



HANSAMATRIX

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**JOINT STOCK COMPANY
"HANSAMATRIX"**

**UNIFIED REGISTRATION
NUMBER 40003454390**

MANAGEMENT BOARD AND SUPERVISORY COUNCIL REMUNERATION REPORT 2022

*Prepared according to the requirements of Financial
Instrument Market Law of the Republic of Latvia*

Ogre, 2023



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1. Introduction

Remuneration report (hereinafter – the “Report”) of the members of the Management Board of Directors (hereinafter – the “Management Board” or “Board”) and the Supervisory Council (hereinafter – the “Council”) of the Stock Company HansaMatrix (hereinafter “HansaMatrix” or the “Company” or “the Group”) for 2022 has been prepared in accordance with the Financial Instruments Market Law of the Republic of Latvia and HansaMatrix remuneration policy (hereinafter - the “Policy”) for Board and Council members (hereinafter – “Directors”), approved by the decision of the shareholders' meeting of the Company of 22 May 2020 (Minutes No. 2020-SHM1).

In 2022, the highest annual revenue from contracts with customers (hereinafter referred to as revenue or turnover) was reached in the amount of 28,89 million EUR, increasing by 32% compared to the revenue of 21.962 million in 2021.

In the reporting period, the Group EBITDA was EUR 2.912 million, showing an 22% decrease in comparison with EUR 3.732 million in 2021; the net profit was negative EUR 2.146 million in comparison with the net loss of EUR 1.820 million in 2021.

For a better comparison of interim profitability, the Group calculates normalized profit, which in 2022 amounted to 0.404 million EUR in comparison with the normalized profit of 1.165 million EUR in 2021.

The growth of the Group's revenue was facilitated by the high demand in the main industries, which, together with the active sales process and the still existing global semiconductor deficit, has ensured a significant order volume in the amount of 24.2 million EUR at the end of 2022.

The fixed and variable remuneration paid to the Directors the Company in 2022 complies with the provisions of the Policy. The remuneration report has been prepared by the Board of the Company and reviewed by the Council of the Company. The Report is examined by a sworn auditor and it is reviewed and is planned to be approved at the shareholders' meeting together with other components of the annual report.

Riga,
April 28, 2023

Jānis Sams*
Chairman of the Management Board



The decrease in EBITDA in 2022 compared to 2021 can be explained by a relatively smaller share of high value-added products in the range of manufactured products, which was affected by the global shortage of components in Q2 and Q4 of 2022.

The significant losses of the Group in 2022 can be explained mainly by the determination of the fair value of investments in SIA Zinātnes parks in the amount of 0.806 million EUR and by losses from the associated company SIA Lightspace technologies, recognized in the consolidated income statement of the Group in 2022 in the amount of 1.421 million EUR.

2. Board and Council Remuneration

There were no changes in the Company's Board in 2022.

On May 31, 2022, in annual general meeting of HansaMatrix shareholders, the new Supervisory Council was elected, in addition to the previous Supervisory Council members Anders Lennart Borg, Dagnis Dreimanis, Normunds Igolnieks and Baiba Anda Rubesa, the Supervisory Council member Alekšis Orlovs was appointed.

Ingrīda Blūma, who has been an independent member of the Supervisory Council since 2016, and has served as Deputy Chair of the Supervisory Council for the last two years, has left the composition of the Supervisory Council of HansaMatrix.

On July 4, 2022 HansaMatrix informs that Baiba Anda Rubesa has been approved as the Chairwoman of the Supervisory Council of HansaMatrix, while Anders Lennart Borg will perform the duties of the Deputy Chairman of the Supervisory Council.

The dates of service of Directors in the figure below are the dates when the respective Director appointment or leaving decisions are registered in The Register of Enterprises of the Republic of Latvia.

BAIBA ANDA RUBESA
Chairwoman of the
Supervisory Council



ANDERS LENNART BORG
Deputy Chairman of the
Supervisory Council



DAGNIS DREIMANIS
Supervisory Council
member



NORMUNDIS IGOLNIEKS
Supervisory Council
member



ALEKŠIS ORLOVS
Supervisory Council
member

2.1. Total Board and Council Remuneration

On October 29, 2019 the Company extraordinary shareholder meeting approved the remuneration policy of the Management Board and Supervisory Council (hereinafter "the Remuneration policy") that was subsequently amended by May 22, 2020 the Company's shareholders' meeting.

Figure 1
Total Board and Council Remuneration, EUR

Name of Director, Position (start/end)	Year	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total Remuneration	6 Proportion of fixed and variable remuneration
		Base salary	Fees	Other benefits	One-year variable	Multi-year variable				
Jānis Sams, Management Board Member, Chief Operating Officer, 08.12.2020-31.05.2021, Chairman of Management Board 01.06.2021-31.12.2022	2022	171 477		11 171	20 020				202 668	90% / 10%
	2021	92 480		8 962	51 811				153 253	66% / 34%
Māris Macijevskis, Management Board Member, Chief Financial Officer, 16.02.2018-31.12.2022	2022	107 000		10 218	6 500				123 718	95% / 5%
	2021	65 115		9 301	20 114				94 530	79% / 21%
Vitauts Galvanausks, Management Board Member, Ogre manufacturing plant manager, 17.05.2021-31.12.2022	2022	89 036		9 464	13 436				111 936	88% / 12%
	2021	48 804		4 284	4 095				57 183	93% / 7%
Gatis Grava, Management Board Member, Ventspils manufacturing plant manager, 17.05.2021-31.12.2022	2022	90 383		10 390	22 836				123 609	82% / 18%
	2021	50 607		4 290	2 250				57 147	96% / 4%
Baiba Anda Rubesa, Council member, non-executive director 09.06.2020-25.05.2021, Chairwoman of the Council 26.05.2021-31.12.2022	2022	20 640							20 640	100% / 0%
	2021	20 640							20 640	100% / 0%
Ingrīda Blūma, Deputy Chair of the Council, non-executive director, 16.06.2016-31.05.2022.	2022	5 000							5 000	100% / 0%
	2021	12 000							12 000	100% / 0%
Anders Lennert Borg, Council member, non-executive director 26.05.2021-31.12.2022 (payment made to company)	2022	25 200							25 200	100% / 0%
	2021	12 956							12 956	100% / 0%
Aleksis Orlovs, Council member, 31.05.2022-31.12.2022 (payment made to company)	2022	7 000							7 000	100% / 0%
	2021	0							0	
Dagnis Dreimanis, Council member 04.04.2018-31.12.2022	2022	0							0	
	2021	0							0	
Normunds Igoļnieks, Council member 09.06.2020-31.12.2022	2022	0							0	
	2021	0							0	
Strautmanis Gundars, Council member, 17.05.2017-10.03.2021	2022	0							0	
	2021	0							0	
Ilmārs Osmanis, Chairman of the Management Board, 17.05.2017-10.03.2021	2022	0							0	
	2021	57 683		6 082				4 000	67 765	100% / 0%
Andris Bērziņš, Chairman of the Council, non-executive director, 07.10.2015-26.05.2021	2022	0							0	
	2021	11 000							11 000	100% / 0%

2.1. Total Board and Council Remuneration

The Remuneration policy describes key Remuneration principles for the Company's Board and Council members considering, inter alia, remuneration and employment conditions of the Company's staff, thereby facilitating the Company's business strategy, long-term interests and sustainability.

Base Salary in Figure 1 includes the fixed base salary of the director, in exchange for professional services to serve its mandate or for any other executive or non-executive services or functions provided during the reported financial year under a specific contract. It also includes the salary of the director related to his work as an employee of the company, e.g., CFO or COO.

Fees include all fees of the director for the participation in the administrative, management or supervisory bodies of the company meetings during the reported financial year.

Other benefits include the value of the following perquisites: medical insurance, company car, mobile telephone communication services, and mobile phone device.

Variable remuneration includes bonuses consisting of cash and share options which was paid for, or which as a result of the fulfilment of the predetermined performance criteria vested during the reported financial year, where the time span does not exceed that financial year. In 2022 Vitauts Galvanausks and Gatis Grava received 1 200 Company stock options for the fulfilment of pre-determined performance criteria and Janis Sams and other Council members received cash bonuses. Figure 2 depicts the variable remuneration split paid out in cash and awarded as Employee share options.

Figure 2
Variable Remuneration, EUR

Director	Cash	Employee share options	Total
Jānis Sams	20 020	0	20 020
Māris Macijevskis	6 500	0	6 500
Vitauts Galvanausks	5 600	7 836	13 436
Gatis Grava	15 000	7 836	22 836
Total	47 120	15 672	62 792

Pension expense includes the contributions that effectively took place during the reported financial year to finance a fund or other pension scheme for future pension pay-out for the director (or the director's heirs).

In 2022, all members of the Management Board and Council received remuneration from the Company and did not receive any remuneration from other Group companies within the meaning of the Law of Republic of Latvia on Annual Accounts and Consolidated Annual Accounts of the Group.

2.2. Share-based Remuneration

On February 16, 2018 the Company extraordinary shareholder meeting approved the Regulation of Employee stock option issuance, which were expressed in a new edition at the extraordinary meeting of the Company's shareholders on January 19, 2023 (hereinafter "the Employee option plan"), approving the issuance of 27 523 Employee options (hereinafter - "Options") for the total amount of EUR 27 523 (twenty-seven thousand five hundred and twenty-three euro).

The purpose of issuing employee stock options is to reward the employees for successful performance and loyalty to the Company and to motivate the Company's employees to take care of the Company's long-term success, as well as increase their interest in effective management of the Company.

The Employee option plan (hereinafter - "the Option plan" or "the Options") includes the following key conditions

- | | |
|--|---|
| a) Employee eligibility to receive stock options as compensation: current group employee, works in the group longer than 12 months and has achieved individual or HansaMatrix AS group KPI's. | g) Council approves options for Management Board members. |
| b) Board member eligibility to receive stock options as compensation: serves as a board member more than 12 months and has achieved individual or HansaMatrix AS group KPI's. | h) The Board of the Company has the right to determine the recipients of the Options, the employees of the Company and 100% of the subsidiary, non-board members, a conversion period of individual options not exceeding 3 years. |
| c) HansaMatrix Management Board Members can receive up to 2400 Options per year, HansaMatrix 100% subsidiary Management Board Member can receive up to 1200 Options per year and HansaMatrix group key employees can receive up to 600 Options per year for fulfilling HansaMatrix business or individual targets. | i) The Supervisory Council of the Company has the right to determine the recipients of the Options, members of the Management Board of the Company and 100% of the subsidiary, a conversion period of individual options not exceeding 3 years. |
| d) Options are cancelled in case the employee work agreement is terminated. | j) Management Board is responsible for keeping the employee option register. |
| e) One option entitles to receive one dematerialized bearer share of the Company. | k) Options can be exercised once per year within 1 month after calendar year end. Employee has to have 4-year work experience in the group to exercise the options. |
| f) Management Board approves options for employees. | l) Holders of Options acquire options and convert them into the Company's newly issued shares free of charge. |
| | m) After the employee decides to exercise the options, Council decides to accordingly change Articles of Association, the Management Board decides to increase the Company capital. |

2.2. Share-based Remuneration

Figure 3
Share-based remuneration, EUR

Name of Director, Position	The main conditions of share option plans						Information regarding the reported financial year				
							Opening balance	During the year		Closing balance	
	Specification of plan	Performance period	Award date	Vesting date	Exercise period	Exercise price of the share	Share options held at the beginning of the year	Share options awarded	Share options vested	Share options subject to a performance condition	Share options awarded and unvested
Māris Macijevskis , Management Board Member, Chief Financial Officer	the Employee option plan	01.01.2019-31.12.2019	17.02.2019-01.12.2019	17.02.2022-01.12.2022	01.01.2023-31.01.2023	0	1100	0	0	0	1100
Māris Macijevskis , Management Board Member, Chief Financial Officer	the Employee option plan	01.01.2020-31.12.2020	16.02.2021	16.02.2024	01.01.2025-31.01.2025	0	2400	0	0	0	2400
Jānis Sams , Chairman of Management Board	the Employee option plan	01.01.2020-31.12.2020	01.06.2021	31.05.2024	01.01.2025	0	2400	0	0	0	2400
Vitauts Galvanausks , Management Board Member, Ogre manufacturing plant manager	the Employee option plan		24.02.2022	31.12.2025	01.01.2026	0	0	1200	0	0	1200
Gatis Grava , Management Board Member, Ventspils manufacturing plant manager	the Employee option plan		24.02.2022	31.12.2025	01.01.2026	0	0	1200	0	0	1200

In 2022 Vitauts Galvanausks and Gatis Grava was awarded with 1200 according to the Remuneration policy for fulfilling the KPI related to HansaMatrix business performance indicator set for year 2022.

2.3. Use of the Right to Reclaim

In 2022, the Company did not exercise its right to reclaim the variable remuneration previously paid to the members of the Management Board.

3. Actual Remuneration Compliance with Remuneration Policy

Key provisions of the Remuneration policy of the Company, with which the Director remuneration paid out in 2022 complies, are the following:

- a) Remuneration consists of fixed and variable remuneration, stock related compensation and other fringe benefits.
- b) Fixed remuneration is defined on the basis of position, professional skills and education, official duties and the level of the responsibility.
- c) Fixed Remuneration is paid only to independent members of the Council, i.e., those members of the Council, including the Chairman of the Council, whose shareholding in the Company does not exceed 3% of the total share capital of the Company.
- d) Fixed Remuneration of the Chairman of the Council may not exceed 1/3 of the Fixed Remuneration of the Chairman of the Board.
- e) Variable remuneration may be awarded only to Board members. Council members do not receive any variable remuneration.
- f) Variable remuneration is linked to the attainment of certain targets the annual maximum threshold of it may not exceed 50 % of annual fixed remuneration.
- g) Other fringe benefits include the Company provided mobile devices, paid communication expenses, health and accident insurance, contributions to pension funds, provided Company cars, additional paid leaves (marriage, child birth, etc.). The maximum amount of other fringe benefits that Director may be granted yearly in monetary terms shall not exceed 30 % of that person's fixed annual remuneration.
- h) The Company may defer the payment of the variable remuneration, but not more than 50 % of the total variable remuneration. The maximum deferral period for variable remuneration is one year. Deferment of variable remuneration shall be decided by the Council.
- i) Employee stock options are awarded and issued according to the Employee option plan.

The provision of the Company's remuneration policy which was not complied in 2022: The fixed salary of a member of the Council may not exceed 50% of the salary of the Chairman of the Council.

Taking into account that the Company managed to attract an experienced specialist in the electronics industry to the Council, an exception was made in the remuneration policy of the Company's Management Board and Council members in the section on the amounts of fixed remuneration for this Council member with the decision of the regular shareholders' meeting of May 31, 2022.

The fixed and variable remuneration paid to the Board and the Council Members of the Company in 2022 complies with the provisions of the Remuneration policy described above and all the other conditions of the Remuneration policy with the one exception mentioned above.

The variable part of the remuneration for the Management Board Members in 2022 was based on the fulfilment of the Company financial performance indicators such as net profit and EBITDA, as well as individual Director performance targets set by the Council of the Company for 2022. The Employee option share of the total remuneration of the Management Board members ensures and supports long-term performance results of the Company, since the Options granted vest in 3 years after awarding.

4. The Change of Remuneration and Company Performance

In accordance with Article 66 of the Transitional Provisions of the Financial Instruments Market Law of the Republic of Latvia, the Company discloses a comparison of changes in the remuneration of the Management Board and the Council starting from the financial year 2020 and providing at least for the the last five financial year period, which starts no later than in January, 2020.

Figure 4

Comparative table on remuneration for the reported financial year (RFY), EUR

Annual change	RFY vs RFY-1	(Information regarding the RFY-2)	(Information regarding the RFY -1)	(Information regarding the RFY)
DIRECTOR'S REMUNERATION				
Jānis Sams , Chairman of the Management Board, Chief Executive Officer	32%	6002*	153 253	202 668
Ilmārs Osmanis , Chairman of Management Board, Chief Executive Officer	N/A	157 035	67765*	0
Māris Macijevskis , Management Board Member, Chief Financial Officer	31%	91 518	94 530	123 718
Vitauts Galvanausks , Management Board Member, Ogre manufacturing plant manager	N/A	N/A	57183*	111 936
Gatis Grava , Management Board Member, Ventspils manufacturing plant manager	N/A	N/A	57147*	123 609
Baiba Anda Rubesa , Chairman of the Council	0%	7,316*	20 640	20 640
Andris Bērziņš , Chairman of the Council, non-executive director	N/A	26 400	11000*	0
Ingrīda Blūma , Deputy Chair of the Council, non-executive director	N/A	12 000	12 000	5000*
Anders Lennert Borg , Deputy Chair of the Council, non-executive director	N/A	N/A	12956*	25 200
Aleksis Orlovs , Council member	N/A	N/A	N/A	7000*
COMPANY'S PERFORMANCE				
Revenue	32%	22 588 982	21 962 274	28 885 167
Net profit		-846 586	-1 820 676	-2 145 778
Normalized net profit	-65%	449 371	1 164 503	403 605
EBITDA	-22%	3 033 726	3 732 029	2 912 286
AVERAGE REMUNERATION ON A FULL-TIME EQUIVALENT BASIS OF EMPLOYEES				
Reference group: Heads of departments	-1%	28 020	28 328	28 079

* - not a full year

Figure 4 compares the Director remuneration with the chosen reference group of manufacturing plant managers of the Company.

5. Alternative Performance Indicators

The definitions of alternative performance indicators (APIs) used in this remuneration report can be found on page 119 of the HansaMatrix consolidated and Parent Company's annual report for the year ended December 31, 2022.

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