HANSAMATRIX
Inspired by your trust

JOINT STOCK COMPANY
"HANSAMATRIX"
UNIFIED REGISTRATION
NUMBER 40003454390

CONSOLIDATED AND PARENT COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation

This is pdf format of the annual report further converted to the ESEF report to be considered as the official annual report prepared in accordance with the respective requirements

Content

General information

Name of the Parent Company	HansaMatrix
Legal statuss of the Parent Company	Joint Stock Company
Registration number of the Parent Company	40003454390
Place and date	Riga, 30 July 1999
Registration in the Commercial Register	Riga, 27 December 2022
Registered office of the Parent Company	Akmeņu street 72, Ogre, Latvia, LV-5001
Major shareholders (over 5%) as at 31 December 2021 (end of the day)	• SIA „MACRO RIGA" (30,57%) • „ZGI-4" AIF, KS (15,06%) • KS „BaltCap Latvia Venture Capital Fund" (9,95%) • KS „FlyCap Investment Fund I AIF" (8,89%) • Funds managed by IPAS „ CBL Asset Management" (6,56%) • Funds managed by Swedbank Investeerimisfondid AS (5,41%) • Funds managed by Swedbank Investment Management Company AS (5,10%)
Subsidiaries	• SIA „HansaMatrix Ventspils" (100%) • SIA „HansaMatrix Innovation" (100%) • SIA „HansaMatrix Pārogre" (100%) • SIA „Zinātnes Parks" (100%) • Lightspace Holding AS (participation 100% of voting shares)
Independent auditor and certified auditor name and address	SIA „Deloitte Audits Latvia" Grēdu iela 4A, Rīga Latvia, LV-1019 License No 43 Inguna Staša Latvian Certified Auditor Certificate No 145
Financial year	1 January – 31 December 2021

Address by the Chairman of the Baord

For all of us, 2021 was challenging year we passed in shadow of continuing pandemic. Besides operational difficulties, HansaMatrix faced great opportunities like entering new business segments and geographies. Through all the year our team has demonstrated our values by staying safe, delivering expected customer experience and ensuring solid financial performance. We strongly believe in our 5-year company strategy successful execution.

Chairman of the Board
JĀNIS SAMS

Management Board

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

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

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

Jānis Sams

CHAIRMAN OF THE BOARD OF THE PARENT COMPANY

Date of appointment:
17 May 2021

Positions held in other companies:

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

Number of shares owned: 0

Number of share options held: 2400 (as of 31.03.2022.)

Participation in other companies: no participation

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

Vitauts Galvanausks

MEMBER OF THE MANAGEMENT BOARD AND OGRE PLANT MANAGER

Date of appointment:
17 May 2021

Positions held in other companies:

- HansaMatrix Parogre, SIA - Member of the Board

Number of shares owned: 0
Number of share options held: 1200 (as of 31.03.2022)

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

Valde

Gatis Grava

MEMBER OF THE MANAGEMENT BOARD AND VENTSPILS PLANT MANAGER

Date of appointment:
17 May 2021

Positions held in other companies:
- HansaMatrix Ventspils, SIA - valdes loceklis

Number of shares owned: 0
Number of share options held: 1200 (as of 31.03.2022)

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

Māris Macijevskis

MEMBER OF THE MANAGEMENT BOARD AND FINANCE DIRECTOR OF THE GROUP

Date of appointment:
16 Feburary 2018

Positions held in other companies:
- Zinātnes parks, SIA – Member of the Board
- HansaMatrix Innovation, SIA – Member of the Board
- IQ Capital, SIA – Member of the Board
- Latvian Squash Federation, Society – Chairman of the Board
- FTG, SIA – Member of the Board
- Road Traffic Safety Directorate, VAS – Member of the Council

Number of shares owned: 300
Number of Share options owned: 3500 (as of 31.03.2022)

Participation in other companies:
- IQ Capital SIA (100%)
- FTG, SIA (33.33%)

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

Changes in the Management Board of the Company

On May 17, 2021, Jānis Sams, the former operational manager and Member of the Board, was appointed Chairman of the Board of HansaMatrix. Ilmārs Osmanis, the former Chairman of the Board and founder of HansaMatrix, left the Board to join the Supervisory Board of Parent Company. Along with the changes in the composition of HansaMatrix's board, two new board members have been appointed – Gatis Grava, Ventspils Plant manager, and Vitauts Galvanausks, Ogre Plant manager. Māris Macijevskis continues his work on the board and as Chief Financial Officer of the Company.

Supervisory Board

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

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

Baiba Anda Rubesa

CHAIRWOMAN OF THE COUNCIL OF THE PARENT COMPANY

Appointment date: 26 May 2021
Term of office: 25 May 2026

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

Positions held in other companies:
- Lightspace Holding AS – Chairwoman of the Supervisory Board
- Stockholm School of Economics in Riga, Foundation – Member of the Board
- Novatore, SIA – Member of the Board
- RFactor, SIA - Member of the Board
- Coffee Address Holding, SIA - Member of the Council
- Gren Holding Company – Member of the Council

Participation in other companies:
- RFactor, SIA (100%)

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

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

Supervisory Council

Ingrīda Blūma

DEPUTY CHAIRWOMAN OF SUPERVISORY BOARD OF THE COMPANY

Appointment date: 26 May 2021
Term of office: 25 May 2026

Number of shares owned: 0

Ingrīda Blūma is an independent member of the Supervisory Board.

Positions held in other companies:
- RĪGAS PIENA KOMBINĀTS, AS – Member of the Council
- i-bloom, SIA – Member of the Board
- PN Project, AS – Member of the Council

Participation in other companies:
- i-bloom, SIA (100%)

Ingrīda Blūma holds a Master's Degree in Social Sciences from Stockholm University in Sweden. She has additionally studied in the INSEAD program "Advanced Management", as well as in strategic management and leadership training courses at the European Bank for Reconstruction and Development (EBRD).
Ingrīds previous work experience is related to the banking sector, where she has worked for more than 20 years. Working for Swedbank AS (formerly AS Hansabanka) as Chairwoman of the Board, Ingrīda Blūma has gained unique business experience in the banking industry and corporate business environment. Under her leadership, AS "Hansabanka" became the largest bank in Latvia. Ingrīda Blūma has also been a member of the supervisory board of SIA Primekss, Pure Food SIA. and URSA Bank AS.

Anders Lennart Borg

MEMBER OF SUPERVISORY BOARD OF THE COMPANY

Appointment date: 26 May 2021
Term of office: 25 May 2026

Number of shares owned: 0

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

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

Supervisory Council

Dagnis Dreimanis

MEMBER OF SUPERVISORY BOARD OF THE COMPANY

Appointment date: 26 May 2021
Term of office: 25 May 2026

Number of shares owned: 0

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

Positions held in other companies:

- DD Ventures SIA, Member of the Board
- UPRENT group, SIA - Member of the Council
- Vika Wood, Ltd, Member of the Council
- BaltCap AIFM SIA, Chairman of the Board
- SOLVINA AS, Member of the Board
- Latvian Capital Ventures SIA, Member of the Board
- Coffee Address Holding, LTD, Member of the Council

Participation in other companies:

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

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

Normunds Igolnieks

MEMBER OF SUPERVISORY BOARD OF THE COMPANY

Appointment date: 26 May 2021
Term of office: 25 May 2026

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

Number of shares owned: 0

Positions held in other companies:

- Marupes Metālmeistars, SIA – Chairman of the Council
- ZGI Capital, SIA alternative fund manager – Chairman of the Board
- I factor, SIA - Member of the Board
- eAgronom – Member of the Council

Participation in other companies:

- ZGI Capital, SIA alternative fund manager (26%)
- I factor, SIA (100%)

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

Changes in the Supervisory Board of the Company

On May 26, 2021, at the annual meeting of HansaMatrix shareholders, a new Supervisory board was elected, in which, in addition to the previous members of the Supervisory board Ingrīda Blūma, Dagnis Dreimanis, Normunds Igolnieks and Baiba Anda Rubesa, the founder of HansaMatrix, Ilmārs Osmanis, as well as the member of the Supervisory board Anders Lennart Borg were elected. Baiba Rubesa has been confirmed as the Chairwoman of the HansaMatrix Supervisory Board, while Ingrīda Blūma will continue to serve as deputy Chairwoman of the Supervisory Board. Andris Bērziņš, who was an independent member of the Supervisory Board and served on the HansaMatrix Supervisory Board since October 07, 2015 and was Chairman of the Supervisory Board since April 04, 2018, has left the Supervisory Board of the HansaMatrix.

On 13 September 2021, the founder of HansaMatrix Ilmārs Osmanis resigned from his position as a member of the HansaMatrix Supervisory Board. Ilmārs Osmanis has worked in the Supervisory Board of HansaMatrix since May 26, 2021, and until then he has been Chairman of the Board for many years. From now on, he will remain a significant shareholder in HansaMatrix and will advise the Company's management if necessary. Chairwoman of the Supervisory Board Baiba Rubesa, Deputy Chairwoman of the Council Ingrīda Blūma, Supervisory members Anders Lennart Borg, Dagnis Dreimanis and Normunds Igolnieks continue their work in the HansaMatrix Supervisory Board.

Information on shares and dividends

Information about the shares of the Parent Company:

ISIN code	LV0000101590
Listed	Nasdaq Riga Baltic Main List
Exchange code	HMX1R
Type of shares	100% ordinary shares
Rights attached to the shares	Right to receive dividends, receipt of liquidation quota and voting rights at the general meeting
Rights resulting from one share	One share has 1 vote
Nominal value share	1 EUR
Total number of shares	1 829 381
Number of sharesholders	1 132 of 31 December 2021
Dividends per share	in 2021 0.03 EUR from retained earnings of previous years
Dividends/Normalized earnings	5.65% (31 December 2021)
P/E ratio	-8.53 (31 December 2021)

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

As at 31 December 2021 (end of the day), the following were the major shareholders of the Company:

Major shareholders (above 5%)	**Number of shares and votes**	**Equity interest**
SIA "Macro Riga"	559 282	30.57%
"ZGI-4" AIF KS	275 562	15.06%
KS "BaltCap Latvia Venture Capital Fund"	182 000	9.95%
KS "FlyCap Investment Fund I AIF"	162 632	8.89%
Funds managed by IPAS "CBL Asset Management"	120 000	6.56%
Funds managed by AS "Swedbank Investeerimisfondid"	99 038	5.41%
Funds managed by AS "Swedbank Ieguldījumu Pārvaldes Sabiedrība"	93 369	5.10%
Other (below 5%)	337 498	18.45%
TOTAL:	**1 829 381**	**100.00%**

Management report

Introduction

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

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

The Parent Company is active in industrial systems, data network infrastructure, the Internet of Things, as well as medical, and several other B2B (business-to-business) market sectors. HansaMatrix actively develops knowledge-based business, product development competencies, engineering teams and creates an innovation platform for future business development. HansaMatrix has 22-years of experience in the electronics manufacturing industry, and its business mission is to develop world-class technology products and to assist its customers be competitive on global markets.

Business environment

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

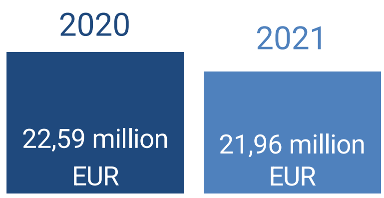
The shortage of semiconductor production capacity continues to play a key role in hampering business development, which still determines extended delivery times for most semiconductor components used in the production of electronic systems. According to Deloitte's 2022 semiconductor industry research, the global semiconductor shortage is expected to continue until the first half of 2022, anticipating an improvement in the situation in the second half of 2022, but some components will have long delivery deadlines, with this situation prolonged and continuing into 2023 (https://bit.ly/3HSlbxJ).

In addition to the risk of the supply chain of the electronics sector, which may result in longer delivery terms, increase in component prices and a more pronounced semiconductor deficit, the recent and current Russian-Ukrainian conflict has increased, which may prolong and/or make the supply of electronic components from Asia to Europe more expensive, with transport companies using alternative means of delivery of components, ship or aircraft transport, instead of rail transport through the territory of Russia. In addition, there are two neon gas plants on the territory of Ukraine, which produce about 50% of the neon gas used in the production of semiconductors. Long-term disruptions in the operation of these plants may exacerbate the global component deficit, in the event that Ukrainian neon production capacities are not compensated by producers from other countries.

In order to reduce the shortage of components, HansaMatrix diversifies its supplier base, applies an alternative component management approach, cooperates with component brokers and more timely purchases of production components for binding customer orders

In 2021, there was a upward trend in inflation, which is facilitated, among other things, by the significant rise in the prices of energy resources (electricity and gas) in Europe in 2021 Q3 and Q4, as well as by the increasing trend of the average wage in Latvia. Considering that Russia and Ukraine and Belarus are countries rich in both energy resources, raw materials and also food resources, under the influence of the Conflict and under the influence of Western sanctions against Russia and Belarus, a trend in resource prices is expected also in 2022. The combination of these factors with the shortage of electronic components and price increases could necessitate adjustments to the prices of manufacturing services in order to maintain the level of profitability. The global COVID-19 pandemic remains a major public health burden worldwide. Although milder forms of viruses are now common, they still have an impact on the business environment with employee availability and supply chain problems. As long as the pandemic is not fully controlled, the situation can change rapidly, so an active monitoring and rapid response approach is crucial for the successful management of the business environment and supply chain disruptions. Looking ahead, the Group's management expects a new business trend in economic processes as technologies increasingly enter the economic processes (more data bandwidth, more robotics and automation, more remote work, greater EU independence in manufacturing), recovering from the COVID-19 pandemic and preparing for higher market demand and faster business growth thereafter.

Performance of the Group



In 2021, HansaMatrix Group's revenue from contracts with customers (hereinafter – revenue, sales or turnover) amounted to EUR 21.96 million, decreasing by 2.77% compared to 2020 revenue of EUR 22.59 million.

In the reporting period, EBITDA amounted to EUR 3,732 million, which is a 23% increase compared to EUR 3,034 million 2020. The Group's net profit was negative at EUR 1.952 million compared to the net loss of EUR 0.847 million in 2020.

For a better comparison of interim profitability, the Group calculates normalized profit, which in 2021 amounted to EUR 0.928 million and was 107% higher than the corresponding indicator for 2020 of EUR 0.449 million.

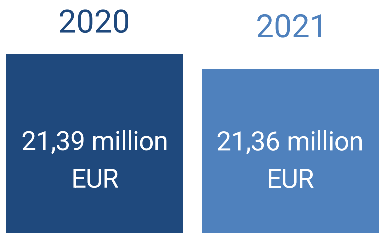
The Group's revenue decline is explained by the global shortage of electronic components. In the 1st half of 2021, the Group very successfully managed the risks of global component shortages and supply chains and achieved very good results, whereas in the second half of 2021 the availability of semiconductors had a significant impact on the Group's financial results, however, the group's EBITDA growth in 2021 is a good performance and is explained by a relatively higher proportion of high value-added products and increasing demand in the data network and industrial sector.

The Group's net profit in 2021 was negatively affected by a number of non-cash flow positions, including changes in the fair value of investment in SIA Zinātnes parks, losses on investments in associates, changes in the fair value of the EIB guarantee and EIB loan, as well as interest expenses related to the lease.

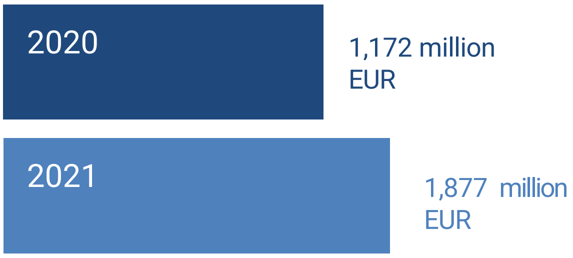
The significant losses of 2021 are mainly due to the Group's assessment of the recoverable value for investments in SIA Zinātnes Parks of EUR 1,358 million due to the significantly increased construction costs of new industrial objects in 2021, due to a loss from the associated company SIA Lightspace Technologies, which are recognized in the Group's 2021 statement of comprehensive income of EUR 0.837 million and in addition to the Group's fair value revaluation of convertible guarantee securities issued in connection with the European Investment Bank (EIB) financing agreement due to the drop in HansaMatrix's weighted average stock market price, reducing the book value of the convertible guarantee securities. Overall, in 2021, the fair value of the above-mentioned security increased by EUR 0.228 million, reducing the Group's net profit accordingly.

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

Performance of Parent Company



The Parent Company closed the year 2021 with a net turnover of EUR 21.36 million, which is 0.13% less than in EUR 21.39 million in the previous period.



During the reporting period, EBITDA amounted to EUR 1,877 million, with an increase of EUR 60.15%, compared to EUR 1.172 million in 2020; net profit was negative and amounted to EUR 1,453 million compared to the net loss of EUR 0.656 million in 2020. In 2021, the increased losses are mainly due to provisions by reviewing the fair value of HansaMatrix investments and loans to SIA Zinātnes Parks.

Performance of the associated company

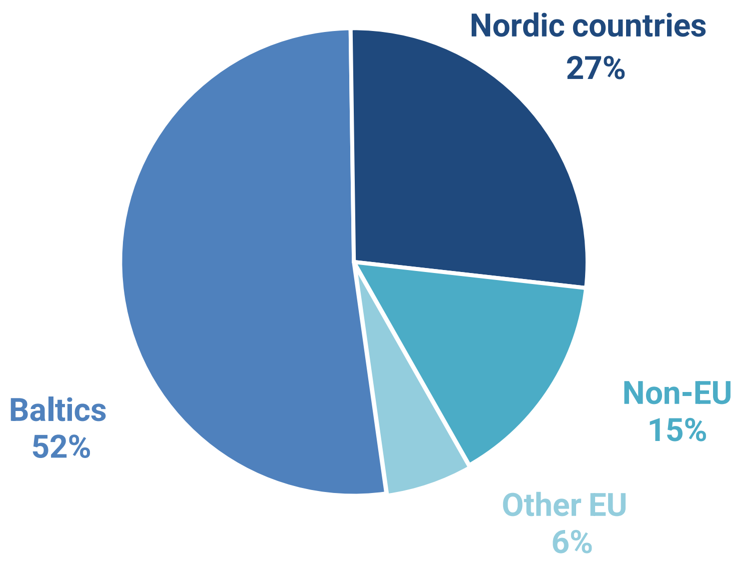
In 2021, the consolidated, unaudited revenue of SIA Lightspace Technologies amounted to EUR 0.70 million (EUR 0.52 million in 2020) and the reporting year was completed at a net loss of EUR 1,64 million compared to the net loss result of EUR 1.24 million in 2020. As at 31 December 2021, Lightspace Technologies had total assets of EUR 11.6 million compared to EUR 10,8 million EUR at the end of the previous reporting year.

SIA Lightspace Technologies will cover the losses of the reporting period and previous periods by attracting new investments for products development and ensuring profit in the future.

Group revenue from contracts with customers in the reporting period

HansaMatrix's majority of revenue from contracts with customers

(hereinafter – revenue, sales or turnover)



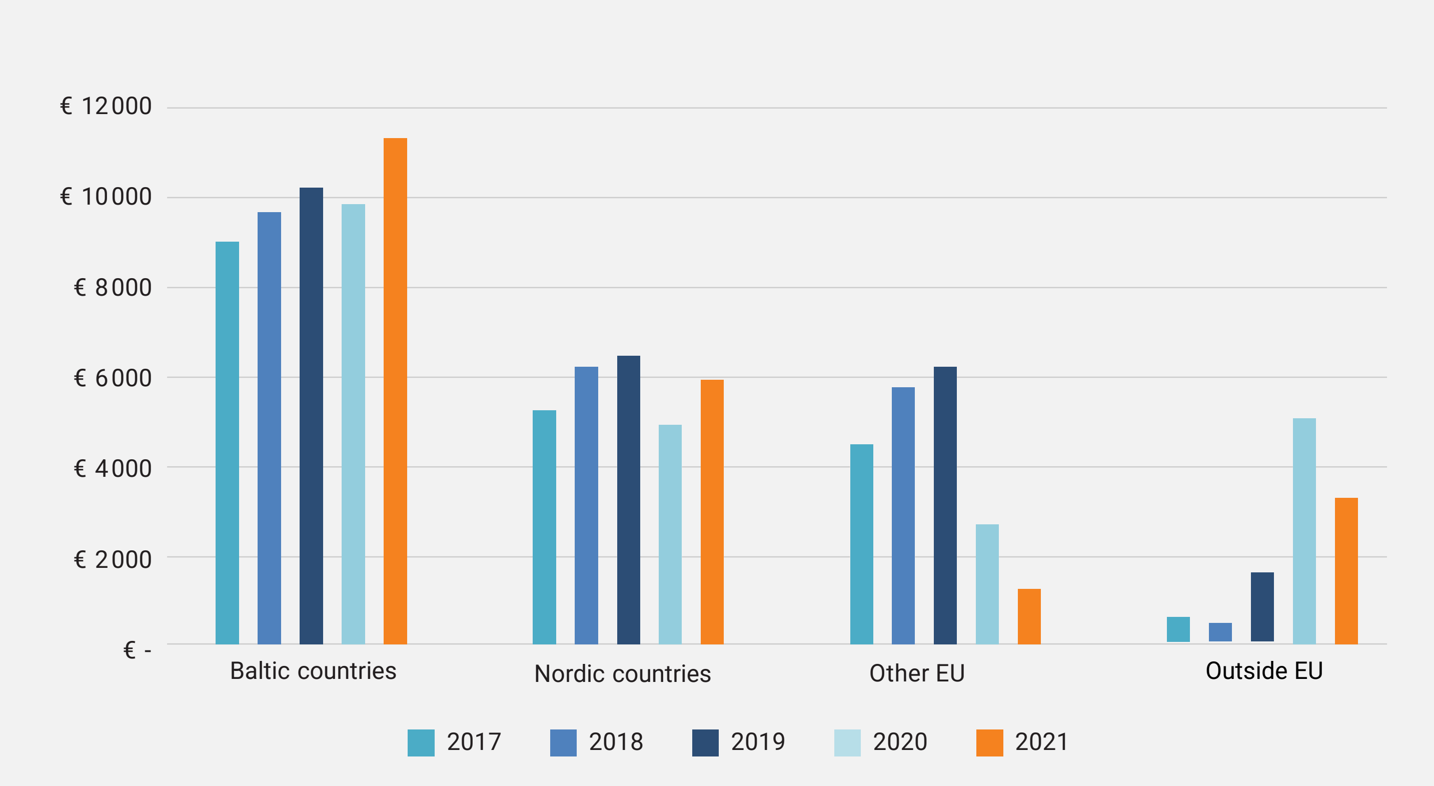
In 2021, turnover growth was observed in the Baltic and Nordic countries, and revenue in all other geographical regions decreased.

Regional sales dynamics compared to 2020 – Baltic sales in the 12 months of 2021 have increased by 15%, Nordic sales have increased by 19%, the rest of the EU* sales show a 50% decrease, changes in sales outside the EU* show a 34% decrease.

Group's revenue, th EUR	2017	2018	2019	2020	2021
Baltic region	9 125	9 462	10 355	9 890	11 376
Nordic	5 238	5 841	6 348	5 007	5 942
Other EU countries*	4 679	5 777	6 315	2 681	1 353
Outside the EU*	608	508	1 593	5 011	3 292

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

Group revenue geography, th EUR



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

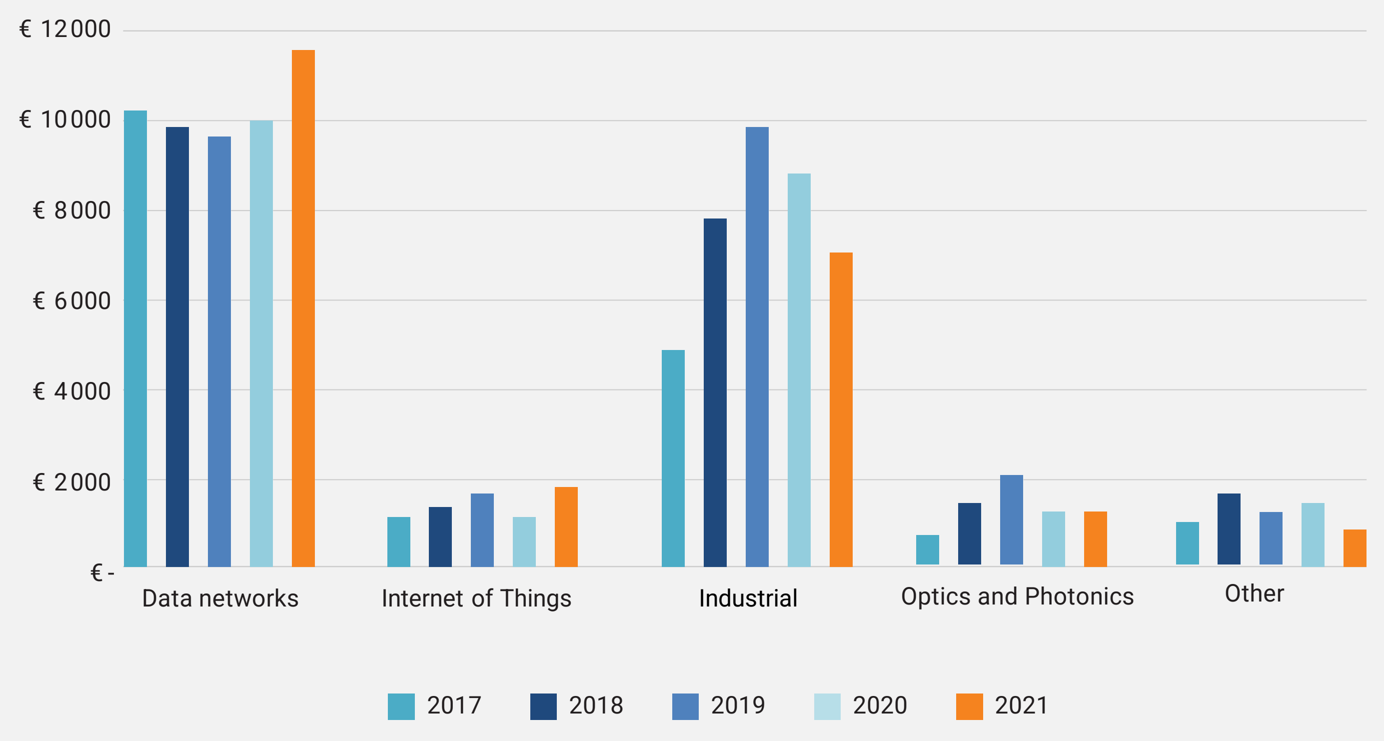
- Data network infrastructure products
- Internet of Things
- Industrial products
- optics and photonics products

and other products. In Q1 2019, the Company started to report revenue from a new market sector, namely optics and photonics products, by separating it from that of the other products market sectors. In previous years, sales results by market sectors have been restated by separating the optics and photonics sector from other products revenue.

Two largest sectors of the market in 2021 were data network infrastructure clients and industrial clients. Revenue in each of these sectors accounted for 52% and 31% of total turnover, respectively. The data network infrastructure market sector showed a slight increase of 13%, and in the internet sector of devices revenue also increased by 62%. In 2021, revenue of industrial products, optics and photonics and other product sectors decreased by 22%, 7% and 45%, respectively, compared to 2020.

Group's revenue, th EUR	2017	2018	2019	2020	2021
Data network infrastructure	10 191	9 884	9 788	10 060	11 383
Internet of Things	1 075	1 314	1 686	1 117	1 803
Industrial products	6 737	7 462	9 856	8 777	6 841
Optics and photonics products	707	1 429	2 153	1 272	1 187
Other products	940	1498	1 128	1 364	748

Group revenue by market sector, th EUR



Investment

In 2021, investments of EUR 1.121 million were made in production and research fixed assets for maintaining and increasing production capacity, developing test systems and developing the IT systems.

During the reporting period, HansaMatrix continued the implementation of the project No. 1.2.1.4/16/A/021 "Development of experimental production of 3D volumetric imaging equipment and its components" of the Specific Objective 1.2.1 "Increase private sector investment in R&D" of the Operational Program "Growth and Job". The total eligible costs of the project and the ERDF amount to EUR 2.9 million. Planned ERDF funding 35% of the total eligible costs.

Investments in associates

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

In 2021 HansaMatrix has not made additional investments in SIA Lightspace Technologies, but a convertible loan of EUR 4.96 million to SIA Lightspace Technologies was completely converted.

On 15 November 2021, Lightspace Technologies, increased its share capital by issuing 9,168 new shares. After the increase of the Company's share capital, its share capital is EUR 25 769 and consists of 25 769 capital shares.

The share capital was increased by the largest shareholder HansaMatrix, by making a contribution in kind in the form of an existing convertible loan of EUR 4,96 million, thus acquiring all the new shares.

On 27 December 2021, HansaMatrix founded AS LIGHTSPACE Holding, investing in its equity all 17,445 or 67.7% of Lightspace Technologies' shares with a value of 8,672 thousand. EUR.

The division of the share capital of Lightspace Technologies is as follows: 67,70 % in AS Lightspace holding; 17,44 % KS BaltCap Latvia Venture Capital Fund AIF KOM; 8.23 % Ilmārs Osmanis; 5,03 % KS AIF Imprimatur Capital Technology Venture Fund KOM; 1,61 % KS AIF Imprimatur Capital Seed Fund KOM.

At the end of the reporting period, the investments of the 100% owned subsidiary AS Lightspace holding by the Parent Company amounted to EUR 8 672 thousand investment in SIA Lightspace Technologies, which consisted of paid capital.

At the end of the reporting period, the value of the Group's assets related to investments in SIA Lightspace Technologies amounted to EUR 6 128 thousand paid capital (for consolidation using the equity method).

Investments in subsidiaries

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

In 2021 HansaMatrix made an additional EUR 356 thousand in the form of an investment in the form of a convertible loan to SIA Zinātnes Parks, which was used for the lease of a plot of land from VAS Starptautiskā lidosta Rīga (Riga International Airport) and loan payments to AS SEB banka.

In 2021, the Group and the Parent Company carried out a fair value revaluation for investments in SIA Zinātnes Parks of EUR 1,358 million due to significantly increased construction costs of new industrial facilities.

At the end of the reporting period, the total investments of the Parent Company in SIA Zinātnes Parks amounted to EUR 756 thousand, which 100% consists of a convertible loan.

At the end of the reporting period, the value of the Group's assets related to investments in SIA Zinātnes Parks amounted to EUR 1 056 thousand, which consists 100% of the capitalized costs of establishing fixed assets.

AS Lightspace Holding is a holding company that owns assets related to SIA Lightspace Technologies.

On 27 December 2021, HansaMatrix established AS Lightspace Holding, investing EUR 35 thousand in its share capital and investing all 17,445 or 67.7% of Lightspace Technologies' shares in the company's equity as a contribution in kind with a value of EUR 8,672 thousand and HansaMatrix's claim rights against Lightspace Technologies in the amount of EUR 690 thousand.

Research and development

HansaMatrix's R&D business has been mainly focused on providing R&D services and manufacturing services to the associated company Lightspace Technologies, including manufacturing services provided to other third parties related to high-tech optical devices in the optics and photonics sector. As of the first quarter of 2021, the Group ceases to report separately on R&D revenue, as R&D services will be provided in addition to the core business, the provision of manufacturing services in the electronics sector, and their volume will not represent a significant part of the total revenue.

Business development overview of associated company - Lightspace Technologies

IG1050 design visualization

In Q4 2021, when most COVID restrictions were lifted, SAI Lightspace Technologies (hereinafter referred to as Lightspace) actively attended events such as Slush and Augmented World Expo. With the return of the travel option, Lightspace's sales and marketing team resumed face-to-face meetings and device demonstrations with strategic partners and customers. The Company also resumed active talks with venture capital and corporate venture capital investors.

In November 2021, Lightspace participated in the KTVT by Volkswagen Group, one of the world's largest conferences aimed at promoting synergies between cars and virtual technologies. Lightspace presented its multifocal augmented reality technology, focusing on the automotive industry's application.

Also in November 2021, Lightspace signed a significant iG1050 supply agreement with an important industrial customer. The contract amounts to EUR 2.2 million for deliveries in 2022. In case of successful performance of the contract, the parties plan to extend the contract for future periods and new amounts. The contract includes adapting the iG1050 to better match the chosen application.

Research and development

The Company's main focus remains on healthcare applications. In December, Lightpspace travelled to Finland to demonstrate its new integration with a medical class tracking system for dental equipment producer Planmed. The company received excellent reviews, and work on the next tasks has already begun.

In the third quarter of 2021, Lightspace showcased its devices to siemens AG's industrial group. Since Lightspace received excellent reviews about the image quality of the device, the Company was introduced to Siemens Healthineers. The demo device was sent to the cardiovascular department of Siemens Healthineers in Slovakia.

Lightspace is currently actively working on the preparation of the iG1050 production line and the purchase of materials. The first equipment will be released in late March / April. Most of the equipment planned for this year has already been booked.

In the fourth quarter of 2021, the EIC ScalingUp project selected Lightspace as one of the top 50 European DeepTech companies with the highest growth and financial potential.

In December 2021, Lightspace won the Export and Innovation Award in the category "Knowledge-Based Innovation".

In order to strengthen corporate governance and ensure the implementation of the long-term strategy, Lightspace strengthened its team by appointing Zanda Lapāne as head of business development. The business development manager actively creates and maintains business relations with the company's partners.

The unique multifocal technology, invented by Lightspace, is considered a basic technology that provides the close-range 3D visualizations required in digital and image-driven medicine. Lightspace AR's head display's ability to display an object in real 3D coordinates opens up opportunities to use it as a tool for CR, MRI, PET scanning and 3D ultrasonic data visualization. Currently, there are no devices on the market that can display medically obtained data in real 3D coordinates. Lightspace enters the medical market as a pioneer.

Lightspace is a photonics and optical solutions company that has become a global technology leader in multifocal augmented reality displays. The applications of the product are intended in health care, industry, science, defense industry, as well as in the fields of gaming, entertainment and multimedia. The company has invented a number of key enabling technologies, including fast-switched liquid crystal optical diffuser technology.

By 9 February 2022, Lightspace has filed 48 international patent applications. Of these, three patent applications were filed in the 4th quarter of 2021 and three patent applications were filed in January 2022.

SIA Lightspace Technologies fully (100%) owns Lightspace Labs Inc., a Delaware (USA) company, as well as a majority (83.81%) and control over SIA EUROLCDS.

Key Growth and Financial Ratios

At the end of 2021, the Group's compound annual growth rate (CAGR) was 2%. The Group's growth over the last 2 years has been significantly hampered by the COVID-19 pandemic and the global semiconductor shortage, hindering the fulfilment of production orders.

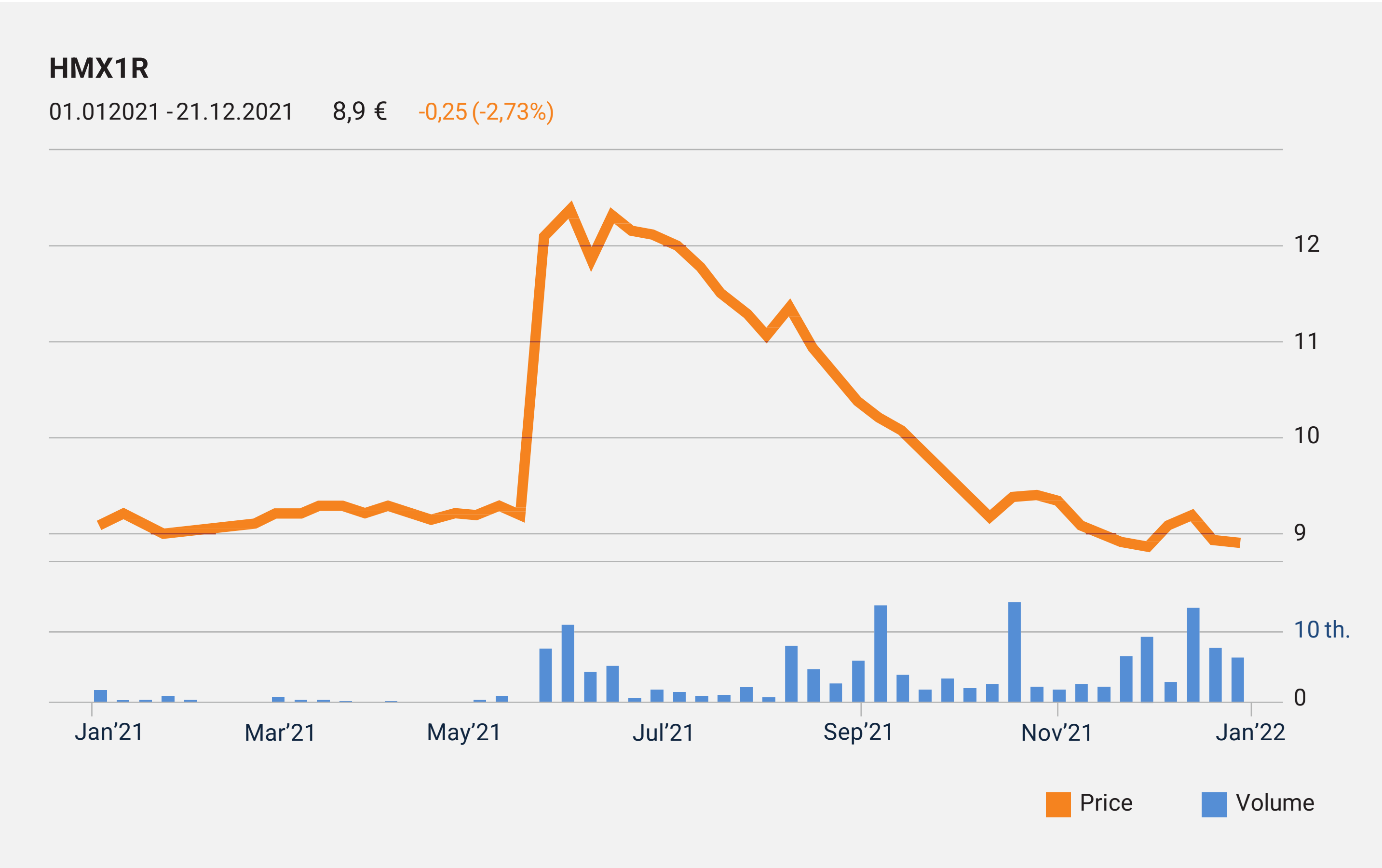
Ratio, EUR'000	2017	2018	2019	2020*	2021	*CAGR*
Turnover	19 649	21 587	24 611	22 589	21 962	*+2%*
EBIT (Operating Profit)	1 877	1 395	1 316	656	1 145	
EBIT (Operating Profit) Margin	9,55%	6,46%	5,35%	2,90%	5,21%	
EBITDA	3 685	3 297	3 761	3 034	3 732	*+0%*
EBITDA Margin	18,75%	15,27%	15,28%	13,43%	16,99%	
Net profit	1 679	781	208	-847	-1 952	
Normalized net profit	1 336	1 272	1 144	449	928	
Normalized net profit margin	6,80%	5,89%	4,65%	1,99%	4,23%	
Normalized ROA	7,16%	5,02%	3,84%	1,56%	3,25%	
Normalized ROE	16,42%	14,51%	12,67%	5,30%	14,39%	
Liquidity ratio	0,69	1,02	0,85	0,79	0,73	
Normalised return on capital employed (ROCE)	11,09%	7,01%	5,39%	2,22%	5,49%	
Earnings per share	0,92	0,43	0,11	-0,46	-1,07	
Adjusted earnings per share	0,92	0,38	0,10	-0,42	-0,95	

*Adjusted: The annual report of the Group's associate company SIA Lightspace Technologies for 2020 was approved after the submission of the Group's annual report for 2020, as a result of which the Group's recognized losses from participation in SIA Lightspace Technologies increased by EUR 247 thousand. In addition, other operating income was adjusted, reducing it by EUR 48 thousand. These losses and decreases in revenue were recognized in the 2020 annual report.

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

Stock and Securities Market

In 2021, Hansa Matrix's share price decreased by 2.73%, and on 31 December 2021 the share price of one HansaMatrix share was EUR 8.90. The highest share price this year was EUR 16.80, while the lowest price was EUR 8.50. The graph below shows the trading trends of HansaMatrix shares in 2021:



On June 16, 2021, the largest shareholder of HansaMatrix, Macro Riga, which as of June 16, 2021 owned 33.94% or 620,950 shares of the Company, informed HansaMatrix of its intention to sell up to 2% of the Group's shares in the coming months. Sales revenue was primarily used to support SIA Lightspace Technologies future development needs.

Securities trading history is summarized in the following table:

Price	2016	2017	2018	2019	2020
First	6,950	7,950	8,14	6,50	9,10
Max	8,150	8,830	8,50	6,65	16,80
Min	6,950	6,900	6,05	5,93	8,50
Most recent transaction	7,950	8,140	6,50	6,25	8,90
Number	19 574	72 941	137 505	32 591	175 092
Turnover (millions)	EUR 0,15	EUR 0,51	EUR 0,94	EUR 0,20	EUR 1,78
Capitalization (millions)	EUR 14,54	EUR 14,89	EUR 11,89	EUR 11,43	EUR 16,28

Non- financial report

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

The Group performs new electronic products and systems development, industrialization and provides a full range of manufacturing services for data network equipment, the Internet of Things, industrial systems and other products in high value-added market segments.

The majority of the Group's revenues are generated by providing manufacturing services in electronics sector, including the industrialization of electronic products, assembly of components on electronic boards and assembly of end products, component supply chain management services and plastic parts production. The Group also has revenues from research and development services in the electronics industry and the production and assembly of high-precision metal, plastic and various composite components, which complement its core business- electronics manufacturing services.

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

HansaMatrix Innovation, a subsidiary of HansaMatrix, manages new product and technology development assets of the Group. HansaMatrix subsidiary SIA Zinātnes parks is developing an industrial real estate project located in Rigas International Airports area.

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

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

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

EU Taxonomy

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

Significant financial resources will be needed to achieve the set goals. The Taxonomy Regulation 2020/852[1] is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU climate goals as the Taxonomy is a classification system for environmentally sustainable economic activities.

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

HansaMatrix Group economic activities – Taxonomy-non-eligible.

HansaMatrix Group has examined all Taxonomy-eligible economic activities listed in the Delegated Regulation 2021/2139[3]. The Delegated Regulation 2021/2139 focuses on economic activities and sectors that have the greatest potential to achieve the objective of climate change mitigation – that is, the need to avoid producing GHG emissions, to reduce such emissions or to increase GHG removals and long-term carbon storage.

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

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

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

	Total, M (EUR)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxonomy-non-eligible economic activities (in %)
Turover	21,96	0%	100%
Capital expenditure (Capex)	1,12	9%	91%
Operating expenditure (Opex)	1,35	1,4%	98,6%

[1] Regulation (EU) 2020/85 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

[2] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

[3] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

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

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

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

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

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

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

Environmental management indicators

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

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

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

The most important events in 2021

In 2021, HansaMatrix Ventspils Implemented LED lighting project at the Ventspils plant at Ventspils High Technology Park 1, Ventspils, replacing 578 old bulbs with LED bulbs. The project managed to increase the light intensity to 1000 lux (lx), and the expected total energy savings per year amount to 79,000 kilowatt hours (kWh). The part of the production premises where the lighting is used 24/7/360 are expected to give the greatest energy savings.

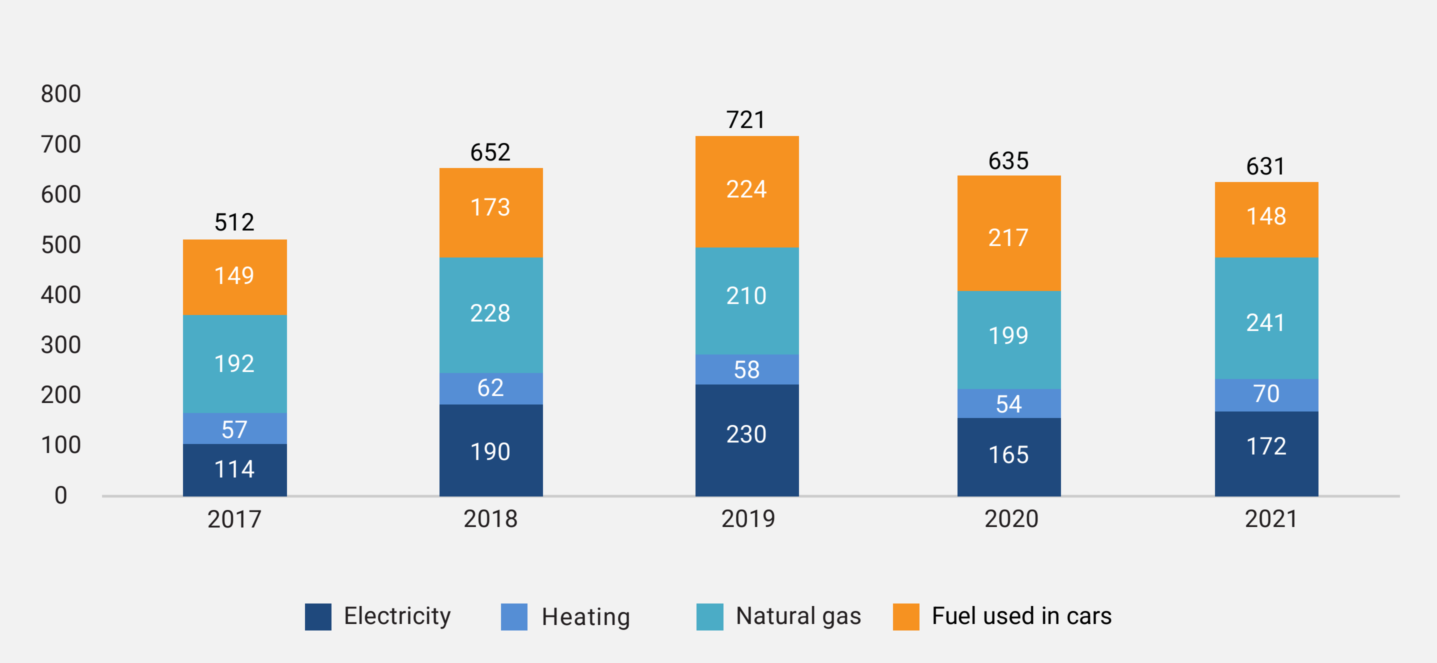
Greenhouse gas (GhG) emissions (E1)

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

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

In 2021, the total GhG emissions of the Group compared to 2020 remained practically unchanged. A significant decrease of 11% was observed in 2020 compared to 2019, which is mainly due to the reduction of emissions in electricity consumption.

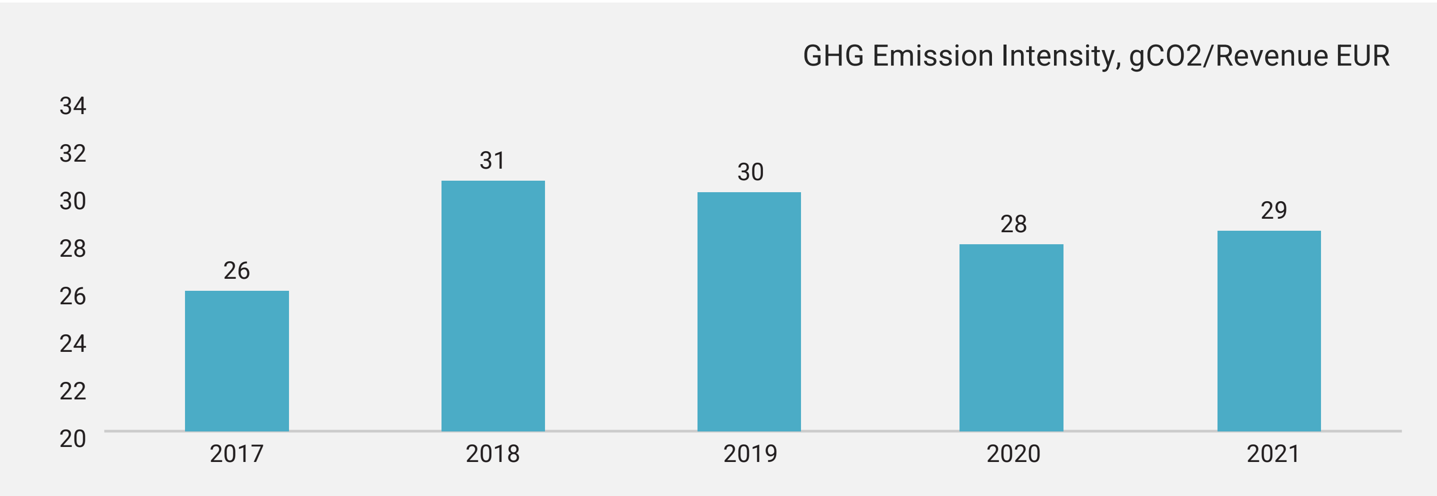
GhG emissions, t/CO2



GhG emission intensity (E2)

Since 2018, the intensity of the Group's greenhouse gas emissions has tended to decrease. In 2021, this indicator has slightly increased compared to 2020, mainly due to the increase in the consumption of natural gas used for heating the Ogre plant, which is mainly explained by the length and average temperature of the 2020 heating season.

GhG emission intensity



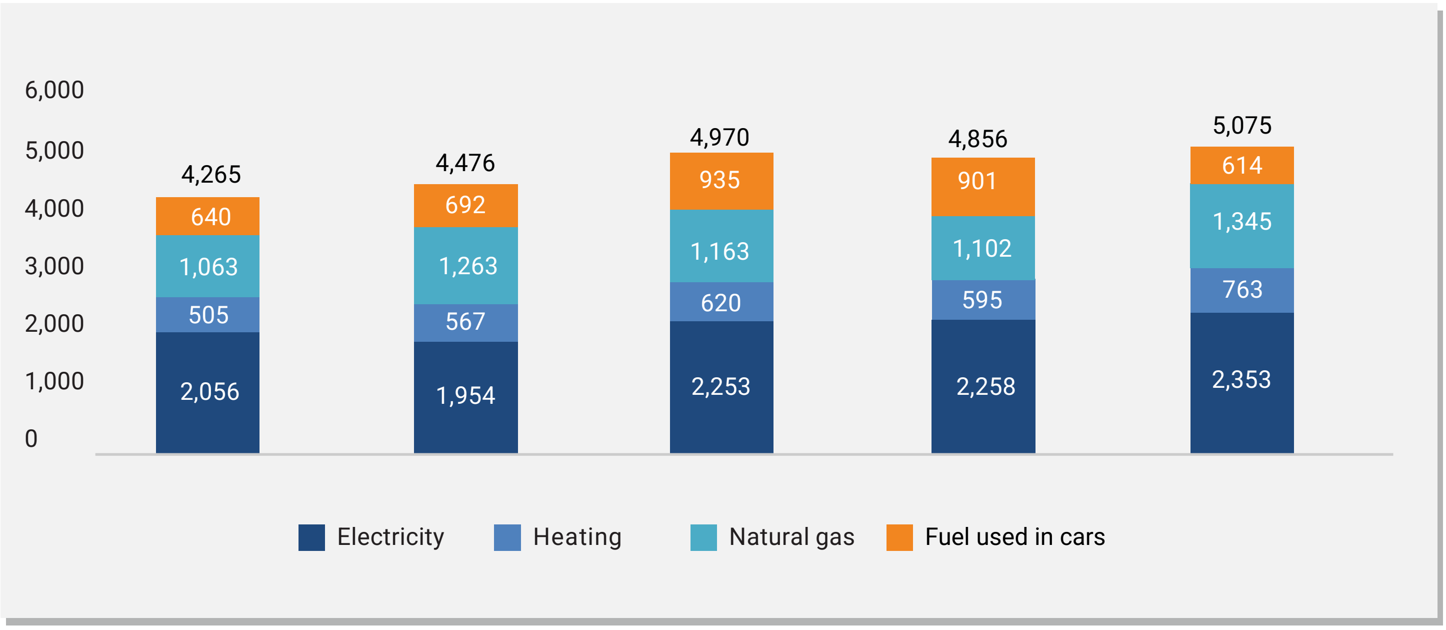
Energy usage (E3) and energy mix (E5)

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

Energy consumption increased slightly by 4.5% in 2021, mainly due to the volumes of heating and natural gas used, which are related to the length and temperature of the 2020 heating season.

The Group consumes primary and secondary energy resources by valuing them according to the type of extraction. The primary energy sources used are natural gas, electricity, diesel, petrol and nitrogen used in the production process. Secondary energy resources used: thermal energy (heating water); water (drinking water). In 2021, the largest share in total energy consumption was for electricity - 46%, natural gas - 27%, heating and fuel 15% and 12%, respectively.

Energy usage, MWh



Social responsibility indicators

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

In 2021, the Group initiated and conducted regular surveys of Ventspils and Ogre plant employees to obtain the Employee Net Promoter Score (ENPS) in order to obtain measurable data and feedback on the satisfaction with the work environment and loyalty to the Company. goals and values of most of the Group's employees. The ENPS score is regularly monitored at the level of the Group's management and appropriate decisions and actions are taken to deal with issues relevant to the Group's employees, thus ensuring the fulfillment of the Group's social development goals.

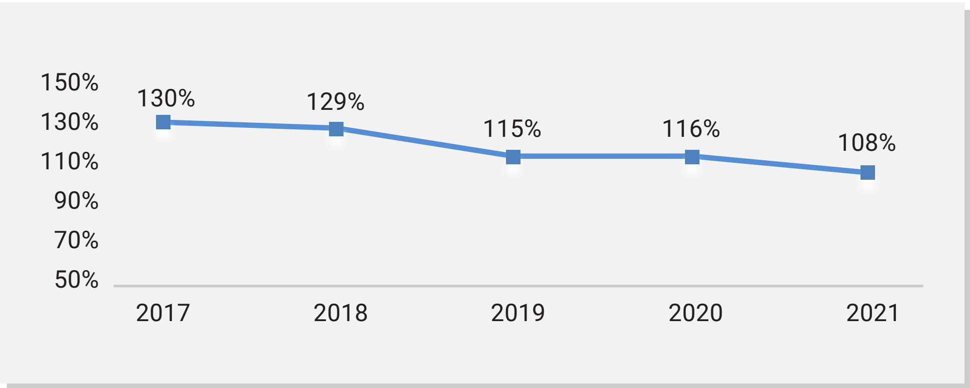
Considering that 2021 is the first year in which the Group starts to publish ESG indicators, only the most important (and not all) environmental, social and corporate governance indicators is published in the Sustainability Report, which are published in accordance with the Nasdaq guidelines (ESG Reporting Guide 2.0), balancing costs of collecting and publishing the Group's data against additional information provided by specific indicators.

Remuneration of employees ratio (S1 and S2)

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

The ratio of the total remuneration of the Chairman of the Board of HansaMatrix (S1) to the median remuneration of employees in 2021 was 6:1. The remuneration of the Chairman of the Management Board amounted to 2.81% of the total remuneration of all employees of the Group.

Gender pay ratio, full time engineers and manufacturing



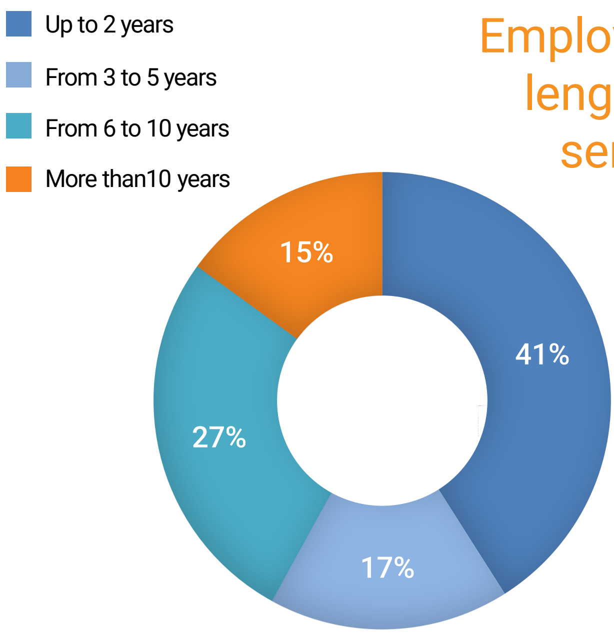
In order to check Groups employment gender equality trends, men and women pay ratio for full time engineers and manufacturing employees total remuneration median ratio is analyzed. The dynamics over the last five years have been positive, the median men's remuneration to the median remuneration of women ration has declined from an 130% in 2017 to 108% in 2021. In the Group, the remuneration of employees in the same position does not differ depending on gender, but the difference between the average remuneration of men and women is formed by the relatively higher proportion of men in the positions of higher salary.

Employee turnover (S3)

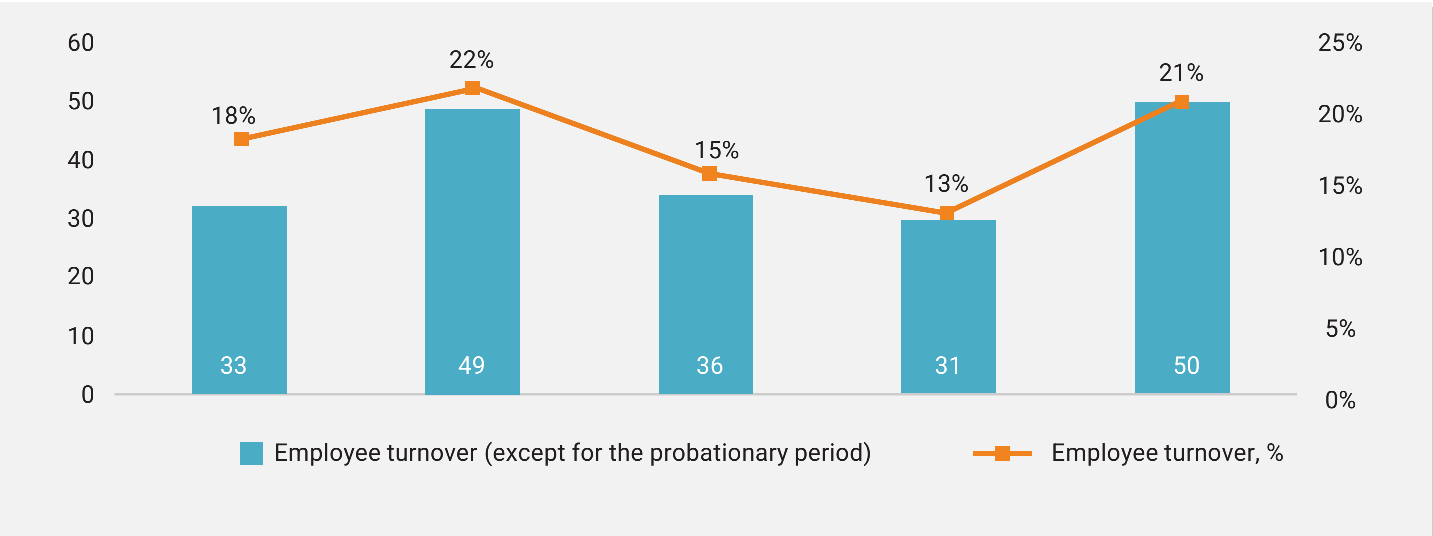
The majority (59%) of the Group's employees work for more than 3 full years: 17% of employees work for 3 to 5 years, 27% for 6 to 10 years, and 15% for more than 10 years, which indicates that HansaMatrix is stable, long-term employer.

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

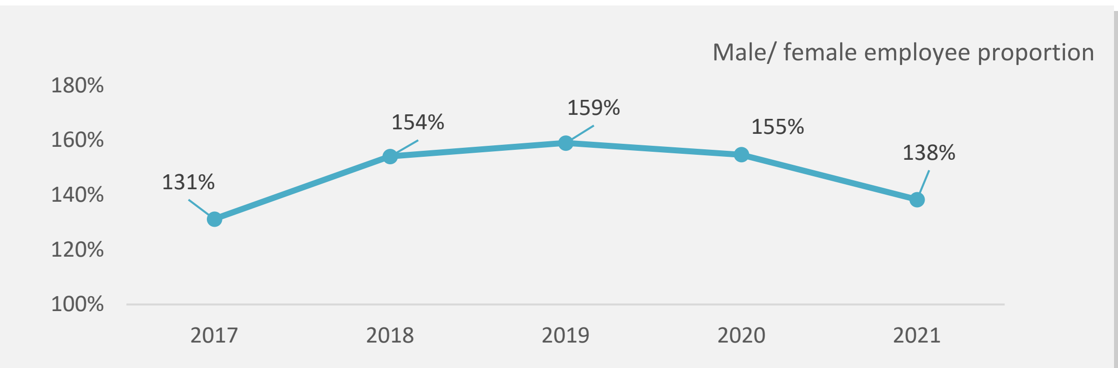
Employees lenght of service



Employees turnover, number and %



Gender diversity (S4)



Overall the Group historically has employees more males employees than female employees although in 2021 this proportion has decreased significantly.

Corporate governance indicators

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

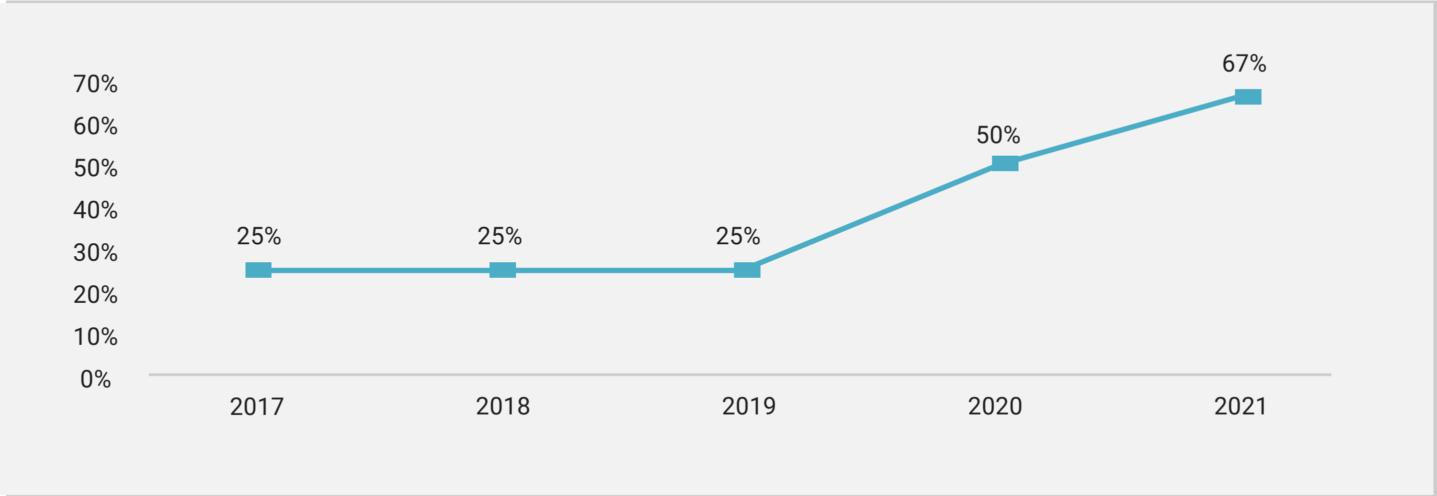
Board Diversity and Board independence (G1 and G2)

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

Board Diversity (G1)

The board diversity indicator dynamics as a ratio of the number of women to men in the board has exhibited a positive dynamics the last 5 years, improving from 25% in 2017, when 1 women and 4 men worked in the Group's council, to 67% in 2021, when in the council 2 women and 3 men were represented.

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



BOARD INDEPENDENCE (G2)

The Group's Supervisory Board has 5 members, 3 of whom are independent, which matches the criteria for an independent member of the Supervisory Board proportion of the total number of the board members (at least 50%) as set out in the Latvian Corporate Governance Code.

INCENTIVIZED PAY (G3).

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

A vision for the future in an environmental context

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

Exposure to risks

The Group and the Parent Company's activities are exposed to various risks: market risk, credit risk, liquidity and cash flow risk, geopolitical risk, foreign currency risk, as well as interest rate risk.

MARKET RISK

Group and the Parent Company, operating in conditions of high-market competition internationally, are subject to market risk. This hedging is implemented in the Parent Company with its own business development strategy, which provides for the creation of a highly automated and technologically advanced production process, operation in diversified market sectors, which have pronounced growth trends. There is constant work on attracting new customers. In 2021, the top 5 largest clients of the Parent Company accounted for 64% of the total revenue, the remaining 36% was generated by 30 clients. Most of the top clients of the Company have been working with AS HansaMatrix as their manufacturer for at least 10 years.

LIQUIDITY AND CASH FLOW RISK

Group and the Parent Company are subject to liquidity and cash flow risk. Liquidity is affected by the volume of stocks and work in progress, the amount of trade loans granted to buyers, the amount of advances received, the terms of payment of suppliers and the amount of working capital at the disposal of the Group and the Parent Company. For the control of liquidity risk, the Company implements both financial and operational management procedures. Regular control of inventory volumes, rescheduling of orders and supplies of raw materials and production volumes in order to speed up the movement of stocks is carried out. The amount of working capital required is also regularly controlled, in this regard, planning the availability of credit and financing instruments, their necessary amounts and repayment schedules.

FOREIGN CURRENCY RISK

The Group and the Parent Company are subject to foreign currency risk. The financial assets and liabilities of the Company subject to foreign currency risk include cash and cash equivalents, trade receivables and trade payables. The Group and the Parent Company are mainly exposed to foreign currency risk of the US dollar and EUR. To mitigate foreign currency risk, the Parent Company effectively employs foreign exchange hedging procedures, for example, by using pricing policy, regularly adjusting sales prices to reflect the changes in the prices of raw materials caused by currency rate fluctuations, or planning supplies and sales in the main currencies used – EUR and USD.

CREDIT RISK

The Group and the Parent Company are exposed to credit risk through its trade receivables. The Parent Company has introduced a number of procedures that reduce the possibility of the occurrence of irrecoverable debts. Most buyers' trading credits are insured using a non-regulatory factoring financial instrument. According to Note 24 to the Financial Statement, as at 31 December 2021, 44% of all receivables were insured. Buyers whose trade credits are not or cannot be insured for some reason are subject to shortened deferred payment terms, advance payments, credit limits and other risk limiting conditions. In addition, the history of repayment of receivables is constantly evaluated, and if necessary, the limits and conditions of trading credit for each buyer individually are changed.

GEOPOLITICAL RISK.

Income from sales outside the European Union represents a small part of the Group's turnover (approximately 15% of the revenue), which gives rise to geopolitical risk. The global electronics manufacturing services market is mainly affected by the US-China "trade war", as well as the Russia-Ukraine conflict. The increased US import tariffs on Chinese electronics products in the US market give a good advantage to Eastern European electronic system manufacturers. On the other hand, a 'trade war' is slowing down the economy and reducing investment in infrastructure. The Russia-Ukraine conflict, on the other hand, can affect and exacerbate the global semiconductor deficit and extend supply times. The situation is not stable and can change at any time. As a result of the sanctions imposed on Russia in 2022, the global economic environment, which will need to be adapted, will change significantly.

INTEREST RATE RISK

The Group and the Parent Company are also subject to interest rate risks arising from the fluctuations of the interbank money market rate for the euro (EURIBOR), mostly relating to the possible increase in the ECB base rate and resulting in EURIBOR rate increase for long-term floating rate loans. The sensitivity of the pre-tax profit of the Group and the Parent Company to possible changes in the EURIBOR rates is comparably insignificant; for example, a 1% increase in the EURIBOR rate leads to a decrease in the net profit by less than EUR 45 thousand.

Impact of COVID-19

Despite COVID – 19 situations, most of European leading Electronic Manufacturing Services (EMS) companies experience growth. Nevertheless, the electronics industry is facing significant component deficit explained by the growth in upstream demand in data networks, automotive, medicine and IoT business sectors. The existing global component manufacturing capacity was not sufficient for development of new technologies and the demand driven by COVID-19 pandemic global outbreak.
The ongoing COVID-19 pandemic may have a negative impact on the Group performance in the short term in the following areas: customer demand weakening, personnel safety issues and supply chain disruptions.

All business units of the Group, including Pārogre and Ventspils manufacturing plants, metal parts and optics product unit in Mārupe and head office in Mārupe are fully operational. HansaMatrix ensures safe working conditions to workers present at all plants and offices of the Company and ensures remote work from home for employees where it is possible and effective. All requirements of self-isolation and quarantine stipulated by law are supported and enforced when necessary. In response to the emergency situation HansaMatrix has introduced internal code of emergency aimed to ensure safeguarding and maintaining good health of the employees in the Group. New internal regulations and business practices have been introduced and are being regularly followed up and improved.

COVID-19 situation is impacting some of the risks to which the Group is exposed.

MARKET RISK. The Group manages market risk according to its business development strategy, which foresees the development of a highly automated and technologically developed manufacturing process, operating in diversified market sectors with a growth tendency. Continued efforts are made for attracting new clients. In 2021, the top 5 clients on the Parent Company accounted for 65% of the total revenue, the remaining 36% were generated by 40 clients. Most of the top clients of the Company have been working with AS HansaMatrix as their manufacturer for at least 10 years.

COVID-19 impact on the sectors where the Group operates is different and balances out – in data networks and medical sectors the demand is increasing, however the demand is decreasing or stagnating for products in other sectors, e.g. not first necessity electronic products, products related to aviation and tourism industries.

CREDIT RISK. The Group and the Parent Company are exposed to credit risk through its trade receivables. The Parent Company has introduced various procedures to mitigate the risk of unrecoverable debts. Most trade credits are insured using non-recourse factoring. As at 31 December 2021, 44% of all trade receivables outstanding were insured. Clients, whose trade credits for any reason are not or cannot be insured, are subject to shortened payment schedules, advance payments, credit limits and other risk hedging conditions. The credit history of customers is also assessed on an ongoing basis and credit limits and terms are changed on an individual basis as applicable.

For example, COVID-19 situation due to delays in investment attraction has influenced the payment schedule execution for one of the Group's IoT sector client's debt in amount of 90 thousand EUR towards HansaMatrix. The Group has booked provisions for this outstanding debt according to accounting policy and is actively seeking solutions for the debt repayment.

HansaMatrix continues to work closely with customers to better identify and understand the potential impact the COVID-19 situation may have on the manufacturing order book. Customers, located in the affected countries, are continuing the operations and are taking the virus spread and contraction precautionary measures.

The manufacturing order volume can be influenced by potential decisions by businesses to postpone investments and by consumers to decrease expenditures and also by international travel restrictions preventing customers from promptly accepting the executed orders, which potentially can be mitigated by online solutions.

Impact of COVID-19

LIQUIDITY AND CASH FLOW RISK. Liquidity is affected by inventories and the volume of work in progress, the amount of trade credits granted to clients, number of prepayments received, suppliers' terms of payment and the working capital available to the Group and the Parent Company. Liquidity strains can also influence the ability to carry out loan and lease payments. To mitigate liquidity risk, the Parent Company employs financial and operational management procedures. The level of inventories is monitored on a regular basis, orders and deliveries from suppliers are rescheduled, as are the sequence and volume of planned manufacturing in order to speed up the inventory turnover. Working capital is also monitored regularly which leads to planning of the availability of credit resources and financing instruments and the amount and repayment schedules thereof.

COVID-19 situation has slowed inventory turnover for some of the Group Clients due to demand decrease and also in some cases due to supply chain disruptions. The electronic component supply chain disruptions due to coronavirus are expected to impact HansaMatrix manufacturing order execution, potentially shifting fulfillment times, and could increase component sourcing costs.

To mitigate COVID-19 impact on liquidity, in addition to the regular procedures, the Group on ongoing basis closely monitors and utilizes the available government support for liquidity. Nevertheless, at the end of 2021 the Group successfully extended for 1 year the necessary working capital financing agreements with SEB banka in amount of EUR 4.56 million.

Impact of the Russia-Ukraine Conflict

Taking into account the recent Russia-Ukraine conflict (Conflict) and its impact on the economic and business environment situation in the Baltics and the world, HansaMatrix has assessed the Group's current business situation, the risks caused by the Conflict and its possible impact on HansaMatrix's business.

As of today, all HansaMatrix business units are operating at the available capacity. HansaMatrix has worked closely with customers to better identify and understand the potential impact of Conflict on production order volumes. The Company has no customers in Russia, Ukraine or Belarus, and HansaMatrix customers also do not have significant revenue exposure to the markets directly involved in the Conflict. HansaMatrix has a diversified supplier base and the Company has no suppliers in Russia, Ukraine or Belarus. The Company has contacted and discussed the Conflict and related risks with key suppliers and logistics partners.

Main risks

RISK OF RISING ENERGY PRICES AND INFLATION

Russia, Ukraine and Belarus are countries rich in raw materials, including oil, natural gas, metals and cereals, whose supply disruptions as a result of international sanctions and the Conflict are likely to lead to an increase in energy, raw materials and food prices, contributing to inflation in Europe in 2022 and 2023. The Company's expenses related to energy and utilities are relatively small in the total cost structure, accounting for about 2.5% of revenue in 2021. However, the Company particularly monitors the trends of energy prices and general inflation, evaluating financial results and budget fulfillment every month, if necessary, adjustments of production service prices to maintain the profitability level are coordinated with customers and made in a timely manner.

RISK OF ATTRACTING NEW INVESTMENTS

Increased uncertainty in the business environment can potentially affect investor sentiment in Europe and lead to the postponement of investment decisions. HansaMatrix associate Lightspace Technologies is currently focusing on attracting investments in North America.

RISK OF DECLINING PURCHASING ABILITY

Higher inflation, which limits economic growth, can lead to a long-term decline in demand and investments. The volume of production orders may be influenced by potential decisions by companies to defer investments and consumer decisions to reduce spending. Since the beginning of the Conflict, the Company has not received any negative indications of a decrease in customer orders in the near future. To mitigate this risk, HansaMatrix's sales team is constantly and actively looking for new customers, with a strategic focus on the Nordic countries.

RISK OF WAGE INFLATION

Increasing inflation is expected to contribute to higher wage inflation in 2022 and 2023. The Company's expenses related to employee remuneration are significant in the overall cost structure, accounting for approximately 39.1% of revenue in 2021. The Company carefully monitors the trends of wage inflation, evaluates financial results and budget implementation on a monthly basis, so that, if necessary, adjustments to the prices of production services are coordinated with customers and made in a timely manner to maintain the level of profitability.

Main risks

SUPPLY CHAIN AND LIQUIDITY RISKS

Neon gas, which is needed to power lasers in semiconductor manufacturing and palladium metal used in later stages of chip production, are the two main raw materials whose supply volumes on the global market may be limited as a result of the Conflict. Industry analysts estimate that about 25-50% of the world's semiconductor quality level neon gas comes from Russia and Ukraine, while about 30% of the world's palladium metal comes from Russia.

The growing demand and supply chain disruptions following the COVID-19 pandemic have led to a global semiconductor shortage that has been going on for 1.5 years, which has initially helped to overcome the additional supply chain problems caused by the Russian invasion of Ukraine, as many chip manufacturers have significantly improved supply chain risk management and accumulated the materials needed for production for 3-12 months ahead (https://cnb.cx/3K1IqGV).

In the longer term, and assuming that the Conflict between Russia and Ukraine will not be resolved and minimized in the coming months, the above mentioned shortage of raw materials may lead to a rise in semiconductor prices and further increase the chip deficit.

In addition, supply chains could be expected to be further hampered, as transport companies are unlikely to be able to continue using rail in Russia, supplying semiconductors from Asia to Europe via Russia. Alternative transport options include ships and aircraft, which could increase delivery time (ships) and transport costs (aircraft).

It would be expected that the disruption of the supply chain of electronic components caused by the Conflict between Russia and Ukraine will affect the fulfillment of HansaMatrix production orders, possibly change execution times and increase the cost of purchasing components, as well as may increase inventory balances.

In order to mitigate the impact of the shortage of components, HansaMatrix diversifies the supplier base, applies the alternative component application approach, cooperates with brokers and makes timely purchases of components for the execution of customers orders. Liquidity risk mitigation measures include weekly cash flow management and liquidity planning on a monthly basis for the next 12 months, which allows for timely decisions to improve liquidity.

Impact on the Company's business activities

HansaMatrix remains confident in the Company's long-term prospects and growth strategy. The Company believes that the direct impact of the Russia-Ukraine conflict on the Company is relatively limited in the short term, however, the uncertainty of the business environment has increased significantly and the scale of the Conflict's impact on the Company could change, especially in relation to future challenges related to supply chain risks and costs increase, that could potentially negatively affect business volume in the coming quarters of 2022.

HansaMatrix has assessed the key assumptions for the determination of fair value made for the Consolidated and Parent Company's financial statements and has concluded that at the date of this report the fair values of the Group's assets and liabilities have not been materially affected by the circumstances surrounding the Conflict. Nevertheless, the value of the liability of the European Investment Bank (EIB) convertible guarantee securities could change from the first quarter of 2022, as the Company uses the weighted average share price of HansaMatrix for the last relevant quarter as one of the exit variables to determine the fair value of these liabilities. Moreover, as of 31 December 2021, the fair value of HansaMatrix and the Group's investments has decreased as of 31 December 2021, as reflected in this report.

In an adverse scenario, if the Conflict continues for a long time and on a substantially large scale, the impact on the Company could be more significant as a result of the risks described above.

Significant Events

On 11 January 2022 HansaMatrix increased its share capital. HansaMatrix has previously informed that in accordance with the decisions taken by the extraordinary shareholders' meeting on 16 February 2018, the issuance of the Company's share options and the related increase of the Company's share capital with a condition were approved. On 26 November 2021, when implementing the conversion of share options, the Management Board of the Company decided to increase the Company's share capital by EUR 5500 (five thousand five hundred euros) by issuing new 5500 (five thousand five hundred) bearer shares with the nominal value of one share of EUR 1 (one euro), which were registered in the Commercial Register of the Republic of Latvia on 10 January 2022.

After the increase in the share capital, the total share capital of the Company is EUR 1 834 881 (one million eight hundred thirty-four thousand eight hundred eighty-one euro).

On 24 February 2022 HansaMatrix received a production order for the production and delivery of aquaculture systems to a new client in the Nordic industrial market sector related to the aquaculture sector. The volume of planned deliveries in three years amounts to EUR 5 million from the second quarter of 2022. HansaMatrix's Management Board is pleased, because the order received confirms the team's ability to implement the growth strategy in the face of shortage of electronic components, confirms the Company's ability to take advantage of the growing trend of placing production orders geographically closer to the customers with the aim of reducing the current uncertainty in global supply chains by strengthening HansaMatrix's position in the region.

In order to achieve its strategic business development goals by evaluating strategic development opportunities, as well as taking into account the difficult investment climate in the region, HansaMatrix associate company SIA Lightspace Technologies on March 14, 2022 has started the process to become a publicly listed company in North America TSX Venture Exchange in Toronto. Funding will be raised through contributions from private investors. The Company will disclose more detailed information about the listing on the stock exchange in accordance with the requirements of regulatory enactments.

Further Development

In 2021, the Group and the Parent Company continue implementing their strategic development goals by raising the share of knowledge intensive product development and manufacturing.

Jānis Sams
Chairman of the Board
April 29, 2022

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Statement of Management’s Responsibility

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

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

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

For the Management Board of AS HansaMatrix:

Jānis Sams
Chairman of the Board
April 29, 2022

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Financial statements

Statement of comprehensive income

		Group		Parent company	
	Note	2021	2020** Restated	2021	2020
		EUR	EUR	EUR	EUR
Revenue from contracts with customers	4	21 962 274	22 588 982	21 358 818	21 386 718
Cost of sales	5	(18 826 011)	(20 016 243)	(19 534 281)	(20 843 512)
Gross profit		**3 136 263**	**2 572 739**	**1 824 537**	**543 206**
Distribution costs	6	(817 858)	(856 607)	(151 856)	(96 258)
Administrative expense	7	(2 075 107)	(1 738 345)	(1 380 297)	(965 407)
Other operating income	8	1 004 595	731 437	494 854	671 331
Other operating expense	9	(103 265)	(53 693)	(82 738)	(15 885)
Operating profit		**1 144 628**	**655 531**	**704 500**	**136 987**
Share of loss of associates accounted using the equity method	20	(837 321)	(572 611)	-	-
Impairment loss on non-financial assets	10	(1 389 709)	-	(838 076)	-
Finance income	11	11 421	10 290	88 620	31 096
Finance costs	12	(867 609)	(939 796)	(1 394 645)	(824 466)
Profit/(loss) before tax		**(1 938 590)**	**(846 586)**	**(1 439 601)**	**(656 383)**
Corporate income tax	13	(13 720)	-	(13 720)	-
Net profit/(loss) for the reporting period		**(1 952 310)**	**(846 586)**	**(1 453 321)**	**(656 383)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:					
Income from revaluation of fixed assets		214 959	-	214 959	-
Total comprehensive income/loss for the year		**(1 737 351)**	**(846 586)**	**(1 238 362)**	**(656 383)**
Profit/(loss) attributable to:					
Equity holders of the Parent Company		(1 952 310)	(845 296)	(1 453 321)	(656 383)
Non-controlling interests		-	(1 290)	-	-
Combined income/(loss) attributable to:					
Equity holders of the Parent Company		(1 737 351)	(845 296)	(1 238 362)	(656 383)
Non-controlling interests		-	(1 290)	-	-
Basic earnings per share, EUR	15	(1.07)	(0.46)		
Diluted earnings per share, EUR	15	(0.95)	(0.41)		

** See Note 3
The accompanying notes form an integral part of these financial statements.

Chairman of the Management Board JĀNIS SAMS ____________* April 29, 2022
Chief Accountant VINETA GRECKA ____________* April 29, 2022

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Statement of financial position

Assets

	Note	Group 31.12.2021	Group 31.12.2020** Restated	Parent Company 31.12.2021	Parent Company 31.12.2020
LONG- TERM INVESTMENTS		EUR	EUR	EUR	EUR
Intangible assets					
ODM assets		394 813	310 475	-	-
Other intangible assets		562 911	575 706	541 581	550 890
Goodwill		-	360 653	-	-
Total intangible assets	16	**957 724**	**1 246 834**	**541 581**	**550 890**
Property, plant and equipment					
Land and buildings		3 789 000	3 428 169	3 789 000	3 428 169
Equipment and machinery		3 716 385	4 201 035	2 549 692	2 765 033
Other fixtures and fittings, tools and equipment		480 117	558 352	72 790	89 887
Right-of-use assets		3 659 998	2 792 929	692 644	516 165
Leasehold improvements		120 659	90 110	-	-
Construction in progress		1 070 305	2 369 063	-	362 360
Total property, plant and equipment	17	**12 836 464**	**13 439 658**	**7 104 126**	**7 161 614**
Non-current financial assets					
Investments in subsidiaries	18	-	-	10 323 130	1 732 815
Investments in associates by equity method	20	6 106 799	1 982 387	-	-
Investments in associates	20	-	-	-	3 709 889
Investments in other companies	21	61 582	42 086	61 298	41 801
Other investment loans	20	-	4 961 573	-	4 961 573
Loan to related company	19	-	-	954 855	916 876
Other financial assets	22	-	38 564	-	38 564
Other non-current receivables		42 333	61 048	35 496	17 412
Totala non- current financial assets		**6 210 714**	**7 085 658**	**11 374 779**	**11 418 930**
TOTAL NON- CURRENT ASSETS		**20 004 902**	**21 772 150**	**19 020 486**	**19 131 434**
CURRENT ASSETS					
Raw materials and consumables	23	3 955 773	1 972 306	3 635 996	1 567 036
Trade receivables from contracts with customers	24	1 653 701	755 890	794 462	269 907
Receivables from related companies from contracts with customers	25	-	-	12 264	97 757
Prepayments for goods		82 935	94 152	26 986	22 991
Loan to subsidiary	19	-	-	756 000	1 066 200
Loan to shareholder	41	563 201	551 883	563 201	551 883
Prepaid expense		55 909	30 632	42 313	20 356
Contract assets	4	1 487 173	2 225 865	589 232	1 020 872
Other receivables	26	282 324	304 448	110 075	192 488
Cash and cash equivalents	27	451 210	830 243	290 136	751 733
TOTAL CURRENT ASSETS		**8 532 226**	**6 765 419**	**6 820 665**	**5 561 223**
TOTAL ASSETS		**28 537 128**	**28 537 569**	**25 841 151**	**24 692 657**

** See Note 3
The accompanying notes form an integral part of these financial statements.

Chairman of the Management Board JĀNIS SAMS ____________* April 29, 2022

Chief Accountant VINETA GRECKA ____________* April 29, 2022

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Statement of financial position

Equity and liabilities

	Note	Group 31.12.2021 EUR	Group 31.12.2020** Restated EUR	Parent Company 31.12.2021 EUR	Parent Company 31.12.2020 EUR
EQUITY					
Share capital	28	1 829 381	1 829 381	1 829 381	1 829 381
Share premium	28	2 435 579	2 435 579	2 435 579	2 435 579
Reserves	29	50 659	1 973	50 659	1 973
Non-current asset revaluation reserve	30	2 006 222	1 914 956	2 006 222	1 914 956
Retained earnings/(accumulated loss):					
(a) brought forward		2 064 847	2 842 621	1 619 118	2 206 689
(b) for the period		(1 952 310)	(846 586)	(1 453 321)	(656 383)
TOTAL EQUITY		**6 434 378**	**8 177 924**	**6 487 638**	**7 732 195**
LIABILITIES					
Non- current liabilities					
Loans from credit institutions	31	5 370 208	7 390 029	5 370 208	7 091 046
Lease liabilities	32	2 455 353	1 686 167	454 706	316 559
Other financial liabilities	22	1 880 003	1 652 485	1 880 003	1 652 485
Deferred revenue	34	603 004	724 075	531 013	617 060
Taxes and mandatory state social insurance contributions – non-current	37	141 078	273 417	-	-
Total non- current liabilities		**10 449 646**	**11 726 173**	**8 235 930**	**9 677 150**
Current liabilities					
Loans from credit institutions	31	2 433 034	1 829 071	2 134 051	1 629 749
Lease liabilities	32	1 042 451	960 475	207 567	145 583
Prepayments received under contracts with customers	35	1 185 335	788 670	1 064 113	694 030
Trade payables	36	5 717 775	3 496 960	3 914 353	1 757 396
Payables to related companies	41	-	-	3 352 237	2 728 287
Taxes and mandatory State social insurance contributions	37	534 893	811 374	24 351	46 752
Corporate income tax	38	799	2 516	195	824
Other liabilities	39	177 282	251 387	32 775	35 194
Deferred revenue	34	192 666	185 758	142 075	135 168
Accrued liabilities	40	368 869	307 261	245 866	110 329
Total current liabilities		**11 653 104**	**8 633 472**	**11 117 583**	**7 283 312**
TOTAL LIABILITIES		**22 102 750**	**20 359 645**	**19 353 513**	**16 960 462**
TOTAL EQUITY AND LIABILITIES		**28 537 128**	**28 537 569**	**25 841 151**	**24 692 657**

** See Note 3
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Chairman of the Management Board JĀNIS SAMS ____________* April 29, 2022
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Statement of cash flows

	Note	Group 2021 EUR	Group 2020** Restated EUR	Parent Company 2021 EUR	Parent Company 2020 EUR
CASH FLOWS TO/ FROM OPERATING ACTIVITIES					
Profit/ (loss) before tax		(1 938 590)	(846 586)	(1 439 601)	(656 383)
Adjustments for:					
Depreciation and amortization	16,17	2 587 401	2 282 643	1 172 076	1 035 408
Depreciation included in the cost of work in progress and in cost of fixed assets		-	95 552	-	-
Interest expense	12	565 415	552 587	427 582	438 573
Interest income	11	(11 421)	(10 290)	(88 620)	(31 096)
Allowances for slow-moving items and receivables		74 896	(117 976)	120 728	(46 557)
Revenues from the recognition of grant funding	8	(192 859)	(227 078)	(157 835)	(192 054)
Profit from sales of fixed assets	8	(2 454)	(13 866)	(263)	(13 866)
Loss on impairment, disposal of property, plant and equipment		1 390 054	-	51 288	-
Fair value change for warrants	12	227 518	306 555	227 518	306 555
Share of loss of an associates	20	837 321	572 611	-	-
Losses related to investment in subsidiary		-	-	1 471 673	-
Adjustments for:					
(Increase)/ decrease in inventories		(1 994 348)	1 146 084	(2 148 936)	957 850
(Increase)/ decrease in receivables		(395 185)	(215 959)	(979 104)	1 098 188
Increase/ (decrease) in payables		2 358 746	(110 474)	3 584 473	(373 715)
Cash generated from operations, gross		**3 506 494**	**3 413 803**	**2 240 979**	**2 522 903**
Interest paid		(281 840)	(286 732)	(82 503)	(152 161)
Corporate income tax paid		(13 720)	-	(13 720)	-
Net cash flows to/ from operating activities		**3 210 934**	**3 127 071**	**2 144 756**	**2 370 742**
CASH FLOWS TO/ FROM INVESTING ACTIVITIES					
Acquisition of intangible assets and property, plant and equipment	16,17	(1 120 591)	(840 546)	(560 087)	(519 408)
Proceeds from sale of property, plant and equipment		5 972	117 002	3 848	193 665
Investments in subsidiaries		-	-	(35 000)	(247 493)
Investments in other companies		(19 656)	(4 333)	(19 496)	(4 333)
Proceeds from the sale of investments		21 174	-	21 174	-
Loans to subsidiaries		-	-	(316 300)	-
Loans to other companies		-	(500 127)	-	(500 127)
Net cash flows to/ from investing activities		**(1 113 101)**	**(1 228 004)**	**(905 861)**	**(1 077 696)**
CASH FLOWS TO/ FROM FINANCING ACTIVITIES					
Dividends paid		(54 881)	-	(54 881)	-
Grants received		432 884	376 707	79 295	42 059
Loans repaid to credit institutions	33	(1 687 488)	(849 205)	(1 488 166)	(749 544)
Lease repayments	33	(1 167 381)	(850 806)	(236 740)	(188 932)
Other loans		-	-	-	109 178
Net cash flows to/ from financing activities		**(2 476 866)**	**(1 323 304)**	**(1 700 492)**	**(787 239)**
Change in cash and cash equivalents for the year		**(379 033)**	**575 763**	**(461 597)**	**505 807**
Cash and cash equivalents at the beginning of the year	27	**830 243**	**254 480**	**751 733**	**245 926**
Cash and cash equivalents at the end of the year	27	**451 210**	**830 243**	**290 136**	**751 733**

**See Note 3
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Chairman of the Management Board JĀNIS SAMS ____________* April 29, 2022

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Statement of changes in equity

Group

	Share capital	Share premium	Reserves	Non-current asset revaluation reserve	Retained earnings/ (accumulated loss)	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2019	**1 829 381**	**2 435 579**	**688**	**2 038 647**	**2 606 875**	**117 047**	**9 028 217**
Loss for the reporting period (restated - see Note 3.2)	-	-	-	-	(845 296)	(1 290)	(846 586)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income**	-	-	-	-	(845 296)	(1 290)	(846 586)
Depreciation of revalued items of property, plant and equipment	-	-	-	(123 691)	123 691	-	-
Share options reserves	-	-	1 285	-	-	-	1 285
Acquisition of non-controlling interest	-	-	-	-	110 765	(115 757)	(4 992)
Balance as at 31 December 2020**	**1 829 381**	**2 435 579**	**1 973**	**1 914 956**	**1 996 035**	**-**	**8 177 924**
Loss for the reporting period	-	-	-	-	(1 952 310)	-	(1 952 310)
Revaluation of fixed assets	-	-	-	214 959	-	-	214 959
Total comprehensive losses	-	-	-	214 959	(1 952 310)	-	(1 737 351)
Depreciation of revalued items of property, plant and equipment	-	-	-	(123 693)	123 693	-	-
Share option reserves	-	-	48 686	-	-	-	48 686
Dividends paid	-	-	-	-	(54 881)	-	(54 881)
Balance as at 31 December 2021	**1 829 381**	**2 435 579**	**50 659**	**2 006 222**	**112 537**	**-**	**6 434 378**

** See Note 3
The accompanying notes form an integral part of these financial statements.

Chairman of the Management Board JĀNIS SAMS ____________* April 29, 2022
Chief Accountant VINETA GRECKA ____________* April 29, 2022

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Statement of changes in equity

Parent Company

	Share capital	Share premium	Reserves	Non-current asset revaluation reserve	Retained earnings/ (accumulated loss)	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2019	**1 829 381**	**2 435 579**	**688**	**2 038 647**	**2 082 998**	**8 387 293**
Loss for the reporting period	-	-	-	-	(656 383)	(656 383)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(656 383)	(656 383)
Depreciation of revalued items of property, plant and equipment	-	-	-	(123 691)	123 691	-
Share option reserves	-	-	1 285	-	-	1 285
Balance as at 31 December 2020	**1 829 381**	**2 435 579**	**1 973**	**1 914 956**	**1 550 306**	**7 732 195**
Loss for the reporting period	-	-	-	-	(1 453 321)	(1 453 321)
Revaluation of fixed assets	-	-	-	214 959	-	214 959
Total comprehensive losses	-	-	-	214 959	(1 453 321)	(1 238 362)
Depreciation of revalued items of property, plant and equipment	-	-	-	(123 693)	123 693	-
Share option reserves	-	-	48 686	-	-	48 686
Dividends paid	-	-	-	-	(54 881)	(54 881)
Balance as at 31 December 2021	**1 829 381**	**2 435 579**	**50 659**	**2 006 222**	**165 797**	**6 487 638**

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

Chairman of the Management Board JĀNIS SAMS ____________* April 29, 2022

Chief Accountant VINETA GRECKA ____________* April 29, 2022

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Annex to the financial statement

1. General information

AS HansaMatrix (hereinafter – the Parent Company) was registered with the Republic of Latvia Enterprise Register on 30 July 1999 and re-registered with the Republic of Latvia Commercial Register on 27 December 2002 under unified registration number 40003454390. The registered office of the Parent Company is at Akmeņu iela 72, Ogre. The shares of the Parent Company are listed on Riga Stock Exchange, Latvia.
There is no parent entity for HansaMatrix. There is no ultimate parent entity for HansaMatrix.
The HansaMatrix Group (hereinafter – the Group) is a leading Baltic electronic system product developer and manufacturer. Information on the Group's structure and other related party relationships of the Group and the Parent Company is provided in Notes 18 and Note 41.
The financial statements for the year ended 31 December 2021 were approved by a decision of the Parent Company's Board on 29 April 2022.
The Parent Company's shareholders have the power to amend the consolidated and separate financial statements after the issue.

2. Important accounting principles

2.1. BASIS OF PREPARATION
The financial statements present the consolidated financial position of the AS HansaMatrix Group (i.e. AS HansaMatrix and its subsidiaries) and the financial position of AS HansaMatrix on a stand-alone basis.
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and standard interpretations published by IFRS Interpretations Committee, i.e. IFRIC as adopted by the European Union. The financial statements are prepared on a historical cost basis, unless stated otherwise in the accounting policies described below.
The monetary unit used in the financial statements is the euro (EUR). The financial statements cover the period 1 January 2021 through 31 December 20201.

2.2. BASIS OF CONSOLIDATION

2.2.1 Subsidiaries

The consolidated financial statement includes the financial statements of AS "HansaMatrix" and all subsidiaries under its control for 2021. The financial statements of the Subsidiary of the Group have been prepared for the same reporting period as the financial statements of the Parent Company, applying the same accounting principles.
Subsidiaries are the entities controlled by the parent company. Control is achieved when the Parent Company:

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

The Parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.
When the Parent company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent company considers all relevant facts and circumstances in assessing whether or not the Parent company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company discontinues the control. Reporting periods and dates of the financial statements of the Parent Company and subsidiaries correspond to those of the consolidated financial statements. Accounting policies of the subsidiaries are changed to bring them in line with that of the Group.
The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealized gains and losses on transactions between members of the Group are eliminated in full on consolidation.
In the Parent Company's financial statements investments in subsidiaries are accounted at cost less accumulated impairment.

Consolidation guidelines

2.2.2. Associate

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

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

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

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

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

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

Consolidation guidelines

2.2.3. Business combinations and goodwill

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

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

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

Revaluation of foreign currencies

2.3. REVALUATION OF FOREIGN CURRENCIES

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

Non-financial assets and liabilities

2.4. NON-FINANCIAL ASSETS AND LIABILITIES

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

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

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

2.4.2. RESEARCH AND DEVELOPMENT COSTS

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

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

2.4.1. ODM (ORIGINAL DESIGN MANUFACTURING) ASSETS

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

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

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

In the course of modifying an ODM asset by adapting it to the needs of several customers and various products, it is reclassified as property, plant and equipment, if the physical element of the asset is more significant than intangible element. If the development costs included in the asset are an integral part of the related hardware and the intangible components cannot function on their own, it is treated as property, plant and equipment. Where the costs of materials used in the development of ODM assets are prevailing, after its completion the respective asset is classified as property, plant and equipment.

Property, plant and equipment

2.5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

Revaluation of property, plant and equipment

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

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

Inventories

2.6. INVENTORIES

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

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

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

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

Net realizable value

The Group's management evaluates the net realizable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realizable value of inventories is lower than the cost of inventories, an allowance is recorded. The Group's management has evaluated the net realizable value of inventories and considers that it is not necessary to make an additional significant allowance as at 31 December 2021 (Note 23).

Grants

2.7. GRANTS

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

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

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

Provisions

2.8. PROVISIONS

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

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

This warranty does not apply to:

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

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

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

Leases

2.9. LEASES

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

Group as a lessee

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

RIGHT TO USE THE ASSET

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

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

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

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

LEASE LIABILITIES

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

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

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

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

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

Leases

Group as lessor

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

Group and Parent Company as a lessor

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

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

Financial assets and liabilities

2.10. FINANCIAL ASSETS

The Group classifies financial assets as follows:

- financial assets at amortized cost,

- equity instruments at fair value with recognition of revaluations in other comprehensive income,

- financial assets at fair value with recognition of revaluations in the income statement,

- debt instruments at fair value with the recognition of a revaluation at fair value through the recognition of revaluation in other comprehensive income.

Financial assets at amortized cost

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

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

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

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

Financial assets and liabilities

Equity investments at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

Debt instruments at fair value through other comprehensive income

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

Financial assets and liabilities

Derecognition of financial assets

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

• The rights to receive cash flows from the asset have expired or

• The trade receivable balance is subject to non-recourse factoring arrangement or

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Netting of financial instruments

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

Financial assets and liabilities

2.11. FINANCIAL LIABILITIES

The Group classifies financial liabilities as follows:

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

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial assets and liabilities

2.12. DETERMINATION OF FAIR VALUE

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

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

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

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

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

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

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

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

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

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

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

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

2.13. IMPAIRMENT OF FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

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

Impairment is measured with one of the following approaches:

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

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

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

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

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

Cash and cash equivalents

2.14. CASH AND CASH EQUIVALENTS

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

Receivables

2.15. RECEIVABLES

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

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

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

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

Factoring

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

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

During 2021 approximately 40 % of sales were made using factoring arrangement.

Revenue recognition

2.16. REVENUE RECOGNITION

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

2.16.1. Sale of goods and services

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

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

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

2.16.2. Volume rebates

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

2.16.3. Significant financing component

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

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

2.16.4. Principal versus agent consideration

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

2.16. Revenue recognition

2.16.5. Contract assets

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

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

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

2.16.7. Income from investments

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

2.17. Distribution of dividends

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

2.18.TAXES

2.18.1. Corporate income tax

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

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

2.18.2. Deferred corporate income tax

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

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

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

2.18.3. Value Added Tax

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

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

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

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

Earnings per share

2.19. EARNINGS PER SHARE

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

Share-based payment

2.20. SHARE-BASED PAYMENT

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

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

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

Subsequent events

2.21. SUBSEQUENT EVENTS

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

2.22. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

2.22.2. Revaluation of property, plant and equipment

The revaluation of certain fixed assets of the Group (Real Estate-Buildings and Land) is carried out externally, by certified valuers using the revenue method. The valuation is carried out according to property valuation standards and in accordance with IFRS 13 Fair Value, based on the existing use of fixed assets that is considered the best and most efficient. The real estate was revalued as at 31 December 2021 (Note 30).

2.22.3. Expected credit loss

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

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

2.22.4. Investment in an associate – classification

The Parent Company shall assess whether it has control or significant influence over its investments and classify them accordingly as investments in the subsidiaries, investments in associates or other investments.
According to this assessment, the Group has established that, although the Group owns more than 50% of the voting shares, it does not have control over SIA Lightspace Technologies, because according to the corporate governance documents of this company all relevant decisions regarding SIA Lightspace Technologies cannot be taken by the representative of the Group in the Supervisory Board alone, as well as the Group's ownership share in Lightspace Technologies does not allow the Group on its own to change the composition of the Supervisory Board of Lightspace Technologies in order to have it under the full control of the Group.

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

The recoverable value based on value in use calculations of the Parent Company's investment in Lightspace technologies/Lightspace Holding has been determined using cash flow forecasts prepared for six years, where the increase in turnover is determined on the basis of the planned business growth strategy, that envisages a very significant increase in revenue and the development of the Company. The calculation of the value depends on assumptions regarding the discount rate. In 2021, a rate of 32% was applied (after-tax WACC) (2020: 28%). Since SIA "Lightspace Technologies" is involved in the development, production and sale of an innovative product, the determination of the value of the investment is an essential estimate, which depends on the company's ability to attract additional financing, achieve the growth goals and sales volumes set out in the business plan.

2.22.6. Deferred tax assets and liabilities

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

2.22.7. Determination of the lease term

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

2.22.8. Revenue recognition over time

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

2.22.9. Development costs

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

2.22.10. Segments

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

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

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

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

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

3. Changes in accounting policies and disclosures

3.1. Changes in accounting policies and disclosures

(i) Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of amendments to the existing standards has not led to any material changes in the Group's and Parent Company's financial statements.

(ii) Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

3. Changes in accounting policies and disclosures

(iii) New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 March 2022 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 17 "Insurance contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Group and the Parent Company makes further assessment on the impact of these new standards and amendments, but the Group and the Parent Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group and the Parent Company in the period of initial application.

3. Changes in accounting policies and disclosures

3.2. CORRECTION OF PRIOR PERIOD ERRORS

In 2021, the Management of the Group/Parent Company identified that it was necessary to make corrections to previously recognized losses from participation in SIA Lightspace Technologies. The adjustment applies only to the Group's data. The annual report of the Group's associate company SIA Lightspace Technologies for 2020 was approved after the submission of the Group's annual report for 2020 and error in capitalization of intangible assets was later discovered , as a result of which the losses recognized by the Group from participation in SIA Lightspace Technologies increased by EUR 247 thousand. In addition, other operating income was adjusted, reducing it by EUR 48 thousand. These losses and decreases in revenue were recognized in the 2020 annual report.

	2020 EUR	Adjustment EUR	2020 Restated EUR
Statement of comprehensive income			
Other operating income	778 946	(47 509)	731 437
Losses from interests in associates	(325 146)	(247 465)	(572 611)
Loss for the reporting period	(551 612)	(294 974)	(846 586)
Statement of financial position			
Assets			
Investments in associates	2 229 852	(247 465)	1 982 387
Other receivables	351 957	(47 509)	304 448
Equity			
Loss for the reporting year	(551 612)	(294 974)	(846 586)
Cash flow statement			
Adjustments: Share of loss an associates	325 146	247 465	572 611
Adjustments: (Increase)/ decrease in receivables	(263 468)	47 509	(215 959)
Earnings Per Share	(0.30)	(0.16)	(0.46)
Diluted Earnings Per Share	(0.27)	(0.15)	(0.42)

4. Revenue from contracts with customers

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

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Baltic countries	11 375 670	9 889 574	10 753 902	9 709 990
Nordic countries	5 941 772	5 006 841	5 452 472	4 511 844
Other EU countries	1 352 878	4 843 685	1 385 020	4 390 556
Other	3 291 954	2 848 882	3 767 424	2 774 328
TOTAL:	**21 962 274**	**22 588 982**	**21 358 818**	**21 386 718**

All revenue are recognised over the time. During 2021 all revenues generated in Latvia.
During 2021 sales to customers in geographical area – Latvia amounted to EUR 11 375 670 (2020: EUR 9 889 574).
Sales efforts of AS HansaMatrix are focused on the five main product types, market sectors: data network infrastructure, the Internet of Things, industrial products, optics and photonics and other. The revenue breakdown by product types is as follows:

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Data network infrastructure	11 382 937	10 059 685	11 374 965	9 957 510
Industrial products	6 840 975	8 776 888	6 848 168	8 433 544
Internet of Things	1 803 370	1 116 571	1 593 357	1 124 017
Optics and photonic products	1 186 637	1 272 027	38 950	575 727
Other products	748 355	1 363 811	1 503 378	1 295 920
TOTAL:	**21 962 274**	**22 588 982**	**21 358 818**	**21 386 718**

All revenue constitutes one operating segment. Revenue from contracts with customers is also disclosed in Note 8.
The Group has one customer with total sales exceeding 10 % of the Group's revenues. During 2021 Sales to this customer amounted to EUR 8 881 532 (2020 EUR 7 584 428)

4.1. CONTRACT BALANCES

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Trade receivables	1 652 572	755 890	782 198	367 664
Contract assets	1 487 173	2 225 865	589 232	1 020 872
Contract liabilities	1 185 335	788 670	1 064 113	694 030
TOTAL:	**4 325 080**	**3 770 425**	**2 435 543**	**2 082 566**

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

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

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

5. Cost of sales

	Group		Parent Company	
	2021	**2020**	**2021**	**2020**
	EUR	**EUR**	**EUR**	**EUR**
Cost of raw materials	8 521 613	10 072 050	7 454 032	8 914 802
Production process costs	3 967 356	3 695 699	10 767 996	10 609 808
Personnel costs (Note 14)	2 273 857	2 632 521	24 428	41 766
Depreciation and amortization (Notes 16 and 17)	2 112 131	1 891 521	933 793	856 717
Research costs	689 638	858 832	1 734	285 575
t.sk. personnel costs (Note 14)	*334 635*	*368 315*	-	-
t.sk amortization and depreciation (Notes 16 and 17)	*104 826*	*44 389*	-	-
Production facilities utilities	643 813	452 088	39 975	32 211
Transport costs	168 344	249 437	149 200	133 802
Repair and maintenance expenses	119 293	53 648	17 210	12 816
Change in allowances for slow-moving items (Note 23)	100 122	(66 784)	100 122	(68 425)
Low-value equipment	69 713	116 528	23 642	15 586
Real estate tax	10 000	10 390	8 505	8 505
Other production costs	150 131	50 313	13 644	349
TOTAL:	**18 826 011**	**20 016 243**	**19 534 281**	**20 843 512**

6. Distribution costs

	Group		Parent Company	
	2021	**2020**	**2021**	**2020**
	EUR	**EUR**	**EUR**	**EUR**
Personnel costs (Note 14)	648 804	733 943	22 224	56 297
Marketing expense	130 246	31 663	125 419	29 122
Transport expense	22 287	59 536	4 043	9 268
Business trips expense	8 672	2 468	-	1 170
Communications expense	7 849	9 608	170	401
Other sales-related costs	-	19 389	-	-
TOTAL:	**817 858**	**856 607**	**151 856**	**96 258**

7. Administrative expense

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Personnel costs (Note 14)	1 145 291	947 878	689 351	509 761
Depreciation and amortization (Notes 16 and 17)	370 444	346 733	238 283	178 691
Costs of professional services*	123 517	74 991	95 257	53 643
Bank services commission	97 202	74 342	91 415	70 481
Employee training, recruitment expense	49 966	53 180	3 430	1 730
Office expense	39 895	33 153	61 827	60 734
Representation expense	38 680	36 740	765	861
Costs of providing administrative functions	38 451	59 440	38 451	59 440
Transport expense	35 443	39 731	14 511	16 063
Insurance	32 753	29 217	24 789	26 158
IT expense	29 618	13 768	78 508	1 314
Non-operating expense	11 183	8 346	2 698	1 047
Communications expense	10 251	10 409	3 099	4 269
Business trips expense	5 255	6 223	5 029	6 044
Allowances for doubtful receivables	(25 164)	(27 426)	1 540	(30 525)
Other administrative expense	72 322	31 620	31 344	5 696
TOTAL:	**2 075 107**	**1 738 345**	**1 380 297**	**965 407**

* Includes the total fee paid to the firm of certified auditors SIA Deloitte Audits Latvia for the annual audit amounting to EUR 39 000.

8. Other operating income

	Group		Parent Company	
	2021 EUR	2020 Corrected EUR	2021 EUR	2020 EUR
Income from research grant recognition*	293 990	265 267	-	-
Income from EU grant recognition (one-off)**	268 811	22 130	600	258
Income from EU grant recognition (deferred income)***	192 858	227 078	157 835	192 054
Revenue from the sale of inventory	150 111	-	-	-
Revenue from rent of premises, equipment	6 840	15 619	324 606	314 847
Gain on disposal of property, plant and equipment, net	2 454	13 866	263	13 866
Income from LIAA remuneration support	-	29 201	-	29 201
Currency exchange gain, net	-	113 916	-	113 916
Other income	89 531	44 360	11 550	7 189
TOTAL:	**1 004 595**	**731 437**	**494 854**	**671 331**

Other operating income

*The revenue from research funding is as follows:
In 2021, the Company in cooperation with SIA HansaMatrix Ventspils continued to implement research No.1.2 managed by SIA LEO RESEARCH CENTRS. "Development of electronics for multifocal augmented and virtual reality displays" supervised by the Ministry of Economics project No. 1.2.1.1/18/A/006 "Latvian electrical and optical equipment industry competence center", which is implemented in the program "Support for the development of new products and technologies in the system of competence centers". The project implementation deadline is 19 months starting from May 1, 2020, but in fact the study was completed in 15 months and ended on July 31, 2021. Total costs of the project No. 1.2. are EUR 409 488.64 (SIA HansaMatrix Innovation- 306 695.56, SIA HansaMatrix Ventspils – 102 793.08 EUR), including ERDF support funding of EUR 279 998.89 (SIA HansaMatrix Innovation – EUR 229 089.74; SIA HansaMatrix Ventspils – 50 909,15 EUR). In 2021, the Company received ERDF funding within the framework of the 1.2 research in the amount of EUR 132 870.

In 2020, in cooperation with SIA Lightspace Technologies the Company started realization of SIA LEO petījumu centrs and Ministry of Economics managed applied research project: research no 1.16. "Development of integrated electronics for head position tracking and remote assistance functionality" project No. 1.2.1.1/18/A/006 "Latvian electrical and optical equipment industry competence center" which is implemented in the measure "Support for the development of new products and technologies in the system of competence centers". The foreseen duration of the project is 20 months, starting on November 1st, 2020, but in fact the study was completed on 31 December 2021, i.e. within 14 months. Total cost of the project No. 1.16. are EUR 330 751.48 (HansaMatrix Innovation – EUR 145 021.15, Lightspace Technologies – EUR 185 730.33), including ERDF support funding of EUR 218 585.07 (HansaMatrix Innovation – EUR 108 765.87; Lightspace Technologies – EUR 109 819.20). In 2021, within the framework of the research no 1.16, SIA HansaMatrix Innovation received ERDF funding in the amount of EUR 91 852.

In 2020, SIA HansaMatrix Innovation participated as the third party in the Horizon-2020 project "Next Generation Enhanced Augmented Reality 3D Glasses for medical education, pre-procedural planning, intra-procedural visualization, and patient rehabilitation — NGEAR 3D" (hereinafter- NGEAR).". The foreseen duration of the project is 24 months, starting on July 1st, 2020. The total planned cost of the project is 145 625 EUR, including the European Commission support funding 101 837.50 EUR. In 2021 the Company received as pre-financing EUR 69 268 regarding NGEAR project.

** One-off income from the EU grant recognition represents financing received for the implementation of specific projects during the reporting period.
***Deferred income from the EU grant recognition represents financing received for the acquisition of property, plant and equipment, which is taken to income over the useful life of the relevant asset.

9. Other operating expense

	Group		Parent Company	
	2021 EUR	**2020 EUR**	**2021 EUR**	**2020 EUR**
Currency exchange losses, net	60 153	995	59 278	-
Loss on disposal of property, plant and equipment, net	19 479	1 794	19 479	-
Penalties	17 132	31 314	1 862	3 099
Corporate income tax on non-business related expense	6 501	10 425	2 119	7 128
Donations	-	6 807	-	3 300
Write-offs of receivables	-	2 358	-	2 358
TOTAL:	**103 265**	**53 693**	**82 738**	**15 885**

10. Impairment loss on non-financial assets

	Group		Parent Company	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Impairment loss on assets* (goodwill and PPE under construction)	1 357 586	-	-	-
Impairment of investment in subsidiary	-	-	805 953	-
Other	32 123	-	32 123	-
TOTAL:	**1 389 709**	**-**	**838 076**	**-**

- In 2021, the Group recognized the losses related to its investments in SIA Zinātnes Parks, which are related to significantly increased construction costs of new industrial objects and the change of the Group's plans regarding the implementation of this project.
- SIA Zinātnes parks is developing high-tech industrial park in territory of Riga Airport. During 2021 the recoverable amount of goodwill and the construction in progress has been estimated using the estimated value fair value less cost to sell. As the basis of the value estimation the Group used the market value determined by independent valuator based on the income approach. The fair value measurement corresponds to the Level 3 of the fair value hierarchy. The estimated value is sensitive to the number of key assumptions. Significant assumptions in the valuation report relate to the estimated construction costs, planned rent rates (used monthly rent rates range from 4.75 EUR per m2 for production premises to 12.00 EUR per m2 for office premises), occupancy rate (used long term vacancy of 95%), discount rate (used 9%). In the previous year the Group assessed recoverable amount using value in use calculations based on business strategy to develop real estate by the Group itself.

11. Financial income

	Group		Parent Company	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Interest on loan Macro Riga, SIA	11 318	10 290	11 318	10 290
Interest on loan to Zinātnes Parks, SIA	-	-	54 720	-
Interest on loan to HansaMatrix Innovation, SIA	-	-	22 479	20 806
Interest from banks	103	-	103	-
TOTAL:	**11 421**	**10 290**	**88 620**	**31 096**

12. Financial costs

	Group		Parent Company	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Interest expense	411 919	429 534	395 962	413 781
Changes in fair value of warrants	227 518	306 555	227 518	306 555
Interest expense on lease liabilities	153 496	123 053	31 620	24 792
Directly attributable transaction costs	55 610	42 121	54 759	40 805
Change in fair value of loan	-	-	300 000	-
Change in fair value of a financial instruments other than warrants	19 066	38 533	384 786	38 533
TOTAL:	**867 609**	**939 796**	**1 394 645**	**824 466**

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

13. Corporate income tax

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Corporate income tax calculated for the reporting year on dividends	13 720	-	13 720	-
Corporate income tax on non-operating expense*	6 501	10 425	2 119	7 128
Total corporate income tax::	**20 221**	**10 425**	**15 839**	**7 128**

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

14. Personnel costs and number of employees

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Wages and salaries	3 690 267	4 073 292	628 979	493 194
State social insurance mandatory contributions	842 079	972 829	121 573	111 762
Employee health insurance	37 960	43 398	2 662	1 457
Other personnel costs	2 985	4 813	60	1 411
TOTAL:	**4 573 291**	**5 094 332**	**753 274**	**607 824**

Including key management personnel compensation

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
MANAGEMENT BOARD				
Wages and salaries	441 477	282 648	288 362	209 829
State social insurance mandatory contributions	103 259	67 048	67 139	49 510
Share options	25 870	896	25 870	896
Other personnel expenses	1 470	1 093	1 094	896
TOTAL:	**572 076**	**351 685**	**382 465**	**261 131**
SUPERVISORY BOARD				
Wages and salaries	58 696	45 716	58 696	45 716
State social insurance mandatory contributions	9 713	10 810	9 713	10 810
Other personnel expenses	10	12	10	12
TOTAL:	**68 419**	**56 538**	**68 419**	**56 538**

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

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Cost of sales (Note 5)	2 273 857	2 632 521	24 428	41 766
Cost of sales – under research costs (Note 5)	334 635	368 315	-	-
Distribution costs (Note 6)	648 804	733 943	22 224	56 297
Administrative expense (Note 7)	1 145 291	947 878	689 351	509 761
Wages and salaries – under contract assets	29 694	223 336	-	-
Wage and salaries – capitalized to fixed assets	141 010	188 339	17 271	-
TOTAL:	**4 573 291**	**5 094 332**	**753 274**	**607 824**

	Group		Parent Company	
	2021	**2020**	**2021**	**2020**
Average number of employees in the reporting year	**183**	**208**	**13**	**13**

15. Earnings per share

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

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

	Changes	Actual number of shares after transaction	Actual number of shares after transaction
2020			
Number of shares at the beginning of the year	-	1 829 381	1 829 381
Number of shares at the end of the year	-	1 829 381	1 829 381
Weighted average number of shares:			**1 829 381**
Number of share options for HansaMatrix AS employees			9 550
Guarantee security issued by the EIB			205 298
Potential number of shares			**2 044 229**
2021			
Number of shares at the beginning of the year	-	1 829 381	1 829 381
Akciju skaits gada beigāsNumber of shares at the end of the year	-	1 829 381	1 829 381
Weighted average number of shares:			**1 829 381**
Number of share options for HansaMatrix AS employees			12 650
Warrant issued by the EIB			205 298
Potential number of shares			**2 047 329**

	2021	**2020**
		Restated
	EUR	**EUR**
Net profit attributable to shareholders	(1 952 310)	(846 586)
Weighted average number of shares	1 829 381	1 829 381
Earnings per share (EUR):	(1.07)	(0.46)
Net profit attributable to shareholders	(1 952 310)	(846 586)
Potential number of shares	2 047 329	2 044 229
Earnings per share (EUR):	(0.95)	(0.41)

On June 11, 2021 HansaMatrix paid dividends of EUR 54,881.43 (fifty-four thousand eight hundred eighty-one EUR 43 cents) or EUR 0.03 (three cents) per share.

16. Intangible assets

Group

	ODM assets	Other intangible assets	Goodwill	TOTAL
	EUR	EUR	EUR	EUR
COST				
As at 31 December 2019	**319 084**	**1 485 319**	**360 653**	**2 165 056**
Additions	-	276 321	-	276 321
Disposals	-	(38 010)	-	(38 010)
As at 31 December 2020	**319 084**	**1 723 630**	**360 653**	**2 403 367**
Additions	123 445	225 013	-	348 458
Disposals	(1 197)	(18 172)	-	(19 369)
Impairment (See Note 10)	-	-	(360 653)	(360 653)
As at 31 December 2021	**441 332**	**1 930 471**	**-**	**2 371 803**
ACCUMULATED AMORTISATION				
As at 31 December 2019	**9 086**	**995 672**	**-**	**1 004 758**
Charge for the year	-	187 470	-	187 470
Disposals	(477)	(35 218)	-	(35 695)
As at 31 December 2020	**8 609**	**1 147 924**	**-**	**1 156 533**
Charge for the year	39 107	237 463	-	276 570
Disposals	(1 197)	(17 827)	-	(19 024)
As at 31 December 2021	**46 519**	**1 367 560**	**-**	**1 414 079**
NET CARRYING AMOUNT				
As at 31 December 2020	**310 475**	**575 706**	**360 653**	**1 246 834**
As at 31 December 2021	**394 813**	**562 911**	**-**	**957 724**

Parent Company

	Other intangible assets	TOTAL
	EUR	EUR
COST		
As at 31 December 2019	**1 170 595**	**1 170 595**
Additions	262 683	262 683
Disposals	(8 234)	(8 234)
Reclassification	18 695	18 695
As at 31 December 2020	**1 443 739**	**1 443 739**
Additions	211 422	211 422
Disposals	(14 785)	(14 785)
As at 31 December 2021	**1 640 376**	**1 640 376**
ACCUMULATED DEPRECIATION		
As at 31 December 2019	**720 844**	**720 844**
Depreciation	161 544	161 544
Disposals	(8 234)	(8 234)
Reclassification	18 695	18 695
As at 31 December 2020	**892 849**	**892 849**
Depreciation	220 731	220 731
Disposals	(14 785)	(14 785)
As at 31 December 2021	**1 098 795**	**1 098 795**
NET CARRYING AMOUNT		
As at 31 December 2020	**550 890**	**550 890**
As at 31 December 2021	**541 581**	**541 581**

16. Intangible assets

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

	Group		Parent Company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	EUR	EUR
Cost of amortized intangible assets	1 003 666	891 685	758 053	683 431

17.Fixed assets

Group

	Land and buildings	Machinery and equipment	Other fixtures and fittings, tools and equipment	Right-of-use asset (Note 32)	Leasehold improvements	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
COST/REVALUED VALUE							
As at 31 December 2019	**5 672 180**	**14 424 645**	**2 633 531**	**3 537 071**	**193 392**	**2 295 463**	**28 756 282**
Additions	29 027	72 437	143 918	942 155	61 607	257 236	1 506 380
Disposals	-	(400 223)	(34 126)	(212 877)	-	(961)	(648 187)
Reclassification	1 020	181 655	-	-	-	(182 675)	-
As at 31 December 2020	**5 702 227**	**14 278 514**	**2 743 323**	**4 266 349**	**254 999**	**2 369 063**	**29 614 475**
Additions	-	382 993	172 828	1 887 833	51 524	164 788	2 659 966
Disposals	(32 123)	(69 775)	(49 050)	(67 749)	(1 781)	(89 179)	(309 657)
Revaluation	214 960	-	-	-	-	-	214 960
Reclassification	377 434	-	-	-	-	(377 434)	-
As at 31 December 2021	**6 262 498**	**14 591 732**	**2 867 101**	**6 086 433**	**304 742**	**2 067 238**	**32 179 744**
ACCUMULATED DEPRECIATION/IMPAIRMENT							
As at 31 December 2019	**2 076 947**	**9 598 113**	**1 930 844**	**880 133**	**127 732**	**-**	**14 613 769**
Charge for the year	197 111	879 589	280 987	795 881	37 157	-	2 190 725
Disposals	-	(400 223)	(26 860)	(202 594)	-	-	(629 677)
As at 31 December 2020	**2 274 058**	**10 077 479**	**2 184 971**	**1 473 420**	**164 889**	**-**	**16 174 817**
Charge for the year	199 440	867 643	247 545	975 228	20 975	-	2 310 831
Impairment of assets	-	-	-	-	-	996 933	996 933
Disposals	-	(69 775)	(45 532)	(22 213)	(1 781)	-	(139 301)
As at 31 December 2021	**2 473 498**	**10 875 347**	**2 386 984**	**2 426 435**	**184 083**	**996 933**	**19 343 280**
NET CARRYING AMOUNT							
As at 31 December 2020	**3 428 169**	**4 201 035**	**558 352**	**2 792 929**	**90 110**	**2 369 063**	**13 439 658**
As at 31 December 2021	**3 789 000**	**3 716 385**	**480 117**	**3 659 998**	**120 659**	**1 070 305**	**12 836 464**

Fixed assets

Parent company

	Land and buildings	Equipment and machinery	Other fixtures and fittings, tools and equipment	Right-of-use asset (Note 32)	Leasehold improvements	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
COST/REVALUED VALUE							
As at 31 December 2019	**5 672 180**	**5 720 992**	**257 374**	**429 002**	**51 876**	**397 055**	**12 528 479**
Additions	29 027	19 408	59 349	419 096	-	148 941	675 821
Disposals	-	(391 942)	(28 958)	(196 719)	-	(961)	(618 580)
Reclassification	1 020	181 655	81 310	-	-	(182 675)	81 310
As at 31 December 2020	**5 702 227**	**5 530 113**	**369 075**	**651 379**	**51 876**	**362 360**	**12 667 030**
Additions	-	295 982	17 463	428 037	-	35 220	776 702
Disposals	(32 122)	(62 210)	(38 860)	(67 749)	-	(20 146)	(221 087)
Revaluation	214 959	-	-	-	-	-	214 959
Reclassification	377 434	-	-	-	-	(377 434)	-
As at 31 December 2021	**6 262 498**	**5 763 885**	**347 678**	**1 011 667**	**51 876**	**-**	**13 437 604**
ACCUMULATED DEPRECIATION							
As at 31 December 2019	**2 076 947**	**2 489 631**	**184 631**	**185 129**	**51 727**	**-**	**4 988 065**
Charge for the year	197 111	498 484	41 599	136 521	149	-	873 864
Disposals	-	(223 035)	(28 352)	(186 436)	-	-	(437 823)
Reclassification	-		81 310	-	-	-	81 310
As at 31 December 2020	**2 274 058**	**2 765 080**	**279 188**	**135 214**	**51 876**	**-**	**5 505 416**
Charge for the year	199 440	511 323	34 560	206 022	-	-	951 345
Disposals	-	(62 210)	(38 860)	(22 213)	-	-	(123 283)
As at 31 December 2021	**2 473 498**	**3 214 193**	**274 888**	**319 023**	**51 876**	**-**	**6 333 478**
NET CARRYING AMOUNT							
As at 31 December 2020	**3 428 169**	**2 765 033**	**89 887**	**516 165**	**-**	**362 360**	**7 161 614**
As at 31 December 2021	**3 789 000**	**2 549 692**	**72 790**	**692 644**	**-**	**-**	**7 104 126**

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

As at December 31, 2021, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. Based on the assessment performed, management has concluded that there are no indications of impairment of non-current assets as at December 31, 2021, except for impairment of construction in progress and land (see Note 10).

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

	Group		Parent Company	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	EUR	**EUR**	**EUR**	**EUR**
Cost of depreciated assets	7 358 294	6 984 986	351 148	406 613

Fixed assets

Pledges and other restrictions on title

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

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

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Cost of sales (Note 5)	2 112 131	1 891 521	933 793	856 717
Costs of research and product development (Note 5)	104 826	44 389	-	-
Administrative expense (Note 7)	370 444	346 733	238 283	178 691
SUBTOTAL:	**2 587 401**	**2 282 643**	**1 172 076**	**1 035 408**
Depreciation charge included in contract assets	-	1 840	-	-
Depreciation charge included in fixed asset value	-	93 712	-	-
TOTAL:	**2 587 401**	**2 378 195**	**1 172 076**	**1 035 408**

Real estate revaluation

Revaluations are made with sufficient regularity (not less frequently than every 5 years) to ensure that the carrying amount of real estate (land and buildings) does not differ materially from that which would be determined using fair value at the end of reporting period. The revaluation is performed by certified valuators.

If land and buildings were measured using the cost model, the carrying amount would be as follows:

	31.12.2021 EUR	31.12.2020 EUR
Costs	3 059 703	2 682 269
Accumulated depreciation and impairment	(1 244 802)	(1 169 054)
Net carrying amount	**1 814 901**	**1 513 215**

18. Investments in subsidiaries

Investments in subsidiaries

			Parent Company's investment		Financial data of investee			
			31.12.2021	31.12.2020	2021 Statement of Comprehensive Income	31.12.2021 Equity	2020 Statement of Comprehensive Income	31.12.2020 Equity
Company	**Business**	**%**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Subsidiaries								
SIA HansaMatrix Ventspils (Latvia)	Integrated production in Ventspils manufacturing plant	100	426 862	426 862	41 870	1 338 419	190 862	1 296 548
SIA HansaMatrix Innovation (Latvia)	New product development; creation and licensing of intellectual property; prototype production	100	300 000	300 000	81 268	965 001	32 964	883 733
SIA HansaMatrix Parogre (Latvia)	Integrated production at Pārogre manufacturing plant	100	200 000	200 000	259 782	1 241 170	190 793	981 388
SIA Zinātnes parks (Latvia) since 30.04.2019.	Development of infrastructure of hi-tech industrial park in the territory of Riga airport	74,67 from 30.04.2019/ 100% from 30.09.2020	- *	805 953	(1 114 392)	(663 125)	(10 824)	451 266
AS Lightspace Holding (Latvia) since 27.12.2021.		100% Voting shares	9 396 268	-	-	9 579 756	-	-
Total subsidiaries			**10 323 130**	**1 732 815**	**(731 472)**	**12 461 221**	**403 795**	**3 612 935**

* The investment value is fully impaired during 2021 (see Note 10).

Investments in subsidiaries

SIA HansaMatrix Ventspils

(hereinafter – HansaMatrix Ventspils) is a subsidiary, established on 1 November 2005 (until 26 April 2016 named SIA Ventspils Elektronikas Fabrika). The Company was established in order to create for AS HansaMatrix a second manufacturing plant at a sufficient distance from the Riga region to have a reasonably separate labor market. The creation of a second manufacturing plant was necessary minimize the labor availability risks by placing HansaMatrix plants in different regions of Latvia.

Currently, HansaMatrix Ventspils ensures integrated production services mostly for clients who require box build processes. The business model is to sell production services to the Parent Company, which manages the added value chain from raw materials and component sourcing to selling the final product to the client.

As at 31 December 2021, the equity of HansaMatrix Ventspils was EUR 1 338 thousand and the profit for 2021 amounted to EUR 42 thousand. The Parent Company intends to increase its orders to the subsidiary, and to continue increasing its contracting with the subsidiary. HansaMatrix equity exceeds the investment's net carrying amount in the Parent Company's balance sheet, which is EUR 427 thousand as at 31 December 2021. The Parent Company considers the investment in HansaMatrix Ventspils as fully recoverable.

SIA HansaMatrix Pārogre

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

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

On 4 June 2019, HansaMatrix, the sole shareholder of HansaMatrix Pārogre, increased its share capital from EUR 2800 to EUR 200 000 by issuing and paying up 197 200 new shares with a par value EUR 1 each. After the capital increase, HansaMatrix Pārogre capital consists of 200 000 shares with a nominal value of EUR 1 each.

As at 31 December 2021, the equity of HansaMatrix Pārogre equity was EUR 1 241 thousand, and the profit for 2021 was EUR 259 thousand. The Parent Company intends to expand orders to HansaMatrix Pārogre in the future, and make greater use of its capacities. HansaMatrix Pārogre equity exceeds the net carrying amount of the investment in the Parent Company's balance sheet, which was EUR 200 000 as at 31 December 2021. The Parent Company considers the investment in HansaMatrix Pārogre as fully recoverable.

Investments in subsidiaries

SIA HansaMatrix Innovation

hereinafter– HansaMatrix Innovation) is a subsidiary, established on 6 August 2014 (until 26 April 2016 known as SIA Mārupes Elektronikas Tehnoloģijas). The Company was established to develop new products, automation solutions and innovations, as well as to develop a rapid industrialization organization, including the manufacture of prototypes, offering a "fast time to market" solution for new products.

Starting from Q1 2017, the HansaMatrix Group has concentrated all new product and technology development activities and assets in its 100% subsidiary HansaMatrix Innovation SIA.

In recent years, teams of engineers and researchers at HansaMatrix Innovation R&D have developed world-class competencies in some directions of electro-optical use, such as AR/VR (virtual and augmented reality) hardware; heads up display optical systems, fast structured light projection systems or 3D robotic vision systems. The development of medical products complies with ISO13485 quality management system and EN60601-1 safety standards. Experience has been gained in a number of new technical areas, including high-precision current monitoring and plastic-molding technology.

In 2021, HansaMatrix Innovation's engineering competencies were transferred mainly to HansaMatrix associate company SIA Lightspace Technologies, HansaMatrix within the framework of other companies in the group the capacity of engineers is used for industrialization and development of existing customer products as needed. HansaMatrix Innovation continues to manage its R&D-related assets without further providing of R&D services to the Group's companies or to third parties.

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

As at 31 December 2021, the equity of HansaMatrix Innovation was EUR 965 thousand, and the profit for 2021 was EUR 81 thousand. The company's equity exceeds the net carrying amount of the investment the Parent Company's balance sheet, which was EUR 300 thousand as at 31 December 2021. The Parent Company considers the investment in HansaMatrix Innovation as fully recoverable.

Investments in subsidiaries

SIA Zinātnes parks

(hereinafter – Zinātnes parks) was established to develop hi-tech products for electronics and optics companies as well as infrastructure for an industrial park at Riga Airport.

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

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

On 25 September 2020, HansaMatrix acquired 25.33% of the shares of SIA Zinātnes parks for EUR 5 thousand and SIA Zinātnes parks became a 100% subsidiary of HansaMatrix.

As at 31 December 2020, the balance of the convertible investment loan issued by HansaMatrix to Zinātnes parks amounted to EUR 1,066 million. The loan was issued and used for taking over a lease on a land plot of 4.51 ha, the purchase of a partially constructed building and designing the construction of industrial premises with a total area of 26 thousand m2 on the Riga International Airport territory. The loan agreement provides that the loan can be either repaid or refinanced in the future. Besides, HansaMatrix reserves the right to request a conversion of the loan into share capital at a par value. Part of the loan in the amount of EUR 0.8 million was converted to Zinātnes parks equity on 29 April 2019.

On the date of making the additional investment, the Group gained control over Zinātnes parks. It's previously held equity investment of 24% was remeasured to fair value at the date of the business combination and formed part of the consideration transferred.

Since April 30, 2019 SIA Zinātnes parks belongs to AS HansaMatrix Group.

In 2021, the Group and the Parent Company carried out a value revaluation for investments in SIA Zinātnes parks of EUR 1,172 million due to significantly increased construction costs of new industrial facilities.

At the end of the reporting period, the total investments of the Parent Company in SIA Zinātnes parks amounted to EUR 756 thousand, which 100% consists of a convertible loan.

At the end of the reporting period, the value of the Group's assets related to investments in SIA Zinātnes parks amounted to EUR 1 056 thousand, which consists 100% of the capitalized costs of establishing fixed assets.

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

The value of the investments of the Group and the Parent Company in SIA Zinātnes parks has been determined using an evaluation prepared by an independent real estate appraiser (see Note 10).

Investments in subsidiaries

AS Lightspace Holding

After evaluating strategic development opportunities in order to ensure both the increase in the value of shareholder investments and the achievement of further strategic development goals, HansaMatrix started the reorganization process at the end of 2021.

Upon its commencement, the Company established a subsidiary company AS Lightspace Holding, investing as a contribution in kind all 17,445 or 67.7% of Lightspace Technologies' shares owned by the Company with a value of EUR 8,671 thousand and HansaMatrix's amounts due from Lightspace Technologies in the amount of EUR 690 thousand, as well as invested EUR 35 thousand in share capital.

The Supervisory Board of HansaMatrix has approved the commencement of the reorganization process of HansaMatrix, in which the shares of Lightspace Holding owned by the Company will be divested from HansaMatrix, as a result of the reorganization, by establishing a new acquiring company.

The division of HansaMatrix will be carried out in compliance with the rights of all HansaMatrix shareholders, the Company's and creditors' rights, and will be carried out in accordance with the possible legal form.

For strategic reasons, HansaMatrix's reorganization decision is currently postponed indefinitely. In the event that the reorganization process is resumed, shareholders will be presented with a detailed reorganization decision at least a month in advance.

INCOME FROM INVESTMENTS IN SUBSIDIARIES

In 2021 and 2020, the Parent Company did not receive any dividends from its subsidiaries.

19. Loan to subsidiary

	Group		Parent Company	
	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 EUR	31.12.2020 EUR
Convertible loan to SIA Zinātnes parks	-	-	1 421 720	1 066 200
Changes in fair value of loan to SIA Zinātnes parks	-	-	(665 720)	-
Loan to SIA HansaMatrix Innovation	-	-	954 855	916 876
TOTAL:	**-**	**-**	**1 710 855**	**1 983 076**
Short-term	-	-	756 000	1 066 200
Long-term	-	-	954 855	916 876

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

20. Investments in associates

			The contribution of the Parent Company		Financial data of the investee			
			31.12.2021	31.12.2020	2021 Income Statement (unaudited)	31.12.2021 Equity (unaudited)	2020 Restated Income statement	31.12.2020 Restated Equity
Company	**Business**	**%**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Associate								
SIA Lightspace Technologies (Latvia)	Development and commercialization of 3D display technologies	49,86 % / 67,70% from 15.11.2021	-	3 709 889	(1 604 042)	7 806 532	(1 124 413)	3 124 150
Total associates			**-**	**3 709 889**	**(1 604 042)**	**7 806 532**	**(1 124 413)**	**3 124 150**

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

Investments in associates

SIA Lightspace Technologies

(hereinafter – Lightspace Technologies) was established on 12 February 2014 as a subsidiary of SIA EUROLCDS. In 2016, SIA EUROLCDS was restructured, and SIA Lightspace Technologies was split off from it. As a result, on 9 March 2016 AS HansaMatrix acquired 451 shares or 16.11% of the share capital of SIA Lightspace Technologies, proportionate to its share capital in SIA EUROLCDS.

On 10 January 12017, the investment loan to SIA Lightspace Technologies of EUR 200 thousand was converted into equity shares. After the conversion, the HansaMatrix held 866 shares or 17.21% of the share capital of SIA Lightspace Technologies.

On 21 April 2017, AS HansaMatrix signed an agreement with KS AIF Imprimatur Capital Technology Venture Fund on granting the next investment round of EUR 799 365 to SIA Lightspace Technologies. Accordingly, AS HansaMatrix planned to invest EUR 649 635, which were paid in 2017 increasing its shareholding in SIA Lightspace Technologies to 33.07%.

On 23 May 2017, AS HansaMatrix signed an agreement with Hornell Teknikinvest AB on purchasing 14.21% of its shares in SIA Lightspace Technologies after which AS HansaMatrix became the owner of 47.28% of the shares in SIA Lightspace Technologies.

On 8 May 2018, SIA Lightspace Technologies increased its share capital by issuing 7 186 new shares. After the share capital increase, the Company's share capital is EUR 13 871 and consists of 13 871 shares.

The share capital was increased as follows:

a) KS BaltCap Latvia Venture Capital Fund acquired 4 300 new shares of SIA Lightspace Technologies via a contribution in kind, i.e. contributing 1 117 shares or 34.33% of equity interest in SIA EUROLCDS worth of EUR 892 501.48;

b) HansaMatrix acquired 2 386 new shares of SIA Lightspace Technologies via a contribution in kind, i.e. contributing 360 shares or 11.06% of equity interest in SIA EUROLCDS worth of EUR 287 646.06, and via cash contribution of EUR 483 000 from the AS HansaMatrix' operating cash flow;

c) and Ilmārs Osmanis, Chairman of the Board of HansaMatrix, acquired 500 new shares of SIA Lightspace Technologies via a cash contribution of EUR 500 EUR.

After the share capital increase, the breakdown of the share capital of SIA Lightspace Technologies was as follows: 44.08% - KS BaltCap Latvia Venture Capital Fund; 39.99% - AS HansaMatrix; 9.34% - KS AIF Imprimatur Capital Technology Venture Fund; 3.60% - Ilmārs Osmanis, 2.99% KS AIF Imprimatur Capital Seed Fund.

The new shares of SIA Lightspace Technologies were paid via the above contributions in kind on 26 April 2018 as follows: the title to the 360 shares or 11.06% in SIA EUROLCDS owned by HansaMatrix and 1 117 shares or 34.33% in SIA EUROLCDS owned by KS BaltCap Latvia Venture Capital Fund was transferred to SIA Lightspace Technologies (stock swap).

As a result of the transaction, Lightspace Technologies has obtained 76.12% of the shares in its main supplier SIA EUROLCDS thus ensuring an optimal business structure and reducing supply chain risks; moreover, after the transaction, SIA EUROLCDS is no longer an associate of HansaMatrix. The remaining 23.88% of the shares in SIA EUROLCDS belong to Hornell Teknikinvest AB, a company incorporated in Sweden.

On 28 July 2018, SIA MACRO RĪGA acquired 1620 shares or 11.68% of equity interest in SIA Lightspace Technologies from the fund KS BaltCap Latvia Venture Capital Fund managed by SIA BaltCap AIFP. As a result the share capital was split among the shareholders of SIA Lightspace Technologies as follows: AS HansaMatrix – 39.99%, KS BaltCap Latvia Venture Capital Fund – 32.40%, KS AIF Imprimatur Capital Technology Venture Fund - 9.34%, Ilmārs Osmanis – 3.6%, KS AIF Imprimatur Capital Seed Fund – 2.99%.

In order to strengthen the paid-up capital of SIA Lightspace Technologies, on 30 September 2019, HansaMatrix increased its equity interest in SIA Lightspace Technologies to 49.86% by paying up the new 2730 (two thousand seven hundred thirty) shares of SIA Lightspace Technologies issued according to the decision of its shareholders, dated 30 September 2019, and amounting to EUR 1.5 million or EUR 550 each. The payment was made through conversion of the convertible loan.

Investments in associates

Following the transaction, the shareholding structure of Lightspace Technologies is the following: 49.86% – HansaMatrix. 27.07% – BaltCap Latvia Venture Capital Fund, 12.77% – Ilmārs Osmanis, 7.8% – Imprimatur Capital Technology Venture Fund, 2.5% – Imprimatur Capital Seed Fund.
In 2021 HansaMatrix has not made additional investments in SIA Lightspace Technologies, but the loan issued by HansaMatrix to SIA Lightspace Technologies in the amount of EUR 4.96 million was converted to equity in full.
On 15 November 2021, Lightspace Technologies, associate of HansaMatrix, increased its share capital by issuing 9,168 new shares. After the increase of the Company's share capital, its share capital is EUR 25 769 and consists of 25 769 capital shares.
The share capital was increased by the largest shareholder, HansaMatrix, by making a financial contribution in the form of an existing convertible loan of EUR 4,96 million, thus acquiring all the new shares.
On December 27, 2021 HansaMatrix established AS Lightspace Holding, investing in its equity all 17,445 or 67.7% of Lightspace Technologies' shares with a value of EUR 8,672 thousand and HansaMatrix's amounts due from Lightspace Technologies in the amount of EUR 690 thousand, as well as invested EUR 35 thousand in the share capital in accordance with the approval of HansaMatrix Supervisory Board.
Distribution of share capital of Lightspace Technologies is as follows: 67.70% AS Lightspace holding; 17,44 % KS BaltCap Latvia Venture Capital Fund AIF KOM; 8.23 % Ilmārs Osmanis; 5,03 % KS AIF Imprimatur Capital Technology Venture Fund KOM; 1,61 % KS AIF Imprimatur Capital Seed Fund KOM.
At the end of the reporting period, the investments of the 100% owned subsidiary AS Lightspace Holding by the Parent Company amounted to EUR 8 672 thousand investments in SIA Lightspace Technologies, that consisted of paid-up capital.
At the end of the reporting period, the value of the Group's assets related to investments in SIA Lightspace Technologies amounted to EUR 6 107 thousand. (accounted for at a consolidated level using the equity method).

Investments in SIA "Lightspace Technologies" Group

	2021 EUR	2020* Restated EUR
Group's share SIA Lightspace Technologies	49.86% / 67.70%	49.86%
Value of the investment at the beginning of the year	1 982 387	2 554 998
Conversion of the loan into shares	4 961 733	-
SIA Lightspace Technologies loss for the year attributable to majority shareholders	(1 604 042)	(1 124 413)
Group's share of loss of an associate recognized in the income statement	(837 321)	(572 611)
Investment balance sheet value (Group)	**6 106 799**	**1 982 387**

*SIA Lightspace Technologies annual report for 2020 was approved after submission of the Group's annual report for 2020, as a result of which the recognized losses from participation increased by EUR 247 465, additionally the other income from economic activity was adjusted, reducing them by EUR 47 509. These losses and decreases in revenue were recognized in the 2021 annual report.

** Until 15 November 2021, the Group's share in equity was 49.86%, afterwards – 67.70%.

	2021 EUR	2020 Restated EUR
Net assets of associate (unaudited)	7,806,532	3,124,150
Less: Revaluation of production equipment not accounted by the Group	(1399 887)	-
Net assets of associate excluding effect of revaluation	6 406 645	3 124 150
Proportion of the Group's ownership interest in the associate	**4 337 299**	**1 557 701**
Effect of conversion of convertible loans to equity without speceific allocation to the underlying assets and liabilities of the investee	1 769 500	424 686
Investment balance sheet value (Group)	**6 106 799**	**1 982 387**

Investments in associates

The Group does not have control over SIA Lightspace Technologies because, according to the corporate governance documents of this company, all relevant decisions regarding SIA Lightspace Technologies cannot be taken by the representative of the Group in the Supervisory Board alone, as well as the Group's ownership share in Lightspace Technologies does not allow the Group on its own to change the composition of the Supervisory Board of Lightspace Technologies in order to have it under the full control of the Group.

The recoverable amount based on value in use of investment in Lightspace Technologies is determined on the basis of the cash flow projections for six years, where the increase in turnover is determined on the basis of the planned business growth strategy, which envisages a very significant increase in revenue. The calculation of the value depends on assumptions regarding the discount rate. In 2021, a rate of 32% was applied (after-tax WACC) (2020: 28%). Since SIA Lightspace Technologies is engaged in the development, production and sale of an innovative product, the determination of the value of the investment is a significant estimate, which depends on the company's ability to attract additional financing, achieve the growth goals and sales volumes set out in the business plan.

In 2021, the consolidated, unaudited revenue of SIA Lightpace Technologies amounted to EUR 0.70 million (EUR 0.52 million in 2020) and the reporting year was completed at a net loss of EUR 1,64 million compared to the net loss result of EUR 1.24 million in 2020. As at 31 December 2021, Lightspace Technologies had total assets of EUR 11.6 million compared to EUR 10,8 million EUR at the end of the previous reporting year. At the end of 2021, Lightpace Technologies' assets consisted of intangible assets (intellectual property, patents and licenses and other goodwill) 63%, property, plant and equipment 28% and current assets 9% of total assets, financed with equity 55%, long-term liabilities 19% and current liabilities 26% of the total value of assets. In 2021, Lightspace technbologies did not pay dividends.

Investment loans to associates

	Koncerns	
	31.12.2021 EUR	31.12.2020 EUR
Convertible loan to SIA "Lightspace Technologies"	4 961 573	4 461 446
Loan increase	160	500 127
Conversion of the loan into shares	(4 961 733)	-
Total	**-**	**4 961 573**

Convertible loan to SIA "Lightspace Technologies" is measured ar fair value with a change in profit or loss.

Historically, the convertible interest-free investment loan to Lightspace Technologies for financing the development of 3D imaging technologies was issued in 2017, 2018, 2019 and 2020, and as at 31 December 2021 amounted to EUR 4.962 million. In 2021, the loan was technically increased by 160 EUR and its 100% conversion was carried out into an investment in equity.

The purpose of the loan to SIA Lightspace Technologies is the development of optically deep 3D image display technologies and innovative product development on the basis thereof. One of the assets of SIA Lightspace Technologies is the 100% owned SIA Lightspace Technologies, Inc. (Delaware), which in turn has approximately 10 patents on volumetric multi-planar 3D displays; the latter secures the intellectual property rights for this innovation in most of the world, including the USA, Europe, China, Korea and other territories.

It is also a part of AS HansaMatrix development strategy envisioning equity investments in companies which have a synergy with AS HansaMatrix integrated manufacturing service and with HansaMatrix Innovation engineering and knowledge resources, and which can lead to new, high value-added product manufacturing within 3 to 5 years.

21.Investments in other companies

Strategic investments in service organizations:

		Group		Parent Company	
	%	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 EUR	31.12.2020 EUR
Investments					
SIA "LEO RESEARCH CENTRE" (Latvia)	10,43	-	-	711	711
SIA "LEO RESEARCH CENTRE" (Latvia)	15,6	995	996	-	-
Buildit Latvia Seed Fund (Latvia)	6,67	44 168	24 671	44 168	24 671
SIA "LEITC" (Latvia)	4,25	16 419	16 419	16 419	16 419
	TOTAL:	**61 582**	**42 086**	**61 298**	**41 801**

SIA LEO PĒTĪJUMU CENTRS was established on 27 July 2010 by 15 companies and research institutions in Latvian Electronics and Optics Cluster. AS HansaMatrix owns 711 of 6 392 shares, representing 11.12% of the total shares. SIA HansaMatrix Ventspils owns 284 of 6 392 shares, or 4.44%. Together investments by the Group in SIA LEO PĒTĪJUMU CENTRS total 995 shares, representing 14.6% of the total 6 392 shares in the company or 15.56%.

The company was established to administer projects for the competence center for companies working in the electronics and optics sector. AS HansaMatrix and SIA HansaMatrix Innovation participate in grant programs managed by SIA LEO PĒTĪJUMU CENTRS.

SIA "LEITC" was established on 14 July 2011. On 12 September 2012, in exchange for writing off a EUR 14 929 zero-interest loan to Latvian Electrical Engineering and Electronics Industry Association, AS HansaMatrix acquired 79 shares in SIA LEITC, representing 3.95% of the share capital.

On 14 July 2014, SIA LEITC renominated its share capital in the EUR; as a result, the entity's total share capital was EUR 2 840 as the par value of each share changed. Accordingly, the number of the entity's shares owned by AS HansaMatrix increased from 79 to 112.

On 17 October 2017, AS HansaMatrix entered into an agreement with LSIA ARCUS ELEKTRONIKA on the acquisition of 9 shares or 0.32% of the shares in SIA LEITC. After the acquisition date, AS HansaMatrix owns 4.25% of the shares in SIA LEITC.

The company was established in cooperation with other industry partners, to create and manage the only accredited electromagnetic compatibility testing laboratory in the Baltics, which significantly speeds up the compliance process for CE and FCC standards during the development of new products.

The fair value of the investment of AS HansaMatrix in SIA LEITC and SIA LEO PĒTĪJUMU CENTRS is based on the company's book value of equity. The assessment showed that as at 31 December 2021 the carrying amount of the investment of AS HansaMatrix in SIA LEITC and SIA LEO PĒTĪJUMU CENTRS corresponded to the fair value of this financial instrument.

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

The investment period of the Fund is limited to 5 years from the first conclusion date provided by the Limited Partnership Agreement, namely, till 20 June 2023. The deadline for the Fund operations is set by 20 June 2026. The meeting of the Fund's investors may decide on the extension of its operations by one year. No more than two one-year extension decisions may be passed.

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

22. Other financial assets and liabilities

Other financial assets

		Group		Parent Company	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
	%	EUR	EUR	EUR	EUR
Right to acquire shares					
Airdog Inc (USA)	1,45	115 692	115 692	115 692	115 692
Accumulated decrease in fair value		(94 518)	(77 128)	(94 518)	(77 128)
Proceeds from sales		(21 174)	-	(21 174)	-
	TOTAL:	**-**	**38 564**	**-**	**38 564**

On 8 October 2018, AS HansaMatrix entered into a warrant agreement with SIA Airdog and Airdog Inc (incorporated in Delaware, USA). The agreement grants AS HansaMatrix a right to acquire 365 235 preferred shares (Series A) in Airdog Inc Series for 0.001 USD per share until 9 October 2028. The value of the potentially obtainable shares amount to USD 246,460.84 as a compensation for the outstanding receivable amounts and other balances due from SIA Airdog to AS HansaMatrix.

The fair value of Airdog Inc. (USA) preferred share warrants owned by HansaMatrix is determined on the basis of the asset purchase agreement of 16 March 2020 signed by Airdog, Inc., a company registered in Delaware (USA), and SIA Airdog (as Sellers) and a U.S. based technology company as the Buyer to sell and transfer to the Buyer certain assets of the Sellers, implying that after settling the Sellers' liabilities the remaining amount is to be distributed to the holders of Series A shares (preferred shares) of Airdog Inc.

On April 21, 2021, HansaMatrix converted its Airdog Inc. series A preferred share options and acquired 365,235 Airdog Inc. series A preference shares, while on September 16, 2021, Airdog Inc. made a payment to HansaMatrix under the above-mentioned purchase sale agreement of USD 25,035.68 (EUR 21,174).

Other financial liabilities

	Group		Parent Company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	EUR	EUR
EIB warrants	1 880 003	1 652 485	1 880 003	1 652 485
TOTAL:	**1 880 003**	**1 652 485**	**1 880 003**	**1 652 485**

EIB Convertible warrants securities are measured at fair value through profit or loss.

On 3 December 2018 HansaMatrix signed a EUR 10 million financing agreement with European Investment Bank (EIB) to expand its manufacturing capacity and build a more all-round business model. The facility is made possible by the European Fund for Strategic Investments (EFSI), the core of the Investment Plan for Europe.

The financing will support HansaMatrix' ongoing growth strategy and the ongoing shift from manufacturing towards offering a full range of services, including value added design, engineering and aftermarket services. The financing will also help HansaMatrix boost its research and development activities as well as advance its 3D-image display technology developed by Lightspace Technologies. All investments will be made in Latvia, at the existing sites of HansaMatrix, namely, in Mārupe, Ogre and Ventspils.

On 6 December 2018, meeting the conditions of the EUR 10 million financing agreement with EIB, HansaMatrix issued 205 298 warrants that are held by EIB and can be converted at the holders' discretion into 205 298 HansaMatrix shares via a new share issue provided that as a result of the new share issue EIB obtains 10% of the HansaMatrix' total share capital.

AS HansaMatrix fulfilled all the conditions of the financing agreement with EIB and on 19 December 2018 received the first tranche of EUR 5 000 000.

The EIB warrants are classified as financial liabilities at fair value through profit or loss (FVTPL). The fair value of warrants is determined using the Black-Scholes model. The estimate depends, inter alia, on the average weighted share market price for the period of last quarter as at the reporting date, the purchase price of the option (1 EUR per share), the average stock price fluctuation rate (volatility) of the last 4 years – 44.19%, the term of the contract and other criteria.

23. Inventories

	Group		Parent Company	
	31.12.2021 EUR	**31.12.2020 EUR**	**31.12.2021 EUR**	**31.12.2020 EUR**
Raw materials and consumables (at cost)	4 300 684	2 217 157	3 975 594	1 806 512
Allowances for raw materials and consumables	(344 911)	(244 851)	(339 598)	(239 476)
TOTAL:	**3 955 773**	**1 972 306**	**3 635 996**	**1 567 036**

The total value of inventories used amounted to EUR 8 526 407 in 2021, and EUR 9 483 287 in 2020.

Movement in allowances for slow-moving items:

	Group		Parent Company	
	2021 EUR	**2020 EUR**	**2021 EUR**	**2020 EUR**
At the beginning of the year	**244 851**	**311 635**	**239 476**	**307 901**
Decrease in allowance	(52 140)	(140 805)	(50 495)	(139 770)
Created in the reporting year	152 200	74 021	150 617	71 345
At the end of the year	**344 911**	**244 851**	**339 598**	**239 476**

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

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

24. Trade receivables from contracts with customers

	Group		Parent Company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	EUR	EUR
Trade receivables without factoring	1 165 568	624 596	304 101	124 883
Allowances for expected credit losses/doubtful receivables	(4 336)	(29 500)	(2 108)	(568)
Net receivables at amortised cost:	**1 161 232**	**595 096**	**301 993**	**124 315**
Receivables under factoring arrangements (10% of original amount) at Fair value	492 469	160 794	492 469	145 592
TOTAL:	**1 653 701**	**755 890**	**794 462**	**269 907**

On 11 December 2018, HansaMatrix signed new factoring agreements with SEB līzings for the total amount of EUR 2.41 million to be used for financing of working capital and operations, including export transactions. The agreements expire on 22 December 2021.
Trade receivables are non-interest bearing and are generally on 30-60 days' terms.

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

	Total	Not past due	Past due				
			<30	30-60	60-90	90-120	>120
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Applied ECL %		0.30%	1%	5%	10%	15%	40%-100%
Group							
Other trade receivables, gross	1 165 568	1 022 294	121 167	10 115	10 000	-	1 992
Allowances for expected credit losses	(4 336)	(664)	(1 212)	(468)	-	-	(1 992)
2021	**1 161 232**	**1 021 630**	**119 955**	**9 647**	**10 000**	**-**	**-**
Parent Company							
Other trade receivables, gross	304 101	174 320	120 413	9 368	-	-	-
Allowances for expected credit losses	(2 108)	(435)	(1 204)	(469)	-	-	-
2021	**301 993**	**173 885**	**19 209**	**8 899**	**-**	**-**	**-**

As at 31 December 2020, the ageing analysis of the receivables may be specified as follows

	Total	Not past due	Past due				
			<30	30-60	60-90	90-120	>120
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Applied ECL %		0.30%	1%	5%	10%	15%	40%-100%
Group							
Other trade receivables, gross	624 596	86 359	159 238	23 269	121	76 053	279 556
Allowances for expected credit losses	(29 500)	(138)	(440)	(314)	(24)	(10 584)	(18 000)
2020	**595 096**	**86 221**	**158 798**	**22 955**	**97**	**65 469**	**261 556**
Parent Company							
Other trade receivables, gross	124 883	47 790	66 766	10 327	-	-	-
Allowances for expected credit losses	(568)	(138)	(425)	(5)	-	-	-
2020	**124 315**	**47 652**	**66 341**	**10 322**	**-**	**-**	**-**

25. Receivables from related companies from contracts with customers

	Group		Parent Company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	EUR	EUR
SIA "HansaMatrix Pārogre"	-	-	7 930	2 139
SIA "HansaMatrix Ventspils"	-	-	4 334	21 937
SIA "HansaMatrix Innovation"	-	-	-	73 681
TOTAL:	**-**	**-**	**12 264**	**97 757**

The Parent Company evaluates receivables form related companies as a separate receivable portfolio, considering that historically the unrecovered debts for this portfolio were equal to 0, no ECL is being recognized during year 2021.

26. Other receivables

	Group		Parent Company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	EUR	EUR
Accrued income	129 917	100 121	-	-
Overpaid VAT	95 726	197 758	89 863	189 466
Security deposit	55 539	3 247	18 788	2 988
Contribution to the united tax account	1 452	-	1 424	-
Other customers	690	3 322	-	34
TOTAL:	**282 324**	**304 448**	**110 075**	**192 488**

27. Cash and cash equivalents

	Group		Parent Company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	EUR	EUR
Cash at bank	451 210	830 243	290 136	751 733
TOTAL:	**451 210**	**830 243**	**290 136**	**751 733**

Cash and cash equivalents by currency profile:

	Group		Parent Company	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	EUR	EUR	EUR	EUR
EUR	399 524	317 907	238 606	244 062
USD	51 686	512 336	51 530	507 671
TOTAL:	**451 210**	**830 243**	**290 136**	**751 733**

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

28. Share capital

As at 31 December 2021, the share capital of the Parent Company was EUR 1 829 381 (31 December 2020: EUR 1 829 381). The nominal value of one share is 1 EUR (31 December 2020: EUR 1). All the shares are fully paid.

Since 12 July 2016, shares of the Parent Company have been listed on the Riga Stock Exchange. The following table summarizes the changes in the number of shares and their nominal value:

	Number of shares	Nominal value, EUR	Share capital, EUR	Share premium, EUR
31.12.2021	**1 829 381**	**1**	**1 829 381**	**2 435 579**
31.12.2020	**1 829 381**	**1**	**1 829 381**	**2 435 579**

Major shareholders (over 5% of equity interest) of the Parent Company:

	31.12.2021		31.12.2020	
Major shareholders (over 5% of equity interest) **Shareholder**	**Number of shares and votes**	**Equity interest**	**Number of shares and votes**	**Equity interest**
SIA MACRO RĪGA	559 282	30.57%	623 198	34.07%
ZGI-4 AIF KS	275 562	15.06%	275 562	15.06%
KS BaltCap Latvia Venture Capital Fund	182 000	9.95%	182 000	9.95%
KS FlyCap Investment Fund I AIF	162 632	8.89%	175 738	9.61%
IPAS CBL Asset Management Managed funds	120 000	6.56%	120 000	6.56%
Funds managed by Swedbank Investeerimisfondid AS	99 038	5.41%	259 943	14.30%
Funds managed by Swedbank Ieguldījumu Pārvaldes Sabiedrība AS	93 369	5.10%	93 369	5.10%
Other	337 498	18.45%	99 571	5.35%
TOTAL:	**1 829 381**	**100%**	**1 829 381**	**100.00%**

29. Reserves

	Group		Parent Company	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	EUR	**EUR**	**EUR**	**EUR**
Share capital denomination reserve	313	313	313	313
Share option reserve	50 346	1 660	50 346	1 660
TOTAL:	**50 659**	**1 973**	**50 659**	**1 973**

30. Non-current asset revaluation reserve

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

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

In the 2021 valuation, the average market rental rate for similar real estate objects was applied, the discount rate of 9%, the capitalization rate of 7.5%, the occupancy 80%-98%, the indexation of revenue and costs applied 2% per year.

	Group		Parent Company	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	EUR	**EUR**	**EUR**	**EUR**
Revaluation reserve (building)	1 651 518	1 775 209	1 651 518	1 775 209
Transferred to retained earnings	(123 693)	(123 691)	(123 693)	(123 691)
Revaluation of buildings - reserve changes	232 636	-	232 636	-
	1 760 461	**1 651 518**	**1 760 461**	**1 651 518**
Revaluation reserve (land)	263 438	263 438	263 438	263 438
Revaluation land - reserve changes	(17 677)	-	(17 677)	-
	245 761	**263 438**	**245 761**	**263 438**
TOTAL:	**2 006 222**	**1 914 956**	**2 006 222**	**1 914 956**

31. Loans from credit institutions

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

Non-current

			Group		Parent company	
Initial loan	Interest rate	Maturity	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Amount		Maturity	EUR	EUR	EUR	EUR
5 200 000 EUR	3m EURIBOR+2,1%	25.12.2022.	-	1 660 203	-	1 660 203
2 000 000 EUR	3m EURIBOR+2,1%	30.11.2023.	998 739	1 343 317	998 739	1 343 317
980 000 EUR	3m EURIBOR+2,1%	22.12.2022.	-	298 983	-	-
5 000 000 EUR		30.11.2023.	4 378 694	4 096 590	4 378 694	4 096 590
		Non-current loans from credit institutions :	**5 377 433**	**7 399 093**	**5 377 433**	**7 100 110**
		Loan agreement closing costs – non-current position	(7 225)	(9 064)	(7 225)	(9 064)
		TOTAL:	**5 370 208**	**7 390 029**	**5 370 208**	**7 091 046**

Total amount borrowed from the European Investment Bank (Note 22) EUR 5 000 000. Loan measured in the balance sheet at the amortized cost.

Current

			Group		Parent company	
Initial loan	Interest rate	Maturity	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Amount		Maturity	EUR	EUR	EUR	EUR
5 200 000 EUR	3m EURIBOR+2,1%	25.12.2022.	1 800 190	1 040 000	1 800 190	1 040 000
2 000 000 EUR	3m EURIBOR+2,1%	30.11.2023.	352 496	400 000	352 496	400 000
980 000 EUR	3m EURIBOR+2,1%	20.12.2022.	298 983	199 322	-	-
700 000 EUR	3m EURIBOR+2,1%	22.12.2021.	-	196 071	-	196 071
		Current loans from credit institutions :	**2 451 669**	**1 835 393**	**2 152 686**	**1 636 071**
		Accrued interest	1 471	1 936	1 471	1 936
		Loan agreement closing costs – current portion	(20 106)	(8 258)	(20 106)	(8 258)
		TOTAL:	**2 433 034**	**1 829 071**	**2 134 051**	**1 629 749**

Loans from credit institutions

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

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

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

	Group		Parent Company	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	EUR	**EUR**	**EUR**	**EUR**
Payable:				
In less than one year	2 451 669	1 835 393	2 152 686	1 636 071
Between one and five years	5 377 433	7 399 093	5 377 433	7 100 110
In more than five years	-	-	-	-
TOTAL:	**7 829 102**	**9 234 486**	**7 530 119**	**8 736 181**

As at 31 December 2021, the unused credit line amount available to the Group and the Parent Company was EUR 700 000 (31 December 2020: EUR 235 125). As at 31 December 2021 and 2020 all the Group and Parent Company’s property, plant and equipment and current assets were pledged as security for the loans received. The pledge agreements are registered in the Commercial Pledge register.

As at 31 December 2021, the Group did not fulfil several financial covenants specified in the financing agreements with AS SEB banka, which is explained by the impact of the global component deficit on business volumes in the second half of 2021. After the end of the reporting year, AS SEB banka has confirmed that it will not exercise its right to withdraw from financing agreements prior to maturity due to the non-fulfilment of the abovementioned financial covenants as of 31 December 2021.

32. Lease

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

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

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

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

Group

	Other intangible assets	Property and land	Equipment and machinery	Motor vehicles	TOTAL
	EUR	EUR	EUR	EUR	EUR
As at 31 December 2019	**5 082**	**1 501 304**	**1 086 811**	**63 741**	**2 656 938**
Correction	6 716	(27 893)	20 177	1 000	-
Additions	-	808 368	14 042	119 745	942 155
Disposals	-	-	-	(10 283)	(10 283)
Depreciation charge	(6 042)	(580 255)	(173 413)	(36 171)	(795 881)
As at 31 December 2020	**5 756**	**1 701 524**	**947 617**	**138 032**	**2 792 929**
Correction	-				-
Additions	-	1 885 845	-	1 988	1 887 833
Disposals	-	-		(45 536)	(45 536)
Depreciation charge	(4 797)	(773 469)	(162 686)	(34 276)	(975 228)
As at 31 December 2021	**959**	**2 813 900**	**784 931**	**60 208**	**3 659 998**

Parent Company

	Other intangible assets	Property and land	Equipment and machinery	Motor vehicles	TOTAL
	EUR	EUR	EUR	EUR	EUR
As at 31 December 2019	**-**	**61 927**	**144 427**	**37 519**	**243 873**
Additions	-	327 609	-	91 487	419 096
Disposals	-	-	-	(10 283)	(10 283)
Depreciation charge	-	(95 671)	(19 136)	(21 714)	(136 521)
As at 31 December 2020	**-**	**293 865**	**125 291**	**97 009**	**516 165**
Additions	-	426 049	-	1 988	428 037
Disposals	-	-	-	(45 536)	(45 536)
Depreciation charge	-	(165 077)	(18 177)	(22 768)	(206 022)
As at 31 December 2021	**-**	**554 837**	**107 114**	**30 693**	**692 644**

Lease (cont'd)

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

	Group		Parent Company	
	2021	**2020**	**2021**	**2020**
	EUR	**EUR**	**EUR**	**EUR**
As at beginning of the period	**2 646 642**	**2 555 293**	**462 142**	**207 186**
Additions	1 887 833	942 155	428 037	419 096
Disposals	(22 786)	-	(22 786)	-
Interest	153 496	123 053	31 620	24 792
Payments	(1 167 381)	(973 859)	(236 740)	(188 932)
As at end of the period	**3 497 804**	**2 646 642**	**662 273**	**462 142**
Current	1 042 451	960 475	207 567	145 583
Non-current	2 455 353	1 686 167	454 706	316 559

The following are the amounts recognized in profit or loss:

	Group		Parent Company	
	2021	**2020**	**2021**	**2020**
	EUR	**EUR**	**EUR**	**EUR**
Depreciation expense of right-of-use assets	975 228	795 881	206 022	136 521
Interest expense on lease liabilities	153 469	123 053	31 620	24 792
Lease origination costs	104	2 673	104	2 673
TOTAL:	**1 128 828**	**921 607**	**237 746**	**163 986**

Group as a lessor

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

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

33.Changes in liabilities arising from financing activities

Group

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

	1 January 2020	Cash flows	New leases	Other	31 December 2020
	EUR	EUR	EUR	EUR	EUR
Current interest-bearing loans and borrowings (excluding items listed below)	1 874 479	(849 205)	-	803 797	1 829 071
Current lease liabilities (Note 32)	826 058	(973 859)	220 642	887 634	960 475
Non-current interest-bearing loans and borrowings (excluding items listed below)	7 930 600	-	-	(540 571)	7 390 029
Non-current lease liabilities (Note 32)	1 729 235	-	721 513	(764 581)	1 686 167
Dividends	-	-	-	-	-
Total liabilities from financing activities	**12 360 372**	**(1 823 064)**	**942 155**	**386 279**	**11 865 742**

Changes in liabilities arising from financing activities

Parent Company

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

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

34. Deferred income

	Group		Parent Company	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
Balance at the beginning of the period	**909 833**	**1 124 311**	**752 228**	**931 682**
Grants received	78 695	12 600	78 695	12 600
Released to income (Note 8))	(192 858)	(227 078)	(157 835)	(192 054)
Balance at the end of the period	**795 670**	**909 833**	**673 088**	**752 228**
Current	192 666	185 758	142 075	135 168
Non-current	603 004	724 075	531 013	617 060

Participation of the Parent Company in EU projects

In 2019, HansaMatrix started investing in the technological equipment and the realization of European Regional Development Fund (ERDF) funded project "Development of experimental production of 3D volumetric imaging equipment and its components" under ERDF "Operational Program "Growth and Jobs" 1.2.1 Specific Support Objective "Increase Private Investment in R&D" measure 1.2.1.4. "Support for Introduction of New Products in Production". Total and eligible costs of the aforementioned project amount to EUR 2.9 million, with the planned ERDF funding EUR 1 million, or 35% of the eligible project costs.

In 2019, interim payments were received for the equipment already in operation and purchased under the project. In 2020, the Parent Company began to recognize revenue from the financing received for the equipment purchased and put into operation in 2019. In 2020, the recognized amount was EUR 125 233, in 2021 EUR 91 013.

35. Advances received under contracts with customers

In 2018, the Group started cooperation with new customers. Manufacturing of new products is material intensive and requires specific materials for which prepayments must be made. The advances received in the years 2019-2021 will be settled upon the product sale.

Movement in advances and breakdown according to the set settlement term:

	Group		Parent Company	
	2021	2020	2021	2020
	EUR	EUR	EUR	EUR
At the beginning of the year	**788 670**	**1 192 478**	**694 030**	**1 078 124**
Recognized in revenue	(2 055 653)	(1032 821)	(1949 679)	(978 207)
Received	2 452 318	629 013	2 319 762	594 113
At the end of the year	**1 185 335**	**788 670**	**1 064 113**	**694 030**
Current	1 185 335	788 670	1 064 113	694 030
Non-current	-	-	-	-

36. Trade payables

	Group		Parent Company	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	EUR	**EUR**	**EUR**	**EUR**
Trade payables, EUR	4 019 566	2 954 338	2 223 535	1 223 067
Trade payables, USD	1 651 504	532 173	1 644 113	523 880
Trade payables, NOK	46 092	7 470	46 092	7 470
Trade payables, GBP	-	2 440	-	2 440
Trade payables, SEK	613	539	613	539
TOTAL:	**5 717 775**	**3 496 960**	**3 914 353**	**1 757 396**

Trade payables are measured at amortized cost.

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

	Group		Parent Company	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
	EUR	**EUR**	**EUR**	**EUR**
Trade payables without factoring	5 385 324	3 121 963	3 581 902	1 382 399
Trade payables with factoring	332 451	374 997	332 451	374 997
TOTAL:	**5 717 775**	**3 496 960**	**3 914 353**	**1 757 396**

The Group has signed a reverse factoring agreement with SIA SEB Līzings, limit 450 000 EUR. The agreement expires on 17 January 2023.

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

37. Taxes and mandatory state social insurance contributions

The Group and Parent Company's taxes payable to the State budget as at 31 December 2021 and 2020 may be specified as follows:

	Group		Parent Company	
	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 EUR	31.12.2020 EUR
State social insurance mandatory contributions	(310 499)	(373 583)	(15 565)	(30 429)
Personal income tax	(77 459)	(184 655)	(8 511)	(16 212)
Value added tax - payable	(145 555)	(251 832)	-	-
Value added tax - overpayment	94 726	197 758	89 863	189 466
Natural resources tax	(1 357)	(1 229)	(269)	(106)
Real estate tax	-	-	-	-
Unemployment risk duty	(23)	(75)	(6)	(5)
United tax account	1 452	-	1 424	-
TOTAL:	**(438 715)**	**(613 616)**	**66 936**	**142 714**
TOTAL PATABLE:	**(534 893)**	**(811 374)**	**(24 351)**	**(46 752)**
TOTAL RECEIVABLE (Note 26):	**96 178**	**197 758**	**91 287**	**189 466**

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

	Group		Parent Company	
	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 EUR	31.12.2020 EUR
State social insurance mandatory contributions	(65 137)	(120 223)	-	-
Value added tax - payable	(44 733)	(102 292)	-	-
Personal income tax	(31 208)	(50 902)	-	-
TOTAL:	**(141 078)**	**(273 417)**	**-**	**-**

38. Corporate income tax

	Group		Parent Company	
	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 EUR	31.12.2020 EUR
Corporate income tax - liabilities	(799)	(2 516)	(195)	(824)
Corporate income tax - claims	-	-	-	-
TOTAL:	**(799)**	**(2 516)**	**(195)**	**(824)**
TOTAL PAYABLE:	**(799)**	**(2 516)**	**(195)**	**(824)**

39. Other liabilities

	Group		Parent Company	
	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 EUR	31.12.2020 EUR
Remuneration for work	170 290	244 688	32 617	31 129
Debts to employees	5 275	404	-	-
Phone lease agreements	1 599	5 416	158	3 306
Credit card	-	520	-	520
Other liabilities	118	359	-	239
TOTAL:	**177 282**	**251 387**	**32 775**	**35 194**

40. Accrued liabilities

	Group		Parent Company	
	31.12.2021 EUR	31.12.2020 EUR	31.12.2021 EUR	31.12.2020 EUR
Accrued unused vacation	142 908	185 919	37 204	38 204
Other accrued liabilities	225 961	121 342	208 662	72 125
TOTAL:	**368 869**	**307 261**	**245 866**	**110 329**

41. Related party transactions

The major shareholder of the Parent Company is SIA MACRO RIGA", which owns 30.57% (in 2020: 34.07%) of the shares. The following table summarizes the Group's and the Parent Company's transactions with related parties in the relevant financial year

			Goods and services delivered to/ loans issued to related parties		Goods and services received from / loans received from related parties		Amounts owed by related parties (gross)		Amounts owed to related parties (gross)	
Related party	**Type of service**		**Group**	**Parent Company**	**Group**	**Parent Company**	**Group**	**Parent Company**	**Group**	**Parent Company**
			EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
1. Associates										
SIA "Lightspace Technologies" (as "HansaMatrix" share 49.86% from 30.09.2019; 67.70% from 15.11.2021)	Loan	31.12.2020	500 127	500 127	-	-	4 961 573	4 961 573	-	-
		31.12.2021	-	37 956	-	42 270	-	28 692	-	37 379
	Services, purchase of materials, sales	31.12.2020	3 975	3 975	172	172	-	-	-	-
		31.12.2021	847 212	42 270	132 310	37 956	116 356	28 692	-	37 379
	TOTAL	**31.12.2020**	**504 102**	**504 102**	**172**	**172**	**4 961 573**	**4 961 573**	**-**	**-**
	TOTAL	**31.12.2021**	**847 212**	**80 226**	**132 310**	**80 226**	**116 356**	**57 384**	**-**	**74 758**
2. Entities with significant influence over the Parent Company										
SIA Macro Riga (shareholder)	Loan	31.12.2020	10 290	10 290	-	-	551 883	551 883	-	-
		31.12.2021	11 318	11 318	-	-	563 201	563 201	-	-
	Services, purchase of materials, sales	31.12.2020	3 428	3 428	-	-	1 808	1 808	-	-
		31.12.2021	1 083	254	36 300	36 300	829	-	-	-
	TOTAL	**31.12.2020**	**13 718**	**13 718**	**-**	**-**	**553 691**	**553 691**	**-**	**-**
	TOTAL	**31.12.2021**	**12 401**	**11 572**	**36 300**	**36 300**	**564 030**	**563 201**	**-**	**-**
3. Subsidiaries										
SIA "HansaMatrix Ventspils" AS "HansaMatrix" part 100%	Production services, supply of materials	31.12.2020	-	209 287	-	6 411 646	-	21 937	-	1 277 051
		31.12.2021	-	224 696	-	6 479 579	-	4 334	-	1 296 318
SIA "HansaMatrix Innovation" AS "HansaMatrix" part 100%	Production services, supply of materials	31.12.2020	-	231 611	-	499 189	-	73 681	-	65 359
		31.12.2021	-	324 089	-	1 280 815	-	-	-	354 162
SIA "HansaMatrix Pārogre" SIA "HansaMatrix" share 100%	Production services, supply of materials	31.12.2020	-	679 478	-	6 263 238	-	2 139	-	1 385 877
		31.12.2021	-	452 694	-	6 737 413	-	7 930	-	1 701 757
SIA "Zinātnes parks" (AS "HansaMatrix" share 74.67% from 30.04.2019.)	Loan, investment in capital	31.12.2020	-	242 500	-	-	-	1 066 200	-	-
		31.12.2021	-	355 520	-	-	-	1 421 720*	-	-
AS "Lightspace Holding" AS "HansaMatrix" share 100%	Contribution to share capital	31.12.2020	-	-	-	-	-	-	-	-
		31.12.2021	-	9 396 268	-	-	-	-	-	-
	TOTAL	**31.12.2020**	**-**	**1 362 876**	**-**	**13 174 073**	**-**	**1 163 957**	**-**	**2 728 287**
	TOTAL	**31.12.2021**	**-**	**10 753 267**	**-**	**14 497 807**	**-**	**1 433 984**	**-**	**3 352 237**

* As of 31 December 2021 fair value of loan amounts to 756 thousand EUR

Related party transactions

The maturity of the loan issued by HansaMatrix to SIA MACRO RIGA is December 31, 2021.

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

		Interest charged		Amounts owed by related parties			
		2021	2020	31.12.2021		31.12.2020	
		EUR	EUR	EUR	EUR	EUR	EUR
% rate	Maturity			Current	Non-current	Current	Non-current
1,9	**31.12.2021**	**11 318**	**10 295**	**563 201**	**-**	**551 883**	**-**

	Group				Parent Company			
	31.12.2021	31.12.2021	31.12.2020	31.12.2020	31.12.2021	31.12.2021	31.12.2020	31.12.2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
SIA "MACRO RIGA"								
Loan	551 883	-	541 593	-	551 883	-	541 593	-
Interest charged	11 318	-	10 290	-	11 318	-	10 290	-
Allowance	-	-	-	-	-	-	-	-
TOTAL:	**563 201**	**-**	**551 883**	**-**	**563 201**	**-**	**551 883**	**-**

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

Terms and conditions of transactions with related parties

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

Transactions with key management personnel

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

42. Off-balance-sheet items

In the ordinary course of business, the Group receives raw materials from customers. Such raw materials are processed and delivered back to the respective customers. Raw materials are owned by customers and the Group accepts them only for processing. As at 31 December 2021, the total value of these materials was EUR 25 301 066 (31 December 2020: EUR 29 699 472).

On 22 December 2017, the Parent Company entered into a guarantee line agreement with AS SEB banka for a total amount of EUR 100 000 to receive guarantees for participation in the EU grant programs administered by Latvian authorities and to be used as security for prepayments due from customers. In 2018, the Parent Company increased the limit of the guarantee line agreement with AS SEB banka up to EUR 800 000. The guarantee line expires within one year and each year it is extended for another year; now it expires on 22 December 2022. The above agreement is secured by a commercial pledge on the Parent Company's assets. As at 31 December 2021, two guarantees were used:

a) guarantee of EUR 100 000 issued to AAS BTA Baltic Insurance Company

b) USD 219 505.71 issued to Bank Hapoalim (Israel).

On 22 December 2017, the Parent Company entered into a guarantee agreement with AS SEB banka for the liabilities of SIA Zinātnes parks arising from loan agreement No 2017012425 signed with AS SEB banka on 22 December 2017. The said loan matures on 20 December 2022.

On 22 December 2017, the subsidiaries SIA HansaMatrix Pārogre, SIA HansaMatrix Ventspils and SIA HansaMatrix Innovation entered into guarantee agreements with AS SEB banka for the liabilities of the Parent Company arising from the following agreements with AS SEB banka: loan agreement No 2017012423 of 22 December 2017 (maturing on 25 December 2022), loan agreement No 2019002164 of 03 April 2019 (maturing on 30 November 2023), overdraft agreement No 2017012422 of 22 December 2017 (maturing on 22 December 2022) and surety agreement No 2017012424 of 22 December 2017 (maturing on 22 December 2022).

On 3 December 2018, SIA HansaMatrix Ventspils, SIA HansaMatrix Pārogre and SIA HansaMatrix Innovation and in December 2020 also SIA Zinātnes parks entered into guarantee agreement with the European Investment Bank for the liabilities of the Parent Company arising from EUR 10 million financing agreements No 89375 and No 90409. The loan is repayable within 5 years after the receipt of each tranche.

43. Commitments and contingencies

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

44. Share-based payment

The expense recognized for employee services received during the year is shown in the following table:

	Group		Parent Company	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Expense arising from equity-settled share-based payment transactions	48 685	1 661	48 685	1 661
TOTAL:	**48 685**	**1 661**	**48 685**	**1 661**

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

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

	Group		Parent Company	
	2020 Number	2020 Number	2021 Number	2020 Number
Outstanding at 1 January	9 550	2 400	9 550	2 400
Granted during the year	3 600	7 300	3 600	7 300
Forfeited during the year	(500)	(150)	(500)	(150)
Outstanding at 31 December	**12 650**	**9 550**	**12 650**	**9 550**

45. Financial risk management

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

Foreign currency risk

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

45.Financial risk management

Currency risk as at 31 December 2021 and 31 December 2020 can be specified as follows:

Group

		USD	SEK	GBP	NOK	EUR	TOTAL
		EUR	EUR	EUR	EUR	EUR	EUR
Trade receivables	2021	78 623	-	-	-	1 662 349	1 740 972
	2020	129 807	-	-	-	749 735	879 542
Cash	2021	51 686	-	-	-	399 524	451 210
	2020	512 336	-	-	-	317 907	830 243
Total financial assets subject to currency risk, EUR	2021	130 309	-	-	-	2 061 873	2 192 182
	2020	642 143	-	-	-	1 067 642	1 709 785
Trade payables	2021	2 130 552	613	-	46 092	4 725 853	6 903 110
	2020	917 264	539	2 440	7 470	3 357 917	4 285 630
Total financial liabilities subject to currency risk, EUR	2021	2 130 552	613	-	46 092	4 725 853	6 903 110
	2020	917 264	539	2 440	7 470	3 357 917	4 285 630
Net assets / (liabilities) subject to currency risk, EUR	2021	**(2 000 243)**	**(613)**	**-**	**(46 092)**	**(2 663 980)**	**(4 710 928)**
	2020	**(275 121)**	**(539)**	**(2 440)**	**(7 470)**	**(2 290 275)**	**(2 575 845)**

Parent Company

		USD	SEK	GBP	NOK	EUR	TOTAL
		EUR	EUR	EUR	EUR	EUR	EUR
Trade receivables	2021	70 447	-	-	-	765 373	835 820
	2020	120 094	-	-	-	271 129	391 223
Cash	2021	51 530	-	-	-	238 606	290 136
	2020	507 671	-	-	-	244 062	751 733
Total financial liabilities subject to currency risk, EUR	2021	121 977	-	-	-	1 003 979	1 125 956
	2020	627 765	-	-	-	515 191	1 142 956
Accounts payable and other payable	2021	2 123 161	613	-	46 092	6 160 837	8 330 703
	2020	907 551	539	2 440	7 470	4 261 713	5 179 713
Total financial liabilities subject to currency risk, EUR	2021	2 123 161	613	-	46 092	6 160 837	8 330 703
	2020	907 551	539	2 440	7 470	4 261 713	5 179 713
Net assets / (liabilities) subject to currency risk, EUR	2021	**(2 001 184)**	**(613)**	**-**	**(46 092)**	**(5 156 858)**	**(7 204 747)**
	2020	**(279 786)**	**(539)**	**(2 440)**	**(7 470)**	**(3 746 522)**	**(4 036 757)**

Financial risk management

Foreign currency risk

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

Group

Exchange rate changes		Potential net effect from increase/decrease USD exchange rate	Potential net effect from increase/decrease in NOK exchange rate	Potential net effect from increase/decrease in SEK exchange rate	Potential net effect from increase/decrease in GBP exchange rate	TOTAL
		EUR	EUR	EUR	EUR	EUR
10%	2021	71 541	4 149	56	-	75 746
	2020	135 310	679	49	222	136 260
5%	2021	37 474	2 195	29	-	39 698
	2020	70 877	356	26	116	71 375
-5%	2021	(41 419)	(2 426)	(32)	-	(43 877)
	2020	(78 337)	(393)	(28)	(128)	(78 886)
-10%	2021	(87 439)	(5 121)	(68)	-	(92 628)
	2020	(165 379)	(830)	(60)	(271)	(166 540)

Parent Company

Exchange rate changes		Potential net effect from the USD exchange rate Potential net effect	Potential net effect from increase/decrease in NOK exchange rate	Potential net effect from increase/decrease in GBP exchange rate	Potential net effect from increase/decrease in SEK exchange rate	TOTAL
		EUR	EUR	EUR	EUR	EUR
10%	2021	181 926	4 190	-	56	186 172
	2020	25 435	679	222	49	26 385
5%	2021	95 294	2 195	-	29	97 518
	2020	13 323	356	116	26	13 821
-5%	2021	(105 325)	(2 426)	-	(32)	(107 783)
	2020	(14 726)	(393)	(128)	(28)	(15 275)
-10%	2021	(22 354)	(5 121)	-	(68)	(27 543)
	2020	(31 087)	(830)	(271)	(60)	(32 248)

Financial risk management

Interest rate risk

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

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

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

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

Sensitivity of the Group and the Parent Company to changes in interest rates:

Group

Year	EURIBOR	Effect on profit before tax EUR
2021	+0,5%	(22 453)
2020		(29 163)
2021	+1,0%	(44 907)
2020		(58 327)
2021	-0,5%	22 453
2020		29 163

Parent Company

Year	EURIBOR	Effect on profit before tax EUR
2021	+0,5%	(18 660)
2020		(23 681)
2021	+1,0%	(37 320)
2020		(47 362)
2021	-0,5%	18 660
2020		23 681

Financial risk management

Liquidity risk

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

Liquidity ratios are disclosed at Note 47.

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

Group

		Up to 3 months	3 to 12 months	1 to 5 years	TOTAL
Loans from credit institutions	2021	257 968	2 193 701	5 377 433	**7 829 102**
	2020	409 831	1 425 562	7 399 093	**9 234 486**
Interest	2021	17 562	45 631	17 039	**80 232**
	2020	24 934	63 955	69 645	**158 534**
Lease liabilities	2021	68 121	203 883	243 382	**515 386**
	2020	67 625	444 387	519 116	**1 031 128**
Interest	2021	2399	5 162	2 871	**10 432**
	2020	3699	9 287	10 507	**23 493**
Trade and other payables	2021	5 500 881	222 695	-	**5 723 576**
	2020	3 345 367	151 593	-	**3 496 960**
Taxes	2021	535 692	-	141078	**676 770**
	2020	813 890	-	273417	**1 087 307**
TOTAL	**2021**	**6 382 623**	**2 671 072**	**5 781 803**	**14 835 498**
	2020	**4 665 346**	**2 094 784**	**8 271 778**	**15 031 908**

Parent Company

		Up to 3 months	3 to 12 months	1 to 5 years	TOTAL
Loans from credit institutions	2021	208 137	1 944 549	5 377 433	**7 530 119**
	2020	360 000	1 276 071	7 100 110	**8 736 181**
Interest	2021	16 060	42 710	17 039	**75 809**
	2020	22 345	57 874	65 222	**145 441**
Lease liabilities	2021	8 593	26 017	23 446	**58 056**
	2020	9 229	27 939	59 421	**96 589**
Interest	2021	263	551	169	**983**
	2020	451	1 100	991	**2 542**
Trade and other payables	2021	7 164 926	107 465	-	**7 272 391**
	2020	4 485 252	431	-	**4 485 683**
Taxes	2021	24 546	-	-	**24 546**
	2020	47 576	-	-	**47 576**
TOTAL	**2021**	**7 422 525**	**2 121 292**	**5 418 087**	**14 961 904**
	2020	**4 924 853**	**1 363 415**	**7 225 744**	**13 514 012**

Financial risk management

		Group		Parent Company	
		2021	2020* Corrected	2021	2020
		EUR	EUR	EUR	EUR
EBITDA	EUR	3 732 029	3 033 726	1 876 576	1 172 395
EBITDA	%	17	13	9	5

* Restated increasing by the amount of depreciation included in the cost of work in progress, costs of fixed asset, see cash flow statement..

Credit risk

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

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

Group		31.12.2021	31.12.2020
		EUR	EUR
Trade receivables – not insured		1 248 503	718 748
Insured trade receivables (factoring)		1 773 416	1 379 394
	TOTAL:	**3 021 919**	**2 098 142**
Derecognized due to factoring arrangement		(1 280 947)	(1 218 600)
		1 740 972	**879 542**

Parent Company		31.12.2020.	31.12.2019.
		EUR	EUR
Trade receivables – not insured		331 087	147 874
Insured trade receivables (factoring)		1 773 416	1 328 477
	TOTAL:	**2 104 503**	**1 476 351**
Derecognized due to factoring arrangement		(1 280 947)	(1 182 885)
		823 556	**293 466**

Financial risk management

Capital management

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

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

Group	31.12.2021 EUR	31.12.2020 EUR
Equity	6 434 378	8 177 924
Total assets	28 537 128	28 537 569
Equity-to-asset ratio	**23%**	**29%**

Parent Company	31.12.2021 EUR	31.12.2020 EUR
Equity	6 487 638	7 732 195
Total assets	25 841 151	24 692 657
Equity-to-asset ratio	**25%**	**31%**

Geopolitical risk

A small part of the Group's turnover consists of revenue from the sale of products outside the European Union (approximately 15% of revenue), which geopolitical risk. The global electronics manufacturing services market is mainly affected by the US-China "trade war", as well as the Russia-Ukraine conflict. The increased US import tariffs on Chinese electronics products in the US market give a good advantage to Eastern European electronic system manufacturers. On the other hand, a 'trade war' is slowing down the economy and reducing investment in infrastructure. The Russia-Ukraine conflict, on the other hand, can affect and exacerbate the global semiconductor deficit and extend supply times. The situation is not stable and can change at any time. As a result of the sanctions imposed on Russia, the global economic environment will change significantly in 2022 and it will be needed to adapt to new environment.

46. Fair value

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

The tables below provide the fair value measurement hierarchy of the Group's assets and liabilities at 31 December 2021:

Group

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

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

Parent Company

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

Fair value

The tables below provide the fair value measurement hierarchy of the Group’s assets and liabilities at 31 December 2020:

Group

			Fair value is determined using the		
		Total at carrying amount	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)
	EUR	EUR	EUR	EUR	EUR
Assets and liabilities measured at fair value					
Convertible loan to SIA Lightspace Technologies	4 961 573	4 961 573	-	-	4 961 573
Convertible guarantee securities	1 652 485	1 652 485	-	1 652 485	-
Investments in other companies	42 086	42 086	-	-	42 086
Other financial investments	38 564	38 564	-	-	38 564
Assets and liabilities for which fair value is disclosed					
Loan to shareholder	551 883	551 883	-	-	551 883
Loans from credit institutions	9 219 100	9 219 100	-	9 219 100	-

Hierarchy for determining the fair value of the assets and liabilities of the Parent Company as at 31 December 2020:

Parent Company

			Fair value measurement using		
	Total at carrying amount	Total at fair value	quoted prices in active markets (Level 1)	significant observable inputs (Level 2)	significant unobservable inputs (Level 3)
	EUR	EUR	EUR	EUR	EUR
Assets and liabilities measured at fair value					
Convertible loan to SIA Zinātnes parks	1 066 200	1 066 200	-	-	1 066 200
Convertible guarantee securities	1 880 003	1 880 003	-	1 880 003	-
Investments in other companies	61 298	61 298	-	-	61 298
Assets and liabilities for which fair value is indicated					
Loan to shareholder	563 201	563 201	-	-	563 201
Loans from credit institutions	7 504 259	7 504 259	-	7 504 259	-

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

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

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

47. Going concern

As at 31 December 2021, the Group's working capital (current assets) amounted to EUR 8.533 million, including a cash balance of EUR 451 thousand. The liquidity ratio of the Group historic values from 2017 to 2021 in the exhibit below indicate the ability of the Group to effectively manage the current asset volumes.

Year	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Liquidity ratio	0.7	1.0	0.8	0.8	0.7

The Group's management has prepared the budget and cash flow projection for the year 2022 ensuring adequate resources for financing the Group's operating activities as well as the expected investment flows. The prepared budget and cash flow were adjusted to the COVID-19 virus spread emergency situation, using the best knowledge available to the management of the Company at the time of preparing these financial projections. Future developments in the business environment may differ from the forecasts of the Group's management, nevertheless the key assumptions used in the Group's cash flow and liquidity projection for the year 2022 are as follows:

- The positive market trend of increased demand in the data network and medical device sectors continues in 2022. No significant structural changes occur either in the business environment or the market both in the EU and Latvia, except for the emergency situation due COVID-19 virus spread estimated effects on the Group key financial indicators due to decrease in demand from some customers and due to potential disruptions of the supply chain;
- In 2022, the Group continues to serve the existing customers and acquires new customers.
- HansaMatrix has introduced internal code of emergency aimed to ensure safeguarding and maintaining good health of the employees in the Company. New internal regulations and business practices have been introduced to maintain operations of the Group during COVID-19 emergency situation, allowing to assume no significant business interruption due to employees contracting the virus.
- The Group invests in property, plant and equipment to maintain the equipment to the required standards and to ensure maintaining the existing production capacity and to ensure increasing the capacity if necessary;
- In 2022, the working capital is financed and increased from the Group's operating cash flow;
- In December 2021, HansaMatrix has signed agreements with SEB banka and SEB līzings to extend the maturity of factoring, overdraft, guarantee and reverse factoring for the next annual period of one year for a total amount of EUR 4.56 million for working capital financing that also include export financing transactions.
- It is planned that liabilities that arised from postponement of tax payments in 2020 and 2021 to ensure liquidity due to COVID-19 business impact are to be gradually decreased in 2022.
- The Group utilizes the opportunities of the government support as applicable to HansaMatrix group to improve liquidity situation during the COVID-19 virus spread extraordinary situation.
- Principal balances of the existing long term loans with SEB banka are amortized according to the standard agreed repayment schedules.

In 2018, the Group entered into a EUR 10 million financing agreement with the European Investment Bank. The objective of the funding is to support the AS HansaMatrix Group's planned investments in 2018-2021 amounting to EUR 20 million. The funds granted by the European Investment Bank are mainly intended for co-funding the R&D activities, IT system development, boosting the production capacity at Ogre and Ventspils manufacturing plants and investments in production automation, thus facilitating the business growth as well as for increasing working capital. The Group still has access to EUR 2.5 million from this financing, the use of which can be used as necessary by providing investments in working capital or fixed assets in the first half of 2022.

48. Events during the reporting period

On 5 January 2021 HansaMatrix announced the commencement of operations at the second plant in Ventspils, in accordance with the development plan of this production location. The Company has entered into a 10-year lease agreement with Ventspils bīvostas pārvalde for renting a newly built production building with a total area of 4600 square meters at the address Ventspils augsto tehnoloģiju parks No 7, Ventspils. The new plant will complement the existing production capacity with a new, integrated production process in the production of plastic parts and the assembly of final products containing optical elements and systems. This plant will double the assembly capacity of the Ventspils plant. As a result of the transaction, the Group's balance sheet will increase by EUR 733.6 thousand.

On March 22, 2021 Hansamatrix announced changes in management, which are planned to be made during the second quarter of 2021, appointing the Company's operational manager and member of the board, Jānis Samsa HansaMatrix, as chairman of the board, having previously fulfilled all regulatory requirements. Hansamatrix founder Ilmārs Osmanis will continue to develop LightSpace Technologies as its founder and current Chairman of the Board and will remain an important shareholder of Hansamatrix, as well as it is expected that Ilmārs Osmanis will join the Board of the Company after its planned elections at the Company's annual general meeting on May 26, 2021.

On May 7, 2021 HansaMatrix informed about the conclusion of a new production contract and receipt of the first orders for the production and delivery of high-complexity electronics devices for the production and delivery of a high-complexity electronics device to a customer of the transport industrial segment in the Nordic countries. The projected total revenue of HansaMatrix from the new contract could reach EUR 1.5 million by the end of 2022.

On May 17, 2021 Jānis Sams, Operational Manager and Member of the Board, was appointed Chairman of the Board of HansaMatrix. Along with the changes in the composition of the board, two new board members have been appointed - Gatis Grava, manager of HansaMatrix Ventspils factory, and Vitauts Galvanauskas, Ogre factory manager. Māris Macijevskis continues his work on the board and as chief financial officer of the Company. Ilmārs Osmanis, founder of HansaMatrix, former CEO and Chairman of the Board, left the position of CEO of HansaMatrix and Chairman of the Board to join the Supervisory Board of HansaMatrix.

On May 26, 2021, a new composition of the Supervisory Board was elected at the regular meeting of HansaMatrix shareholders, in which, in addition to the previous members of the Supervisory Board Ingrīda Blūma, Dagnis Dreimanis, Normunds Igolnieks and Baiba Anda Rubesa, the founder of HansaMatrix, Ilmārs Osmanis, as well as the Member of the Supervisory board Anders Lennart Borg were re-elected.

Baiba Rubesa has been confirmed as the Chairwoman of the HansaMatrix Supervisory Board, while Ingrīda Blūma will continue to serve as Deputy Chairman of the Supervisory Board. Andris Bērziņš, who was an independent member of the Supervisory Board and served on the HansaMatrix Supervisory Board since 7 October 2015 and was chairman of the Supervisory Board since 4 April 2018, has left the HansaMatrix Supervisory Board. In the new Supervisory Board, the independent members of the Supervisory Board are Ingrīda Blūma, Anders Lennart Borg and Baiba Rubesa.

On June 11, 2021 HansaMatrix paid dividends of EUR 54,881.43 (fifty-four thousand eight hundred eighty-one EUR 43 cents) or EUR 0.03 (three cents) per share.

On July 20, 2021, the President of Latvia Egils Levits met with representatives of HansaMatrix and Lightspace Technologies to discuss current events in the development of smart technologies and Latvia's contribution to innovation of these technologies in the world. The President of Latvia looked at the research and production premises of companies, where augmented reality glasses are created, which are used in the world's large automotive and other companies for optimization of production processes.

On August 6, 2021 HansaMatrix announced the conclusion of a production contract for the production and delivery of human machine interface electronics devices to an industrial segment customer in Germany. The total amount of HansaMatrix revenue from the new contract in the 9-month period from the 4th quarter of 2021 to the end of the second quarter of 2022 will reach EUR 3.3 million.

On August 12, 2021, a contract of USD 1.4 million was concluded for the production and delivery of high-complexity electronic components to an international customer in the industrial market segment, with a location outside the European Union, with planned deliveries for a 9-month period from Q2 to Q4 2022. The conclusion of this agreement is a major step forward and proves the high quality of HansaMatrix manufacturing services and the performance that requires HansaMatrix's existing aviation quality management system certification AS9100.

On September 13, 2021, the founder of HansaMatrix Ilmārs Osmanis resigned from his position as a member of the HansaMatrix Supervisory Board. I.Osmanis has worked on the Supervisory Board of HansaMatrix since May 26, 2021, and until then he has been chairman of the Management Board for many years. From now on, he will remain a significant shareholder in HansaMatrix and will advise the Company's management if necessary. I.Osmanis will devote his knowledge and energy to the development of the 3D photonics and optical solutions company LightSpace Technologies, which includes both the founder and the Chairman of the Board.

Events during the reporting period

On October 15, 2021, HansaMatrix announced that it had decided to initiate a strategic alternative evaluation process to support the Company's future growth and increase shareholder value. The Company has entered into a cooperation agreement with Superia for financial advice in the process. The Company remains confident in the implementation of its strategic business plan. At the same time, the review of strategic alternatives may allow the Company to determine an additional strategic direction of the Company's activities, which increases the value of shareholders, as a result of which one or more transactions may occur, such as a strategic or financial investor attraction transaction, the sale of part of the Company's business, the reorganization of the Group of Companies, including divestiture of the Company's shares of Lightspace Technologies into a new company.

On October 18, 2021 HansaMatrix signed a contract for the production and delivery of electronic components to a new customer in the Nordic industrial market sector related to the health and wellness sector. The volume of planned deliveries will reach up to EUR 2 million per year starting from the 1st quarter of 2022.

On October 19, 2021, HansaMatrix associate Lightspace Technologies has attracted EUR 800 thousand convertible investment loan from Estonian and Danish business angels and existing shareholders. These investments will help Lightspace Technologies to further develop existing and new products.

On 15 November 2021, HansaMatrix associate Lightspace Technologies increased its share capital by issuing 9,168 new shares. After the increase of the Company's share capital, its share capital is EUR 25 769 and consists of 25 769 shares. The share capital was increased by the largest shareholder, HansaMatrix, by making a financial contribution in the form of an existing convertible loan of EUR 4,96 million, thus acquiring all the new shares.

On 3 December, 2021, HansaMatrix associate Lightspace Technologies signed a large iG1050 head display supply agreement with a significant industrial client. The contract volume reaches 2.2 MEUR for deliveries in 2022. The parties confirm that, in the event of successful cooperation, this will continue with new volumes of supply in the coming years. The contract additionally provides for the adaptation of the iG1050 product of the head display to the selected application.

On 23 December 2021, HansaMatrix signed agreements with SEB Banka and SEB līzings on the extension of the terms of factoring, overdraft, guarantee line and reverse factoring for the next one-year period for a total amount of EUR 4.56 million for the working capital, including export transactions. In addition, SEB has approved a new leasing financing limit of EUR 1 million for HansaMatrix's investments in production facilities in 2022.

On December 30, 2021 HansaMatrix has started the reorganization process after evaluating strategic development opportunities in order to ensure both the increase in the value of shareholder investment and the achievement of the objectives of further strategic development. Upon commencing it, the Company established a subsidiary company AS Lightspace holding, investing all 17,445 or 67.7% of Lightspace Technologies' shares with a value of EUR 8,671 thousand as a contribution in kind and HansaMatrix's claim rights against Lightspace Technologies in the amount of EUR 690,000. The Supervisory Board of HansaMatrix has approved the commencement of the reorganization process of HansaMatrix, in which the shares of Lightspace holding owned by the Company will be divested from HansaMatrix, as a result of the reorganization, by establishing a new acquiring company. The division of HansaMatrix will be carried out in compliance with the rights of all HansaMatrix shareholders, the Company's and creditors' rights, and will be carried out in accordance with the possible legal form. HansaMatrix's reorganization decision was planned to be taken at an extraordinary shareholders' meeting in the first quarter of 2022, however, at the time of preparation of this report, HansaMatrix has postponed the reorganization process indefinitely for strategic reasons. In the event that work on the reorganization procedure is renewed, shareholders will be presented with a detailed reorganization decision at least a month in advance.

49. Events after the end of the reporting period

On 11 January 2022 HansaMatrix increased its share capital. HansaMatrix has previously informed that in accordance with the decisions taken by the extraordinary shareholders' meeting on 16 February 2018, the issuance of the Company's share options and the related increase of the Company's share capital with a condition were approved. On 26 November 2021, when implementing the conversion of share options, the Management Board of the Company decided to increase the Company's share capital by EUR 5500 (five thousand five hundred euros) by issuing new 5500 (five thousand five hundred) bearer shares with the nominal value of one share of EUR 1 (one euro), which were registered in the Commercial Register of the Republic of Latvia on 10 January 2022. After the increase in the share capital, the total share capital of the Company is EUR 1 834 881 (one million eight hundred threety-four thousand eight hundred eighty-one euro).

On 24 February 2022 HansaMatrix received a production order for the production and delivery of aquaculture systems to a new client in the Nordic industrial market sector related to the aquaculture sector. The volume of planned deliveries in three years amounts to EUR 5 million from the second quarter of 2022. HansaMatrix's Management Board is pleased, because the order received confirms the team's ability to implement the growth strategy in the face of shortage of electronic components, confirms the Company's ability to take advantage of the growing trend of placing production orders geographically closer to the customers with the aim of reducing the current uncertainty in global supply chains by strengthening HansaMatrix's position in the region.

In order to achieve its strategic business development goals by evaluating strategic development opportunities, as well as taking into account the difficult investment climate in the region, HansaMatrix associate company SIA Lightspace Technologies on March 14, 2022 has started the process to become a publicly listed company in North America TSX Venture Exchange in Toronto. Funding will be raised through contributions from private investors. The Company will disclose more detailed information about the listing on the stock exchange in accordance with the requirements of regulatory enactments.

The impact of the COVID-19 pandemic and the Russia-Ukraine conflict on the Company's economic activities is still not fully known and the situation is still evolving. Depending on the duration of the coronavirus (COVID-19) pandemic and the duration of the Russia-Ukraine conflict and the negative impact on overall economic activity in 2022, the Group's results could have been negatively impacted, creating liquidity challenges and possible asset impairments. The exact impact on the Group's activities in 2022 and beyond cannot be predicted.

In the period since 31 December 2021 the Group has not incurred significant losses due to impairments recognized on outstanding receivables, write down of inventories and fair value decreases of securities/ commodities.

Chairman of the Management Board	JĀNIS SAMS	____________*	April 29, 2022
Chief Accountant	VINETA GRECKA	____________*	April 29, 2022

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

Other information

1. Explanation of audited financial result differences compared to operative financial results

Group

	01.01.2021-31.12.2021 operational data EUR	difference	01.01.2021-31.12.2021 audited data EUR
Revenue from contracts with customers	21 962 274	-	21 962 274
Operating profit	1 169 860	(25 232)	1 144 628
Profit/(loss) for the reporting period	(502 420)	(1 449 890)	(1 952 310)
EBITDA	3 757 261	(25 232)	3 732 029

Operating profit in the audited financial statements of the Group as at 31 December 2021, compared to the operational financial statements for the corresponding period, is EUR 25.2 thousand or 2.16% less, whereas in the audited financial statements of the Group EBITDA as at 31 December 2021 is EUR 25.2 thousand or 0.67% less, these differences are not considered significant and are explained by additional expenses of economic activity, information on which was received already after the publication of the Group's operational financial statements as at 31 December 2021.

The losses of the reporting period in the audited financial statements of the Group as at 31 December 2021, compared to the operational financial statements for the corresponding period, are EUR 1.45 million higher, which is explained by the changes in the fair value of investments in the subsidiary SIA Zinātnes parks, which was determined by the rapid and significant increase in construction costs in the construction of industrial buildings.

2. Corrected quarterly profit/loss statements 2021

Taking into account that in the audited statements the Company recognizes in revenue the change in Work In Progress (WIP) year end balances and taking into account that there have been changes in the 2021 quarterly financial results, the Company includes in this note the corrected quarterly profit/loss statement summary for 2021.

	01.01.2021-31.03.2021	01.04.2021-30.06.2021	01.07.2021-30.09.2021	01.10.2021-31.12.2021 Restated	01.01.2021-31.12.2021
	EUR	EUR	EUR	EUR	EUR
Revenue from contracts with customers	5 828 376	6 041 607	5 254 428	4 837 863	21 962 274
Cost of sales	(4 860 398)	(5 187 145)	(4 532 750)	(4 245 718)	(18 826 011)
Gross margin	**967 978**	**854 462**	**721 678**	**592 145**	**3 136 263**
Distribution costs	(144 752)	(124 745)	(92 937)	(455 424)	(817 858)
Administrative expense	(466 391)	(492 965)	(469 892)	(645 859)	(2 075 107)
Other operating income	284 859	334 811	177 776	207 149	1 004 595
Other operating expense	(50 242)	(51 107)	(22 164)	20 248	(103 265)
Operating profit	**591 452**	**520 456**	**314 461**	**(281 741)**	**1 144 628**
Loss from investments in associates	(185 197)	(196 110)	(53 856)	(402 158)	(837 321)
Impairment loss on assets	-	-	-	(1 389 709)	(1 389 709)
Finance income	2 643	2 917	179 979	(174 118)	11 421
Finance costs	(363 756)	(653 888)	(145 519)	295 554	(867 609)
Profit/(loss) before tax	**45 142**	**(326 625)**	**295 065**	**(1 952 172)**	**(1 938 590)**
Corporate income tax	-	-	-	(13 720)	(13 720)
Net profit/(loss) for the reporting period	**45 142**	**(326 625)**	**295 065**	**(1 965 892)**	**(1 952 310)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):	-	-	-	214 959	214 595
Total comprehensive income for the year, net of tax	**45 142**	**(326 625)**	**295 065**	**(1 965 892)**	**(1 737 351)**
Profit/(loss) attributable to:					
Equity holders of the Parent Company	45 142	(326 625)	295 065	(1 965 892)	(1 952 310)
Non-controlling interests	-	-	-	-	-
	45 142	**(326 625)**	**295 065**	**(1 965 892)**	**(1 952 310)**
EBITDA	**1 241 140**	**1 150 546**	**930 739**	**409 604**	**3 732 029**

3. Corrected quarterly profit/loss statements 2020

Taking into account that the annual report of the Group's associate company SIA Lightspace Technologies for 2020 was approved after the submission of the Group's annual report for 2020, as a result of which the losses recognized by the Group from participation in SIA Lightspace technologies increased by EUR 247 thousand. In addition, other operating income was adjusted, reducing it by EUR 48 thousand. These losses and decreases in revenue were recognized in the 2020 annual report. The Group shall include in this statement a summary of the adjusted quarterly profit/loss account for 2020.

	01.01.2020-31.03.2020	01.04.2020-30.06.2020	01.07.2020-30.09.2020	01.10.2020-31.12.2020 Adjusted	01.01.2020-31.12.2020 Adjusted
	EUR	EUR	EUR	EUR	EUR
Revenue from contracts with customers	5 184 137	5 290 316	6 554 139	5 560 390	22 588 982
Cost of sales	(4 851 058)	(4 906 471)	(5 565 824)	(4 692 890)	(20 016 243)
Gross margin	**333 079**	**383 845**	**988 315**	**867 500**	**2 572 739**
Distribution costs	(114 816)	(117 960)	(120 302)	(503 529)	(856 607)
Administrative expense	(442 069)	(484 941)	(459 801)	(351 534)	(1 738 345)
Other operating income	95 581	163 565	245 340	226 951	731 437
Other operating expense	(44 671)	(18 587)	(13 150)	22 715	(53 693)
Operating profit	**(172 896)**	**(74 078)**	**640 402**	**262 103**	**655 531**
Loss from investments in associates	(140 778)	(188 924)	(164 166)	(78 743)	(572 611)
Finance income	2 558	2 559	2 587	2 586	10 290
Finance costs	(124 029)	(122 138)	(148 684)	(544 945)	(939 796)
Profit/(loss) before tax	**(435 145)**	**(382 581)**	**330 139**	**(358 999)**	**(846 586)**
Corporate income tax	-	-	-	-	-
Net profit for the reporting period	**(435 145)**	**(382 581)**	**330 139**	**(358 999)**	**(846 586)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):	-	-	-	-	-
Total comprehensive income for the year, net of tax	**(435 145)**	**(382 581)**	**330 139**	**(358 999)**	**(846 586)**
Profit attributable to:					
Equity holders of the Parent Company	(434 609)	(382 161)	330 473	(358 999)	(845 296)
Non-controlling interests	(536)	(420)	(334)	-	(1 290)
	(435 145)	**(382 581)**	**330 139**	**(358 999)**	**(846 586)**
EBITDA	**441 076**	**526 667**	**1 246 271**	**819 712**	**3 033 726**

4. Accounting policy related to taxonomy regulation 2020/852

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

4.1 Turnover KPI

The proportion of Taxonomy-eligible economic activities in total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on the consolidated net turnover, for further details on the accounting policies regarding the consolidated net turnover, please see the Note 2.18 to Financial statements 2021.

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

4.2 Capex KPI

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

Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes additions to fixed assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). Additions resulting from business combinations are also included. Goodwill is not included in Capex, because it is not defined as an intangible asset in accordance with IAS 38. For further details on the accounting policies regarding Capex, please see the Note 2.4. – 2.7. to Financial statement 2021.

4.3 Operational costs

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

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

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

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

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

5. Definitions of alternative performance measures (APM)

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

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