



SIA „Ernst & Young Baltic“
Muitas iela 1a
Rīga, LV-1010
Latvija
Tel.: +371 6704 3801
Faks.: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

Reģistrācijas Nr. 40003593454
PVN maksātāja Nr. LV40003593454

SIA Ernst & Young Baltic
Muitas iela 1a
Rīga, LV-1010
Latvia
Tel.: +371 6704 3801
Fax: +371 6704 3802
riga@lv.ey.com
www.ey.com/lv

Reg. No: 40003593454
VAT payer code: LV40003593454

Translation from Latvian

INDEPENDENT AUDITOR'S REPORT

DOCUMENT DATE IS THE TIME OF ITS ELECTRONIC SIGNATURE

To the shareholders of HansaMatrix AS

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HansaMatrix AS and its subsidiaries (the Group) and the accompanying financial statements of HansaMatrix AS (the Parent Company) set out on pages 21 to 86 of the accompanying Annual Report, which comprise the statements of financial position as at 31 December 2020 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of the Group and the Parent Company give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2020, and of financial performance of the Group and the Parent Company and cash flows of the Group and the Parent Company for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (the IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and the Parent Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Parent Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and the Parent Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements of the Group and the Parent Company.

Key audit matter	How we addressed the key audit matter
Recoverability of investments and other loans (the Group and the Parent Company)	
<p>The Group's and the Parent Company's investments in associated and other companies as at 31 December 2020 amounts to EUR 2 271 938 and EUR 3 751 690, respectively. (Note 16 and Note 17). Furthermore, other loans in the statements of financial position of the Group and the Parent Company amount to EUR 5 513 456 and EUR 7 496 532 as at 31 December 2020 (Note 16, Note 19 and Note 38).</p>	<p>We obtained assessment of recoverability of investments in associated companies and valuation of other investments and loans prepared by the Group's management and identified the key assumptions used.</p>
<p>Other loans, investments in associated and other companies correspond to 27% and 46% of the Group's and the Parent Company's assets, respectively.</p>	<p>We gained an understanding of the assessment preparation process.</p>
<p>Some of the companies, in which the Group and the Parent Company has invested in, are in the process of starting up their operations and their future cash flows are difficult to forecast. The Group's management has evaluated recoverability for these investments as disclosed in Note 16, Note 17, Note 18 and Note 36.</p>	<p>We discussed with the Group's management the development status of each start-up company and assessed the information and data used in the recoverability assessment and internal valuation prepared by the management. We considered the development plans of each company. In doing so, among other procedures, we reviewed whether the activities performed by Group's management are consistent with the milestones of investment programs and budgets of the companies</p>
<p>Investments in other companies and other loans in year 2020 are measured at fair value based on Group's management valuation as disclosed in Note 16, Note 17 and Note 18.</p>	<p>We assessed key quantitative and qualitative assumptions used to determine the amounts. We compared key assumptions against market information.</p>
<p>Recoverability of investments in associated companies and valuation of other investments and loans requires the Group's management to make significant assumptions and judgements.</p>	<p>We have identified that the estimation uncertainty, subjectivity and complexity is high and, therefore, we have involved valuation specialists to assist us in performing our audit procedures by assessing the key assumptions used by the Group's management and testing the mathematical accuracy of the models.</p>
<p>Due to the above facts and circumstances, we considered recoverability and valuation of investments and loans as key audit matter.</p>	<p>We evaluated adequacy of the disclosures made in the financial statements, including the disclosures of the Group's management key assumptions and judgements (Note 16, Note 17, Note 18, Note 19 and Note 36).</p>
Monitoring of liquidity position (the Group and the Parent Company)	
<p>As explained in Note 44 as at 31 December 2020 the Group's current liabilities exceed its current assets by EUR 1 820 544, The Parent Company's current assets exceed its current liabilities by EUR 1 722 089.</p>	<p>We obtained the liquidity forecasts prepared by the Group's management and evaluated the underlying assumptions, including assumptions related to the prolongation of trade receivables factoring facilities, continuing the use of overdraft facilities. We evaluated the significant assumptions made by the Group's management in the context of liquidity forecasts and Covid-19 impact assessment. We performed this evaluation with reference to the approved budgets and the supporting documents, where appropriate.</p>
<p>The Group has to manage its liquidity risk by sustaining sufficient working capital, which, among others, includes ensuring that the Group is able to continue the use of trade receivables factoring facilities (Note 21.) and continuing the use of overdraft facilities (Note 28).</p>	<p>Regarding financial forecasts, we compared the estimates made by the Group's management in the budget with the actual trends. Furthermore, we evaluated the actual financial results for the first months of year 2021 and compared against the budgeted results. We also reviewed the financing available to the Group subsequently to the financial year end.</p>
<p>Due to the nature of the business and active expansion of the Group's activities, additional funding might be required, as reflected in the Note 44. The management's ability to generate adequate funds to ensure sufficient liquidity is based on several management assumptions, including prolongation of trade receivables factoring agreements, which expire within year 2021.</p>	
<p>In addition, since the beginning of year 2020, the Covid-19 outbreak has left an impact on the Group's and the Parent Company's activities. As a result, in the first half of the year, the</p>	

total Group's revenue decreased by 11% and the Parent Company's revenue decreased by 12 % comparing to the similar period of year 2019,

This matter is important to our audit since liquidity position and ability to secure continuing factoring and overdraft facilities can have an impact on the going concern assumption, on the basis of which the financial statements of the Group are prepared.

We also assessed the adequacy of related disclosures contained in *Note 44, Note 45 and Note 46*.

Revenue recognition from contracts with customers (the Group and the Parent Company)

The Group and the Parent Company in 2020 have recognized in the statement of profit or loss revenue from contracts with customers amounting to 22 589 thousand EUR and 21 387 thousand EUR, respectively, as disclosed in *Note 4*.

There were significant judgements made by the management in determining the appropriate basis of revenue recognition including recognition of revenue from production services, as outlined in *Note 2*.

Given the variety of contractual terms with the customers, as well as unique product types, revenue recognition is considered to be relatively complex and requires, among other things, continual operating effectiveness of controls over the revenue streams.

Revenue recognition was significant to our audit due to the materiality of revenue to the financial statements, potential impact from IFRS 15 and judgements related with revenue recognition.

In relation to revenue recognition we performed the following procedures, among others:

- we gained an understanding of the revenue recognition and measurement for production revenue streams;
- we tested a sample of key controls implemented over revenue recognition and measurement for production services revenue streams;
- we tested a sample of key controls over revenue recording, calculation of amounts billed to the Group's and Parent Company's customers and matching of cash receipts to the customers' accounts;
- we obtained external customer confirmations for selected largest customers recognized by the Group and the Company;
- we performed analytical review procedures by forming an expectation of revenue based on the key performance indicators, including taking into consideration the number and composition of the Group's and Parent Company's customers, production volumes, changes in service prices and comparing the results of our analysis against the prior reporting period.
- we tested a sample of revenue transactions near the financial year-end for their recognition in the appropriate accounting period.
- we obtained and reviewed updated IFRS 15 impact assessment prepared by the management;
- we tested sample of customer contracts and reviewed management's IFRS 15 analysis to assess, whether performance obligations in the sales contracts have been appropriately identified and whether revenue related to the different performance obligations is recognized in accordance with IFRS 15 requirements.

We also assessed the adequacy of the revenue related disclosures in *Note 4*. In addition, we evaluated the disclosures related to significant judgements made by the management in relation to revenue recognition (*Note 2*).

Reporting on other information

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

- the General information about the Company as set out on pages 3 to 9 of the accompanying Annual Report;
- the Management Report as set out on pages 10 to 19 of the accompanying Annual Report;
- the Statement on Management Responsibility, as set out on page 20 of the accompanying Annual Report;
- the Statement of Corporate Governance for the year 2020, set out in separate statement provided by HansaMatrix AS management and available on the HansaMatrix AS website <http://www.hansamatrix.com>,
- the Remuneration Report for the year 2020, set out in separate statement provided by HansaMatrix AS management and available on the HansaMatrix AS website <http://www.hansamatrix.com>,

Other information does not include the financial statements and our auditor's report thereon.

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

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, the Statement of Corporate Governance and the Remuneration Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in Article 56¹, paragraph one, clauses 3, 4, 6, 8 and 9 and Article 56², paragraph two, clause 5 of the Financial Instruments Market Law and if it includes the information stipulated in Article 56², paragraph two, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in Article 56¹, paragraph one, clauses 3, 4, 6, 8 and 9 and Article 56², paragraph two, clause 5 of the Financial Instruments Market Law and it includes the information stipulated in Article 56², paragraph two, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Remuneration Report our responsibility is to consider whether the Remuneration Report includes the information required in Article 59⁴ of the Financial Instruments Market Law.

In our opinion, the Remuneration Report includes the information required in Article 59⁴ of the Financial Instruments Market Law.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors'



report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

We were first appointed as auditors of the Group and the Parent Company on 19th November 2014 by shareholders. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 7 years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Parent Company;
- as stipulated in paragraph 37⁶ of the Law on Audit Services of the Republic of Latvia we have not provided to the Group and the Parent Company the prohibited non-audit services (NASs) referred to in EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

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

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga,

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