispose of its shares in the Company, FlyCap would be entitled to request that SIA MACRO RĪGA should also dispose of its shares in favour of the same third party buyer (drag-along right).

Termination

The Shareholder Agreement may be terminated by mutual agreement of FlyCap and SIA MACRO RĪGA, or in the event the number of shareholders of the Company is reduced to one.

FlyCap and SIA MACRO RĪGA transferring its shares (except the Sale Shares) to another person shall ensure that the person acquiring shares (except the Sale Shares) of the Company accedes to and becomes a party to the Shareholder Agreement.

b. Market Making Agreement

On 21 June 2016 the Issuer and AS LHV Pank entered into a Market Making Agreement.

The Market Making Agreement has been concluded in accordance with the Guidelines for Market Making for Nasdaq OMX Baltic Exchanges, prepared by the NASDAQ OMX Baltic.

4.22 Information of Holdings

There are no companies in the capital of which the Company participates or holds shares which are likely to have a material effect on the assessment of the Company's assets and liabilities, financial position or profit and loss.

4.23 Third Party Information and Statement by Experts and Declarations of any Interest

Whenever information contained in this Prospectus has been derived from third party sources, such sources have been identified herein. The Company confirms that such third party information has been accurately reproduced herein and, as far as the Company is aware and is able to ascertain from information published by

the relevant third party, no facts have been omitted, which would render the reproduced information inaccurate or misleading.

4.24 Documents on Display

For the period of validity of this Prospectus, the Articles of Association of the Company, the separate audited financial statements, the consolidated annual reports of the Company for the financial years ended 31 December 2013, 2014 and 2015 are available for inspection on the website of the Company (www.hansamatrix.com). Any interested party may download a copy of these items from the Company's website without charge.

The aforementioned documents may also be inspected at the head office of the Company located at 17A Lielirbes Street, Riga, LV-1046, Latvia. Any interested party may obtain a copy of these documents from the Company without charge.

5. SHARE SECURITIES NOTE

5.1 Working Capital Statements

On the definition of working capital being current assets less current liabilities, as at 31 December 2014, the Company's total consolidated working capital was positive EUR 1'425'800. This includes deferred income of EUR 104'073 and occurs on the account of ERDF financing, which does not affect the Company's cash flows. As of 31 December 2015 the Company's working capital was a positive EUR 986'009 with a respective current ratio, measured as current assets divided by current liabilities, of 1.2x. This is lower than the 1.4x current ratio as of 31 December 2014.

Working capital remained positive during 2015 with increased inventory and trade receivables levels. The Company has therefore historically met its working capital needs through obtaining debt financing. It has loans outstanding from AS Citadele banka that will expire in 2019, 2020 and 2021.

The working capital needs of the Company are mostly driven by cost of raw materials and staff costs, which together consistently account for around 70% of the Company's total costs (calculated by adding cost of sales, distribution expense and administrative expense). The Company had positive working capital, and its strong and relatively stable turnover and net profits have been sufficient to allow for financing day-to-day working capital requirements without significant gearing requirements until 2014, when in 2013 this number was negative (for more information, please refer to Section 5.2 "Capitalisation and Indebtedness").

During 2015, total current assets increased from EUR 4'859'276 at the end of 2014 to EUR 5'791'748 at the end of 2015. This was primarily due to an increase in the inventories and trade receivables relating to client orders. There has been a likewise increase of EUR 819'877 in the 2015 trade payables reaching EUR 1'797'062.

Trade receivables represented 58.4% of the Company's current assets, whereas historically inventories made up a substantial portion of current assets. As of 31 December 2015, the average turnover period for inventory has increased to 73 days from 50 days as of 31 December 2014.

Historically, the Company has been able to finance part of its operations with the help of suppliers. Though, the suppliers provided credit days that are shorter than the Company offered to its clients. As of 31 December 2015, the average receivables period was 92, whereas the average payables period to suppliers was 49 days. These have increased from an average receivable period of 56 days and average payable period of 33 days as of 31 December 2014. This increase is related to orders placed during 2015 and the classification on the statement of financial position of the April 2015 loan payable to SIA Macro Riga worth EUR 2'375'744 that matures on 30 December 2016 as part of receivables. In terms of pure trade receivables, the 2015 average receivables period was 27 days.

The Company annually makes an allowance for slow-moving items. In 2013, the cumulative closing balance was worth EUR 334'916 (26.3% of the total raw materials of EUR 1'274'209) and in 2014 it was EUR 339'242 (24.9% of the total raw materials of EUR 1'363'017). By the end of 2015, the yearend closing balance for allowances in slow-moving items was EUR 494'763 (27.7% of the total raw materials of EUR 1'787'225).

In addition, there are off-balance sheet items relating to raw materials received from customers. The total value of these materials was EUR 12'131'376 at the end

of 2013, EUR 12'977'988 at the end of 2014 and EUR 12'317'448 at the end of 2015. These raw materials are processed and returned to the customers.

Management, taking into consideration existing assets and financial position, considers that Company's working capital is sufficient for its business.

5.2 Capitalisation and Indebtedness

The Company's total assets at the end of the 2014 financial year was EUR 10'978'227, of which current assets accounted for 44.3% (EUR 4'859'276) and non-current assets 55.7% (EUR 6'118'951). The Company's consolidated total liabilities as of 31 December 2014 were EUR 9'334'823 and equity of EUR 1'643'404. In 2014, there was an increase in debt, with the Company raising nearly EUR 6'500'000 from AS Citadele banka.

The Company has historically issued bonds worth EUR 2'000'000 in 2007, which were replaced by a new issue of bonds in 2010. With the sale of the shares in Hanza Holding AB, which had been used to secure the bonds, the Company obtained the new debt from AS Citadele banka to extinguish these bonds.

For 2015, the Company's total assets reached EUR 14'494'963, of which 40.0% (EUR 5'791'748) were current assets and 60.0% (EUR 8'703'215) were non-current assets.

The Company has executed several loan and financing agreements. These include several customary covenants, restrictions and obligations, which are laid out in more detail in Section 4.21 "Material Contracts".

The Company has pledged its movable and immovable properties at 72 Akmeņu Street, Ogre, Latvia, as security for all the loans granted by AS Citadele Banka.

5.3 Interest of Natural and Legal Persons Involved in the Regulated Market Listing

AS LHV Pank is arranging the Admission of the Shares to trading on the Baltic Main List of the Nasdaq Riga. AS LHV Pank had previously provided the Company with investment banking and advisory services for which they had received customary fees, and AS LHV Pank may, from time to time, engage in transactions with the Company and provide services to the Company in the ordinary course of its business.

As at the date of registration of the Prospectus, the Company is unaware of any information regarding the interests of involved natural persons and/or legal entities, including conflict of interest, which may affect the Admission of the Shares for trading on the regulated market.

5.4 Information Concerning the Securities to be Admitted to Trading on Regulated Market

5.4.1 Type and Category of the Securities

Shares in the Company which have not been in public circulation are dematerialized bearer Shares belonging to a single category.

All Shares have equal voting rights, rights to receive dividends announced by the Company, if any, and rights to receive liquidation quota. The extent of rights conferred upon holders of the Company's shares is specified in the Articles of Association of the Company (see Section 4.20.2 "Articles of Association").

5.4.2 Laws and Regulations at the Basis of Creation of Securities

The issuer of the Shares is Joint Stock Company "HansaMatrix", a joint stock company registered in the Republic of Latvia Commercial Register under registration number 40003454390.

The Shares were issued in accordance with the laws and regulations of the Republic of Latvia as in effect at the time of the issue.

The Shares are compliant with the current wording of the Commercial Law, which regulates the Company's operations. Admission of the Shares for trading on the regulated market will be implemented in accordance with the Financial Instruments Market Law (FIML) and the Nasdaq Riga rules and regulations.

5.4.3 Currency of Securities to Be Issued

The nominal value per Share is EUR 1.00 (one euro).

5.4.4 Form and Registration of Securities

The Shares are issued in dematerialized form.

All 1'829'381 Shares of the Company which so far have not been admitted for trading on the regulated market are recorded with the LCD under international securities identification number (ISIN) LV0000101590.

Accounting for the Shares is ensured in accordance with FIML and LCD regulations.

5.4.5 Rights Related to Securities

Right to Dividends

Each Share entitles its holder to receive dividends in accordance with decision of the General Meeting of Shareholders of the Company to distribute profits and pay dividends.

Under the provisions of the Commercial Law, a decision to distribute profits is made by the General Meeting of Shareholders following approval of an annual report. If the General Meeting of Shareholders decides to distribute profits and pay dividends, the decision shall state the share of net profit intended to be paid out in the form of dividends. The amount of dividends shall be determined and calculated on an annual basis and paid in cash only pursuant to decision of the General Meeting of Shareholders. Dividends are payable to shareholders in proportion to the total nominal value of shares held. Dividends may be calculated and paid with respect to fully paid shares only.

A shareholder may participate in distribution of profits from the date of payment for the Shares.

Voting Right

Each Share confers upon its holder the right to one vote at the General Meeting of Shareholders. The Shares shall not be affected by any restrictions on the exercise of voting rights, except the restrictions in accordance with laws and regulations of the Republic of Latvia – the Commercial Law, the FIML or other restrictions, as applicable.

The restrictions on voting rights applicable to the Shares in accordance with Section 280 of the Commercial Law are as follows:

- 1) a shareholder who is a member of the supervisory board or management board, liquidator, auditor, controller of the company, shall have no right to vote in a matter concerning relieving him-/herself from his/her duties, holding a vote of no confidence against, or filing a claim or complaint against him-/herself;
- 2) a shareholder shall have no right to vote in a matter involving the exercise by the company of any rights against such shareholder;
- 3) a shareholder shall have no right to vote in a matter involving decision to relieve the shareholder from liability or responsibility to the company, or on entering into a transaction between the company and the shareholder or a party affiliated with the shareholder.

A person cannot exercise voting rights with respect to shares held by such person, or proxy rights assigned to such person, if the person:

- 1) fails to make a mandatory bid offer within the period of time stipulated by law and in accordance with the procedure specified in the FIML;
- 2) makes a mandatory bid in a manner not compliant with the provisions of the law;
- 3) fails to reach final agreement with investors who have accepted the bid to buy shares in the Company, in accordance with the procedure set forth in the FIML.

The person may resume exercising the aforementioned voting rights once it has duly complied with the duties (a delay is allowed) specified in the FIML and rectified the deficiencies identified in the FCMC.

Right of First Refusal with Respect to Shares in the Same Category

In the event of increase in the amount of the Company's share capital, the existing shareholders have the right of pre-emption (first refusal) with respect to the new allotment shares, in proportion to the nominal value of shares already held by such shareholders, with the exception of specific instances enumerated in the Commercial Law in which the shareholders would not be entitled to exercise the right of pre-emption rights. The exercise period and the procedure for the exercise of pre-emption rights are set forth in the Commercial Law. The shareholder pre-emption rights are mandatory and cannot be revoked or set aside in accordance with the Articles of Association or by decision of the General Meeting of Shareholders.

Right to Receive a Liquidation Quota

Each Share confers upon its holder the right to receive a liquidation quota, in the instances and in accordance with the procedure specified in the Commercial Law.

Buyout Provisions

Because the Shares are fully paid up, no buyout provisions are intended or apply.

Conversion Provisions

The Articles of Association of the Company do not provide for conversion of the Shares.

Restrictions on Free Transferability of Securities

The Shares are freely transferrable and are not subject to any restrictions on public circulation under the Articles of Association of the Company.

Regulations on Mandatory Bids

On 26 May 2016, the Saeima (Parliament) of the Republic of Latvia had adopted the law on "Amendments to the Financial Instrument Market Law" (effective as of 29 June 2016) which substantially extended the scope of application of Section 66 of the FIML.

In accordance with the aforementioned amendments, a mandatory bid to acquire shares belonging to other shareholders shall be made by a party or parties acting in concert, if such party/parties:

- 1) directly or indirectly receive voting rights attached to the shares to the extent that the voting rights conferred on such parties would amount or exceed 30 per cent of the total number of voting shares of the joint stock company;
- 2) have voted "for" on the matter of taking the shares off the regulated market, at the general meeting of shareholders adopting decision on the taking of shares off the regulated market. A vote such as this may not be held by secret ballot. The minutes of the general meeting of shareholders shall specify the shareholders voting "for". The shareholders voting "for" on the matter of taking the shares off the regulated market shall appoint from amongst themselves a proxy who makes the bid on their behalf.

The person responsible for making the bid makes the bid in accordance with the procedure specified in the FIML, once the making of the bid is permitted by the FCMC.

The FCMC monitors whether the mandatory bid has been made and implemented in accordance with the provisions of the FIML.

Provisions Governing the Right to Acquire Remaining Shares and the Right of Minority Shareholders to Sell Their Shares to the Controlling Shareholder

In accordance with provisions of the FIML, if a person directly acquires or, as a result of a voluntary share purchase bid, enters into an arrangement under which it will directly acquire voting rights with respect to shares conferring upon the holder 95% or more of voting rights in the Company, such person shall have the right to require that other shareholders sell their shares to the controlling shareholder. Such bid to sell is considered the final share purchase bid.

If a shareholder entitled to accept the final bid to sell fails to accept the bid within the specified term, the shares shall be deemed to have been blocked on the day following expiration of the final bid to sell, while all rights conferred upon the holder of such shares shall be deemed to have been forgone.

A settlement with respect to shares acquired pursuant to a final share purchase bid shall take place in accordance with the rules governing the final share purchase prospectus. The final share purchase prospectus shall be compliant with the provisions of the FIML. The final share purchase bid can only be made following

review of the offer prospectus by the FCMC and grant of permission to proceed with the offer.

The FCMC monitors and ensures compliance of the final share purchase, and settlement of the purchase, in accordance with the provisions of the FIML.

Moreover, the FIML stipulates an instance in which minority shareholders are entitled to require that their shares be bought. Specifically, according to the FIML, if a person owns, directly or indirectly, 90 per cent or more shares in the share capital of a company, each of the remaining shareholders of the company may, up and until there is made a final share purchase bid, require the controlling person to purchase the shares held by the minority shareholder at a price no lower than the price determined under Section 74 of the FIML.

Information on Public Offers to Acquire Company's Share Capital

As at the date of registration of this Prospectus, the Company is not aware of any public offer having been made by any person to acquire the Company's share capital, whether during the previous financial year or the current financial year.

Information on at Source Income Tax Deductions with Respect to the Shares

In accordance with the law of the Republic of Latvia "On Personal Income Tax", dividends paid to natural persons who are residents of Latvia are subject to 10% personal income tax. Under the law, the date of receipt of dividend income is deemed to be the date on which dividends are calculated. If dividends are paid on shares in public circulation, the date of receipt of dividend income is deemed to be the date on which the dividends are actually paid, and the obligation for withholding the tax and remitting same to the state budget appertains to custodian of the securities account responsible for settlement of all payments relevant to the shares.

In accordance with the law of the Republic of Latvia "On Corporate Income Tax", domestic companies which are residents of Latvia are not subject to the obligation to include toward their taxable income dividends received from residents of Latvia.

Non-residents of Latvia, whether legal entities or natural persons, are subject to the imposition of 10% income tax on dividends received, unless a different treatment is established under the inter-governmental agreement entered into between the Republic of Latvia and the country of domicile of the relevant non-resident.

Legal entities deemed to be non-residents of Latvia, which are residents of other EU member states and satisfy the definition of a company under Section 1, Clause 19 of the law "On Corporate Income Tax" are not subject to income tax.

Dividends paid to legal entities which are not residents of Latvia are subject to 15% withholding tax of the amount of dividends payable, if the receiving legal entity is located, situated or established in a tax haven or territory specified according to Cabinet of Ministers Regulations No. 276 of 26 June 2001 ("Regulations on Tax Havens and Territories").

The obligation to withhold and remit tax to the State budget pertains to custodian of the account with which the relevant shareholder has set up a financial instruments account. The Issuer is responsible for withholding the income tax at source in the instances established by law.

Residents of the Republic of Latvia who are natural persons shall pay 15% income tax on capital gains. Capital gains are calculated as the difference between the price at which the asset is sold and its original purchase value. Shares constitute a capital

asset. Activity pertaining to purchase and sale of shares on a regular basis is deemed to be commercial activity. Natural persons, residents of the Republic of Latvia, are subject to the obligation to pay individual income tax of 25% on capital gain income.

The income of legal entities, residents of the Republic of Latvia, from sale of shares in public circulation is not subject to corporate income tax.

The residents of the Republic of Latvia, both legal entities and natural persons, are not currently subject to the obligation to pay income tax in Latvia with respect to income derived from sale of shares in public circulation.

5.5 Listing on Regulated Market and Terms of Trading

Up until the date of this Prospectus (inclusive), the Company does not have, and has not previously had, any Shares listed on the Nasdaq Riga stock exchange (although securities code HMX1R has been reserved as at the date of the Prospectus).

The Company intends the Shares which are not currently in public circulation to be admitted to the Baltic Main List of the Nasdaq Riga as soon as practicable following registration of the Prospectus with the FCMC. The Company takes every measure necessary to ensure compliance with Nasdaq Riga stock exchange rules and regulations in order to ensure approval of the Admission Application.

An application for admission of the Shares which are not in public circulation to the Baltic Main List of the Nasdaq Riga and commencement of trading will be submitted to Nasdaq Riga no later than three months following registration of the Prospectus with the FCMC. Trading of the Shares on the Nasdaq Riga stock exchange will commence no later than on the sixth trading day following adoption of a decision by the Nasdaq Riga management board to admit the Shares and commence trading.

For general information on Nasdaq Riga, see Section 5.7 "Latvian Securities Market".

5.6 Shareholders Willing to Sell

SIA MACRO RĪGA is the largest single shareholder of the Company.

AS LHV Pank has agreed with SIA MACRO RĪGA and limited partnership FlyCap Investment Fund I AIF (FlyCap) that, without the prior written consent by AS LHV Pank, neither SIA MACRO RĪGA nor FlyCap will offer, sell, contract to sell, or otherwise dispose of any Shares owned by the relevant entity at any time for a period of 12 calendar months (the Lock-up Period). The Lock-up Period will commence on the date of the Lock-up Agreement (i.e. 16 May 2016) and end after the lapse of 12 (twelve) calendar months from the date of the Lock-up Agreement (i.e. 16 May 2017). The Lock-up Agreement specifies that AS LHV Pank may not unreasonably withhold its consent, provided that the proposed new owner of the locked-up Shares has executed, or has committed to execute, a Lock-up Agreement on the terms similar to those applicable to SIA MACRO RĪGA and FlyCap under the Lock-up Agreement.

5.7 Latvian Securities Market

5.7.1 Nasdaq Riga

The Nasdaq Riga, along with stock exchanges in Tallinn and Vilnius form the Baltic Market, the core idea of which is to minimize to the extent possible the differences between the three Baltic markets in order to facilitate cross-border trading and attract more investments to the region. This includes sharing the same Trading System and harmonizing rules and market practices, all with the aim of reducing the costs of cross-border trading in the Baltic region.

Nasdaq Riga is the only regulated secondary securities market in Latvia. The 92.98% owner of the Nasdaq Riga is NASDAQ OMX, Inc. The NASDAQ OMX Group, Inc. is the world's largest exchange company, operating a total of 80 marketplaces. It delivers trading, exchange technology and public company services in 26 markets and for 3,300 listed companies.

All the Baltic exchanges belong to Nasdaq, the world's largest exchange company. Nasdaq delivers trading, exchange technology and public company services across six continents, with over 3,500 listed companies.

Nasdaq offers multiple capital raising solutions to companies around the globe, including its U.S. listings market, Nasdaq Nordic and Nasdaq Baltic including Nasdaq First North, and the U.S. 144A sector. The company offers trading across multiple asset classes including equities, derivatives, debt, commodities, structured products and ETFs.

Nasdaq technology supports the operations of over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries. Nasdaq Nordic and Nasdaq Baltic are not legal entities but describe the common offering from Nasdaq exchanges in Helsinki, Copenhagen, Stockholm, Iceland, Tallinn, Riga, and Vilnius

NASDAQ OMX Group technology supports the operations of over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries. NASDAQ OMX Nordic and NASDAQ Baltic are not legal entities but describe the common offering from NASDAQ OMX Group exchanges in Helsinki, Copenhagen, Stockholm, Iceland, Tallinn, Riga, and Vilnius.

Nasdaq Riga is an organisation, issuing and enforcing its Rules and Regulations consistent with standard exchange operating procedures. Nasdaq Riga is licensed and supervised by the Financial and Capital Market Commission of Latvia. Nasdaq Riga is a member of Nordic-Baltic stock exchange alliance NOREX since April 2004. The NOREX Alliance was unique in being the first stock exchange alliance to implement a joint system for equity trading and harmonizing rules and requirements between the exchanges with respect to trading and membership.

Nasdaq Riga uses the NASDAQ OMX, Inc. Trading System INET, which is NASDAQ OMX's core technology used in NASDAQ OMX Group's exchanges in the US and in the London-based market for trading in equities. All NASDAQ equity markets across the world trade on the same global trading platform – INET.

5.7.2 Latvian Central Depository and Registration of Shares

The Latvian Central Depository (LCD) is the sole central securities depository in Latvia and administers the Latvian central register of publicly issued securities. LCD performs safe-custody of securities, clearing and settlement for securities trading,

management of corporate actions, and other services related to securities. This register is maintained by a securities market infrastructure enterprise joint-stock company "Latvijas Centrālais depozitārijs" that is 100% owned by Nasdaq Riga and belongs to the NASDAQ OMX Group.

LCD is a member of ANNA (Association of National Numbering Agencies) and has obtained National Numbering Agency status in Latvia. LCD assigns ISIN codes and CFI codes for all issues registered with the LCD.

Since 2003, LCD also administers the state funded pension, i.e. the second pillar of the pension system.

According to the Financial Instruments Market Law of Latvia (FIML), the LCD is responsible for making book entries of and account financial instruments that are in public circulation.

All securities registered with the LCD are in book-entry form. The LCD provides safe-custody of financial instruments for intermediaries – banks and brokerage companies and maintains both their proprietary and customer accounts.

The shareholders' registers of all Latvian joint-stock companies that are traded in Nasdaq Riga are held by the LCD.

Corresponding relationships with the Estonian Central Register of Securities (ECRS), Central Securities Depository of Lithuania (CSDL) and Clearstream Banking Luxembourg, allows LCD participants to act as custodians with regard to the financial instruments registered with a counterpart depository.

For the Shares registered in the LCD, no physical share certificates are issued.

The LCD organizes clearing and settlement for Nasdaq Riga trades and OTC transactions. As the LCD participants have their corresponding financial instrument accounts with the LCD, the LCD settles the securities leg of a transaction. The cash leg is cleared in the TARGET2-Latvija system according to the LCD instructions. The LCD is authorized by its participants to debit their cash accounts in the TARGET2-Latvija system for the Settlement of securities trades.

The activities of the LCD are supervised by the FCMC.

5.7.3 Listing of Shares on Nasdaq Riga Regulated Market

The Baltic stock exchanges have a common presentation of all listed Baltic companies on a common list, the companies in which are grouped in the lists below. In legal terms, the companies are listed on home market, i.e. the exchange in Riga, Tallinn or Vilnius and supervised by the local financial supervisory authority (in Latvia – the FCMC).

The structure of lists of securities traded in the Nasdaq Riga as well as in Tallinn and Vilnius exchanges are as follows:

- i. Baltic Main List;
- ii. Baltic Secondary List;
- iii. Baltic Bond List;
- iv. Baltic Fund List;
- v. First North (alternative marketplace for trading in shares).

Baltic Main List

The Baltic Main List is a line-up of all blue-chip companies listed on the Nasdaq Riga, Tallinn and Vilnius stock exchanges. To be eligible for inclusion, a company must have 3 years of operating history, an established financial position, market cap of not less than 4 million euros, with reporting according to the International Financial Reporting Standards, and a free float of 25% or worth at least 10 million euros.

Baltic Secondary List

The Baltic Secondary List comprises companies that do not meet quantitative admission requirements (free float, capitalization) for the Baltic Main List.

Baltic Funds List

The Baltic Funds List contains the investment fund units or shares of collective investment subjects that are listed and traded on the Baltic exchanges in a similar manner to equities.

Baltic Bond List

The Baltic fixed-income instruments are presented in a joint Baltic Bond List. The fixed-income instruments include Latvian and Lithuanian government bonds, corporate and mortgage bonds of different maturities. The listing of and trading in fixed-income instruments is possible in national (EUR) and international currencies (USD, EUR and RUB).

First North

NASDAQ First North is a multilateral trading facility (MTF), also known as an alternative market, operated by the different exchanges within NASDAQ OMX. It does not have the legal status of an EU-regulated market. Companies on First North are subject to the rules of First North and not the legal requirements for admission to trading on a regulated market.

5.7.4 Trading on Nasdaq Riga

The Nasdaq Riga, Tallinn and Vilnius stock exchanges employ the NASDAQ OMX, Inc. Trading System INET. The Trading System has the following features besides the common ones:

- i. transactions can be made simultaneously with securities traded on different exchanges;
- ii. Investors' transaction orders can be entered and matched automatically without the direct involvement of a broker;
- iii. multiple types of transaction orders can be used (limit order, market order, etc.).

Trades on the Baltic stock exchanges may be effected as automatically matched trades or manual trades.

Orders, entered into the order book, participate in the opening call auction at the beginning of the trading hours, automatic matching in the Trading System during the continuous trading and in the closing auction conducted after the trading hours. As a result, automatically matched trades could be concluded.

Manual trades are trades, which are concluded outside the order book. A manual trade can be standard and non-standard. A standard trade is a trade concluded on

standard market terms in respect of price, time of the trade and with standard delivery and Settlement schedule. A non-standard trade in equity market can be concluded by specifying one of the trade types, which are:

- i. Derivative Related Transaction – exercise or expiration of options, forwards or futures contracts that imply an exchange of securities or a trade that relates to a derivatives trade and that forms an unconditional part of a combination together with a derivative trade;
- ii. Portfolio Trade – a transaction in more than one security where those securities are grouped and traded as a single lot against a specific reference price;
- iii. Volume-Weighted Average Price – a trade, where the price is based on a volume-weighted average price of trades made within pre-defined time period;
- iv. Exchange-Granted Trade – concluded pursuant to individual or general authorization from the exchange. Joint authorization of the exchange may be granted to all members for conclusions of a particular type of transactions.

5.7.5 Financial Market Supervision

The securities market in Latvia is regulated and supervised by the FCMC. The FCMC conducts supervision of the securities market on behalf of the state in order to enhance the stability and reliability of the entire financial sector.

The objective of regulation is to ensure regular and lawful operation of the market. The main functions of the regulatory framework are:

- i. to protect the interests of investors;
- ii. to ensure lawfulness, reliability, efficiency and transparency of the market;
- iii. to reduce systemic risks.

5.7.6 Supervision of Market Participants

In addition to the FCMC, the Nasdaq Riga Surveillance Committee has a specific duty to ensure that the Custodians comply with applicable rules and regulations.

Nasdaq Riga performs supervision of market participants and issuers of securities traded on the market with regard to the price formation of the securities traded on the market, the conclusion and execution of transactions, and fulfilment of the provisions of the Rules and Regulations adopted by the Nasdaq Riga. In the event of a failure to comply with the law, other regulations, or the Nasdaq Riga's regulations in general, the Nasdaq Riga may take the case to its management board. In January 2007, the Nasdaq Riga Surveillance Committee began its work. The Nasdaq Riga has delegated a part of its surveillance functions to an independent body in order to eliminate any potential conflicts of interest.

Transactions that can unfairly alter the price of a security (e.g. transactions based on inside information or manipulating the market) are strictly prohibited. All suspicious transactions must be notified by the Nasdaq Riga to the FCMC without any delay.

5.7.7 Disclosure of Information

Pursuant to the FIML, whenever an investor acquires (whether directly or indirectly) 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75%, 90% or 95% of all shares issued by a publicly listed company, such investor must promptly (within 4 (four) Trading Days) by submitting written notice inform the FCMC and the respective publicly listed company about the number of shares obtained from the respective transaction. These same rules also apply to the investor whose shareholding falls below any of the latter threshold.

Under the FIML, the respective publicly listed company is required to publicly announce the indicated notice within 1 (one) Trading Day as from its receipt.

5.7.8 Obligation to Disclose Other Information

In addition, the obligations applicable to the investors in joint-stock companies such as the Issuer under the FIML include the obligation:

- i. to provide the FCMC with such information and documents as it may require in connection with its investigation of a possible breach of law;
- ii. to provide the FCMC with information regarding the underlying beneficiaries of shares in the company;
- iii. to provide the FCMC with: (a) information regarding any acquisition of a qualifying holding or the passing of any relevant thresholds (as outlined above) and; (b) information relating to the beneficiaries of such interests;
- iv. to notify the FCMC in writing in the event of a reduction or disposal of a qualifying holding;
- v. to offer his/its shares for compulsory share redemption if he/it has voted for the withdrawal of shares from a regulated market;

In addition, the Rules of Nasdaq Riga include certain specific regulations related to disclosing information on the transactions entered into by the Issuer and involving its own securities.

5.7.9 Abuse of Securities Market

In accordance with the FIML, the abuse of the securities market is defined as either the misuse of inside information or market manipulation.

According to the FIML, "*inside information*" is defined as specific information that directly relates to the Issuer or its securities. Among numerous other things, this includes information on operations and future prospects of the Issuer, insofar as not yet officially disclosed. When such information is made public, there is an increased risk of fluctuations in the price of the relevant security and related derivative instruments. Inside information can only be possessed by "insiders".

As defined in the FIML, an insider of the Issuer is:

- i. a member of the Management Board;
- ii. a member of the Supervisory Board;
- iii. internal auditors (controlling officer of the undertaking);
- iv. a member of the Audit Committee;

- v. other persons (Issuer's employees) that receive inside information due to their professional duties;
- vi. other persons that discharge managerial responsibilities and are not members of the bodies referred above, but which constantly have at their disposal inside information related, directly or indirectly, to the issuer and whose decisions may affect the activity and development of the issuer;
- vii. persons related with the persons referred above. Related persons shall be as follows: the spouse, dependent children, other relatives who have shared the household with the respective person for at least one year, any legal person whose managerial responsibilities are discharged or which is directly or indirectly controlled by a person referred above or that person's spouse, dependent children or relatives referred herein.

Inside information is usually regarded to be misused when used as basis for transactions (or as basis for advice to third parties) or disclosed to the public. In order to reduce the risk of the abuse of inside information, the Issuer is required to establish and provide the FCMC with the list of holders of inside information of the Issuer and internal rules for compiling the list of holders of inside information in accordance with provisions of the FIML.

It is illegal to take advantage of the short-term price changes and trade during time periods when trading is not accessible to other members of the market.

As to market manipulation, the FIML sets forth a non-exhaustive list of actions, which qualify as market manipulation, such as transactions, which are misleading in respect of bid, ask or price of a security, actions and transactions distorting the price of a security, disclosing misleading information, etc.

The FIML establishes a number of administrative offences related to inside information and market abuse that are punishable with fines of variable gravity. Depending on the circumstances of the offence, misuse of inside information and market abuse may be qualified as criminal offences under the Latvian Criminal Law.

5.7.10 Legal Provisions Regarding Share Buyout Offers

European Union Takeover Bids Rules

The FIML, in particular its Section V of Part D (Articles 65 to 83.1), gives expression to the requirements of the EU Directive on Takeover Bids (Directive No 2004/25/EC).

The Rules of Latvian Law Applicable to Takeover Bids

Securities of a listed company, including all securities issued following listing of the Issuer on a public stock exchange, are subject to voluntary takeover bid and mandatory takeover bid rules, as specified in the FIML.

However, as at the date of this Prospectus, the mandatory takeover bid rules will not apply to the majority shareholding in the share capital of the Issuer belonging to SIA "MACRO RIGA" and FlyCap Investment Fund I AIF, Limited Partnership, because the respective shareholdings of SIA "MACRO RIGA" and FlyCap Investment Fund I AIF, Limited Partnership, have been acquired prior to the listing of the shares on a public stock exchange. Accordingly, neither SIA "MACRO RIGA", nor FlyCap Investment Fund I AIF, Limited Partnership, will be subject to the obligation to bid for the shares belonging to other shareholders of the Issuer with respect to the shares acquired by SIA "MACRO RIGA" or FlyCap Investment Fund I AIF, Limited

Partnership, prior to the date of the listing in order to ensure compliance with the requirements of the FIML.

5.7.11 Voluntary Share Buyout Offer

Pursuant to the FIML, a person is entitled to make a voluntary takeover bid, if the purpose thereof is to acquire Shares and thus ensure having at least 10% of the total amount of voting Shares of the Issuer. When making voluntary takeover bid, a person should establish in the voluntary takeover bid prospectus the minimal or maximal amount of the Shares it intends to acquire. If the shareholders of the Issuer accept the bid for the Shares exceeding the maximum amount established in the voluntary takeover bid prospectus, the Shares should be acquired proportionally from all the shareholders who have accepted the bid (proportion is calculated proportionally to the amount of the Shares other shareholders have accepted to sell). In such case the amount of the acquired Shares cannot be less than the maximum amount established in the voluntary takeover bid prospectus. If the shareholders accept a voluntary takeover bid for the Shares not reaching the minimal determined amount, all the Shares from shareholders of the Issuer, which accepted the bid, should be acquired except if it is specifically established in the voluntary takeover bid prospectus that the bid is not effective if other shareholders accept the bid for the amount of the Shares not reaching the minimal established amount.

5.7.12 Mandatory Share Buyout Offer

Pursuant to the Latvian Financial Instruments Market Law (the version that comes into force on 29 June 2016), a mandatory takeover bid to buy the remaining voting shares of the Issuer should be made by a person who has directly or indirectly acquired, acting individually or in concert with other persons not less than 30% of the total amount of the voting Shares of the Issuer or persons who have voted at the General Meeting of Shareholders of the Issuer in favour of the withdrawal of the Shares of the Issuer from the regulated market.

A person who fails to fulfil the obligation to make a mandatory takeover bid within an established period of time or makes and implements a mandatory takeover bid contrary to the requirements of the FIML, for the period until the proper execution of requirements of the law, should be deprived of voting rights at the General Meeting of Shareholders of the Issuer. Resolutions of the General Meeting of Shareholders of the Issuer, which are adopted through exercising deprived voting rights contrary to these provisions, should be void and entries in any type of public registers may not be requested on the basis of such decisions.

5.7.13 Final Share Buyout Offer

The Latvian Commercial Law allows majority shareholder to take over a public limited company. The preconditions for such a squeeze-out are:

- Holding shares representing 95% or more of the voting power in the company
- Following acceptance of a voluntary bid, the shareholders has contracted to acquire shares representing 95% of more of the voting power in the target company.

A bid for the acquisition of the remaining shares in the situations described above is referred to as the final takeover bid. The minority shareholders have the obligation to sell their shares in the cases stated above.

The final takeover bid has to be made within three months following the acquisition of shares representing 95% or more of the voting power in the company, or within three months of the day when the deadline for the newly made mandatory takeover bid or of the voluntary takeover bid to all shareholders in respect to all shares of the target company expires. The final takeover bid may only be made after the general meeting has decided to remove the shares from the regulated market.

The final takeover bid must be made at a price which is determined in the same manner as for a mandatory takeover bid. In case the shareholder acquired the shares as a result of a voluntary takeover bid, he may make the final takeover bid at the same price as for the voluntary takeover bid.

The making of the bid is subject to the shareholder filing a prospectus with the FCMC and the FCMC granting its permission to make the bid. Once the FCMC has made its decision, it is required to immediately notify the decision to the shareholder. The shareholder is required to publish a notice on the final takeover bid in the official gazette "*Latvijas Vēstnesis*".

Where the FCMC has passed a decision to allow the bid, the FCMC is further required to immediately notify the decision to the organiser of the regulated market (the Nasdaq Riga) and to the LCD, along with a copy of the prospectus in electronic form. The Nasdaq Riga is required to immediately publish the prospectus on its website. The LCD is in turn required to send the prospectus to all custodians which hold the shares.

In case the minority shareholder does not accept the final takeover bid during the allowed time period, on the next day following the expiry of the time allowed for acceptance, the Shares of such shareholder are automatically blocked. The majority shareholder is further required to deposit, within five days following the expiry of the said period, the price of all such Shares to the account of the LCD. Upon receipt of the purchase price, the LCD transfers the Shares to the majority shareholder's account and instructs the custodians to cancel the Shares in the shareholders' accounts against simultaneous transfer of the purchase price to the custodians' cash accounts. The custodians are required to distribute the purchase price to the shareholders not later than on the next business day after receipt thereof from the LCD.

5.8 Other Information

The information provided in this Prospectus has been prepared in accordance with the applicable laws and regulations.

ANNEX I DEFINITIONS AND ABBREVIATIONS

Articles of Association	The Company's Articles of Association
Company	Joint-stock company "HansaMatrix", registration number 40003454390, registered office at 72 Akmeņu Street, Ogre, LV-5001, Latvia
EU	The European Union
EUR	Single currency of the European Union - <i>euro</i>
FCMC	Financial and Capital Market Commission
FIML	Financial Instruments Market Law
Financial Statements	The Company's individual audited financial statements and consolidated audited financial statements for the financial years ending 31 December 2013, 31 December 2014 and 31 December 2015, including audit reports
General Meeting of Shareholders	Meeting of the Company's shareholders
Group	The Company and its Subsidiaries
IFRS	International Financial Reporting Standards
ISIN	International Securities Identification Number
Issuer	Joint-stock company "HansaMatrix", registration number 40003454390, registered office at 72 Akmeņu Street, Ogre, LV-5001, Latvia
Key Executives	Employees of the highest managerial level, who are in charge of the general management and operation of the Group's companies and are the most valuable asset of the Group, at the discretion of the Company
LCD	Joint-stock company "Latvijas Centrālais depozitārijs", registration number 40003242879, registered office at 1 Valņu Street, Riga, LV-1050, Latvia
Listing	Listing of shares for trade on the Baltic Main List of the Nasdaq Riga
LVL	Latvian lats
Main List	A regulated market for which the Nasdaq Riga has established the highest requirements in comparison

	with other regulated markets organised by it, and the operation of which is carried out pursuant to the minimum requirements under the FIML and Nasdaq Riga regulations
Management Board	The Management Board of the Company
Management	Members of the Management Board of the Company and Key Executives of the Company collectively
Nasdaq Riga	Joint-stock company "Nasdaq Riga", registration number 40003167049, registered office at 1 Valņu Street, Riga, LV-1050, Latvia
Organiser of listing of shares on a regulated market	AS "LHV Pank", registration number 10539549, registered office at Tartu mnt 2, Tallinn 10145, Estonia
Prospectus	A document prepared by the Issuer containing detailed information on the Issuer and the Shares, which the Issuer intends to list on the Regulated Market. The Prospectus is prepared in line with the FIML and the Prospectus Regulation implementing the Prospectus Directive as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
Prospectus Directive	Directive 2003/71/EC (as amended, including Directive 2010/73/EU, to the extent it has been implemented in each particular member state of the European Economic Area)
Prospectus Regulation	Regulation (EC) No 809/2004 and supplements thereto, including among others, the Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012, which supplements the Prospectus Regulation with detailed rules regarding schedules applicable to small and medium-sized enterprises and mid-cap companies
Register of Enterprises	The Register of Enterprises of the Republic of Latvia
Regulated Market	The regulated market of the Republic of Latvia – a set of organisational, legal and technical measures, which enables entering into open and regular financial instruments (including share) transactions
RoHS Directive	Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment

Share or Shares	The Company's dematerialized bearer's shares with the nominal value of EUR 1.00 (one euro) each
SIA "MACRO RĪGA"	SIA "MACRO RĪGA", registration number 40003362005, registered office at 72 Akmeņu Street, Ogre, LV-5001, Latvia, which is the largest shareholder of the Issuer as at the date of this Prospectus
SME	A company where the average number of employees within a financial year is less than 250, the annual net turnover does not exceed EUR 50'000'000 and the total balance sheet assets do not exceed EUR 43'000'000
Subsidiary	A company in which the Issuer directly or indirectly holds more than 50% of shares
Supervisory Board	The Supervisory Board of the Company
United States	United States of America
USD	United States of America dollar

ANNEX II INDEX OF FINANCIAL STATEMENTS

The following audited consolidated Financial Statements and audited separate Financial Statements of the Company have been incorporated into this Prospectus by reference:

Financial Statements	Available at
The audited consolidated Financial Statements of the Group for the financial year ended 31 December 2015	http://www.hansamatrix.com/assets/images/documents/HM_Consolidated_AR_2015_EN_G.pdf
The audited separate Financial Statements of the Company for the financial year ended 31 December 2015	http://www.hansamatrix.com/assets/images/documents/HM_AR_2015_ENG.pdf
The audited consolidated Financial Statements of the Group for the financial year ended 31 December 2014	http://www.hansamatrix.com/assets/images/documents/HM_Consolidated_AR_2014_EN_G.pdf
The audited separate Financial Statements of the Company for the financial year ended 31 December 2014	http://www.hansamatrix.com/assets/images/documents/HM_AR_2014_ENG.pdf
The audited consolidated Financial Statements of the Group for the financial year ended 31 December 2013	http://www.hansamatrix.com/assets/images/documents/HM_Consolidated_AR_2013_EN_G.pdf
The audited separate Financial Statements of the Company for the financial year ended 31 December 2013	http://www.hansamatrix.com/assets/images/documents/HM_AR_2013_ENG.pdf

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