

SAF Tehnika
Consolidated Interim Report
for Q2 and 6 months
of financial year 2014/15
(July 1, 2014 – December 31, 2014)

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KEY DATA

SAF Tehnika (hereinafter – the Group) is a telecommunications equipment company engaged in the development, production and distribution of digital microwave radio equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission covering wide frequency range and providing equipment for both licensed and un-licensed frequencies.

Know-how in modern wireless data transmission technologies, creativity in solutions, accuracy in design, precision in production and logistics make SAF Tehnika a unique designer and manufacturer of point-to-point microwave data transmission equipment. Located in Northern Europe, SAF Tehnika managed to acquire and consolidate valuable locally available intellectual resources of the microelectronics industry and spread its presence to more than 100 countries, covering all relevant market segments worldwide within just a decade.

The complete product range offers solutions to mobile network operators, data service providers, and government and private companies. Since its establishment in 1999, SAF Tehnika competes with such multinational corporations as Ericsson, Huawei, Alcatel and NEC.

Currently the Group consists of SAF Tehnika JSC (hereinafter – the Parent) operating from Riga, Latvia, a wholly owned subsidiary “SAF North America” LLC and a joint-venture company “SAF Services” LLC where the Parent holds 50% of the company’s shares. Both of the mentioned companies are operating from Denver, CO serving North American market.

SAF Tehnika JSC is a public joint stock company incorporated under the laws of the Republic of Latvia. The shares of AS SAF Tehnika are quoted on NASDAQ OMX Riga.

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Beginning of financial year:	01.07.2014
End of financial year:	30.06.2015
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 21.11.2014

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%
Vents Lācars	6.08%
“Koka zirgs” SIA	5.27%

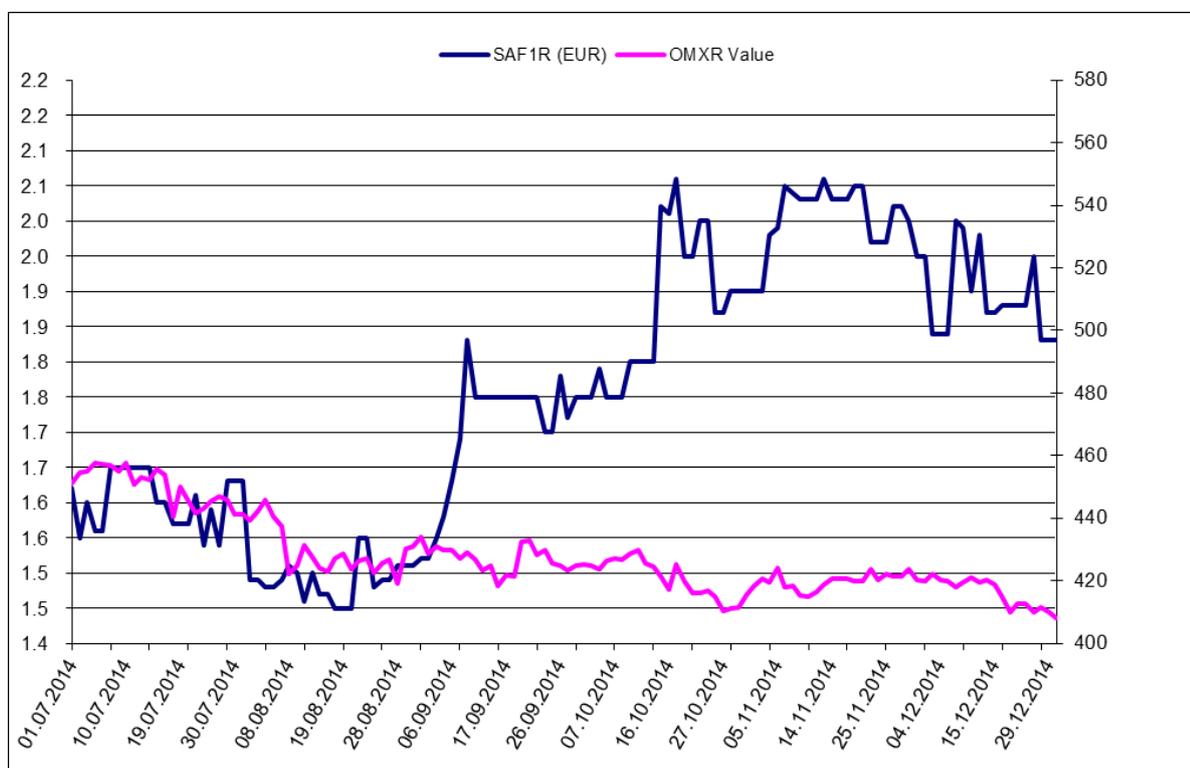
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2014 – December 31, 2014

Currency: EUR

Marketplace: NASDAQ OMX Riga



Information on management and supervisory board members

SAF Tehnika Management Board:

Name	Position	Ownership interest (%)
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Member	owns 17.05% of shares
Aira Loite	Member	owns 0.26% of shares

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lacars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	owns 2 shares
Aivis Olsteins	Member	owns no shares

Information on professional and educational background of the management board members

Normunds Bergs

Normunds Bergs, born in 1963, is Chairman of the Board and Chief Executive Officer of SAF Tehnika AS. Mr. Bergs is one of the founders of SIA Fortech (co-founding company of SAF Tehnika AS) where during the periods from 1990 to 1992 and 1999 to 2000 he acted as Managing Director and General Director, respectively. Following SIA Fortech's merger with AS Microlink in 2000, Mr. Bergs became Chief Executive Officer of SAF Tehnika AS and a member of the Management Board of AS Microlink. From 1992 to 1999, Mr. Bergs worked for World Trade Centre Riga, where he held the position of General Director and became a Member of the Board of Directors in 1998. Mr. Bergs graduated from the Riga Technical University with a degree in radio engineering in 1986.

Didzis Liepkalns

Didzis Liepkalns, born in 1962, is Member of the Board and Technical Director of SAF Tehnika. D. Liepkalns founded a private enterprise SAF in 1995 and co-founded the company SAF Tehnika AS in 1999. From 1985 to 1990 he worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. D. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

Aira Loite

Aira Loite, born in 1965, Member of the Board and Chief Operating Officer of SAF Tehnika. Prior to joining the company in November, 2007, she worked for SIA Lattelecom (2006/2007) initially as a Business Performance Director and later as a Director of Business Information and Control division. From 2000 till 2006 she held the position of the Head of Finances and Administration of SIA Microlink Latvia being the Board member as well. From 2004 till 2005 she was Chief Financial Officer of Microlink Group. A. Loite has graduated University of Latvia with a degree in applied mathematics in 1988. She has the degree of Master of Business Administration by the University of Salford (UK) in 2009.

Information on professional and educational background of the supervisory council members

Vents Lācars,

born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked in SIA Fortech, where throughout his career he held positions of programmer, leading programmer, and project manager in the networking department and networking department manager. From 1990 to 1992 V. Lacars worked as a programmer at state electric utility company Latvenergo. V. Lacars has studied in Faculty of Physics and Mathematics, University of Latvia.

Juris Ziema,

born in 1964, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. Ziema has graduated Riga Technical University with a degree in radio engineering in 1987.

Andrejs Grišāns

born in 1957, is Member of the Supervisory Council and Production Department Manager. A. Grisans is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A. Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. A. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

Ivars Šenbergs,

born in 1962, Member of the Supervisory Council, also Chairman of the Board of SIA Juridiskais Audits, SIA Namipasumu parvalde, SIA Synergy Consulting, SIA IŠMU, SIA Dzirnavu centrs and Member of the Supervisory Council of AS MFS bookkeeping. From 1999 until 2000 he worked as Finance and Administrative Director at SIA Fortech. I. Senbergs has graduated Faculty of Law, University of Latvia in 1986..

Aivis Olsteins,

born in 1968. A.Olsteins has 20 years of experience in telecommunications. He is CEO of a company "DataTechLabs" since year 2000. The company provides software development and support services for telecommunication operators. From 1992 till 1999 he worked in Baltcom TV, initially as a system engineer in Cable TV operations department, from 1994 till June 1996 as a CTO, but from July 1996 till the end of 1999 as technical advisor to General Manager. A. Olsteins is studying in University of Latvia in Faculty of Physics and Mathematics, bachelor of Physics program.

Statement of Board's Responsibilities

The Board of SAF Tehnika JSC (hereinafter – the Parent) is responsible for preparing the consolidated financial statements of the Parent and its subsidiaries (hereinafter - the Group).

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 31 December 2014 and the consolidated results of its financial performance and cash flows for the quarter then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are prepared on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The consolidated interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2014.

Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Board of SAF Tehnika JSC is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board is responsible for compliance with the requirements of normative acts of the countries the Group operates in (Latvia and United States of America).

The interim financial statements have been prepared in Euro.



Aira Loite

COO, Member of the Management Board

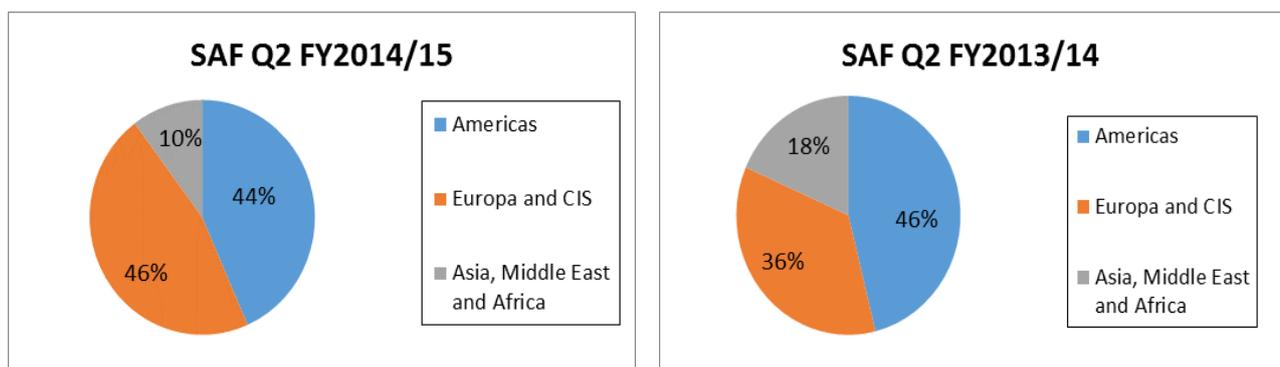
Management Report

The Group's non-audited consolidated net sales for the second quarter of financial year 2014/15 were 3.6 million EUR, increasing by 28% or 0.8 million EUR compared to the second quarter of the previous financial year and being by 14% more than sales in the previous quarter – Q1 of FY 2014/2015.

Sales in Europe and the CIS region represented the largest part of the 2nd quarter's turnover (46%). Sales there rose by 68% or 0.68 million EUR compared with the same quarter of last financial year due to the Group's ability to provide products and solutions specific for particular customer needs – like low latency data transmission, industrial applications where fiber is not available and others. CIS part is still small in the region's sale. Sales in Asia Pacific, Africa and Middle East represented 10% of quarterly sales and were 29% less than in the 2nd quarter of the previous financial year, but 23% more than in the Q1 of current financial year. Regaining previous sales level in Africa countries is one of challenges for next periods. Sales in the North and Latin America formed 44% of total sales. Due to increasing demand for SAF Tehnika products in North America market and with the aim to serve this market better several initiatives were realized during reporting quarter - such as enlarged stock levels in USA "SAF North America" stock available for fast deliveries on immediate demand and sales to North America customers were commenced from "SAF North America" as of October 1, 2014 (before this date all sales worldwide were done from the Parent).

In order to maintain international recognition and introduce SAF Tehnika products, especially newest – spectrum analyzer *Spectrum Compact* and *Integra* product line, present various applications of *Spectrum Compact* the Group successfully participated in several international exhibitions – such as AfricaCom 2014 (Cape Town, South Africa), EUTC 2014 in Monaco, WISPAPALOOZA in Las Vegas, USA, European Microwave Week (Rome, Italy). The Group continued to release video tutorials for its equipment users and customers (available in www.youtube.com and www.saftehnika.com).

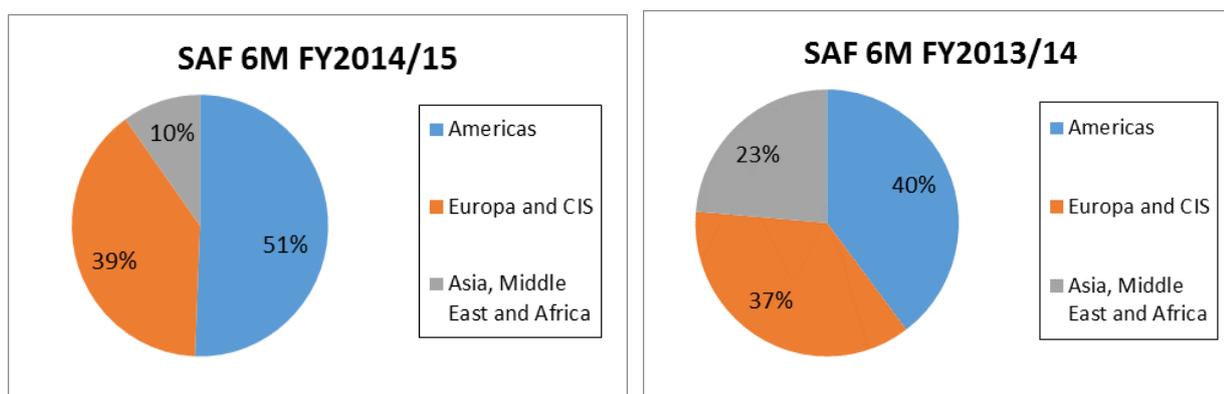
Chart 1. Quarter 2 revenue breakdown comparative charts:



The Group's products were sold in 56 countries during the reporting quarter.

The Group's 2014/15 financial year's 6 month unaudited consolidated net turnover was 6.85 EUR, which represented 10% increase comparing with the revenues generated in the respective period of the previous financial year. The revenues reduced by half in Asia, Africa and Middle East region, whereas the Americas region has shown a significant positive trend (40% year to year increase) with total 6 month turnover rise to 3.47 million EUR, comprising 51% of the total the Group's 6 months turnover. Sales to European and CIS countries gave 2.7 million EUR or 39% from the total revenue presenting growth quarter by quarter.

Chart 2. 6 months revenue breakdown comparative charts:



The Group released new addition to *Integra* line - *Integra W*- capable of handling wideband channels of up to 112MHz in 1+0 configuration, and supplemented CFIP line – by releasing PhoeniX Indoor Radio Frequency Unit (IRFU) - a radio transceiver within the frequency range of 4-13GHz. The Groups continued to research market demand and problematic issues in order to provide necessary product modifications.

The Group's expenses did not exceed planned levels and in total was less than year before in the same period. Similarly as in the first quarter – Q2 result was positively impacted by favorable EUR/ USD exchange rate. It should be noted that deferred income from not earned profit from not sold Group's products kept in "SAF North America" stock was recorded, besides Income tax liability for deferred income from internal Group sales was calculated and recorded according to Latvia tax legislation. The Group's task for the next quarter is to optimize necessary stock levels and stock rotation indicators in "SAF North America" stock.

The consolidated non-audited net result of the Group for the second quarter of 2014/15 financial year was loss 96.7 thousand EUR, being by 261 thousand EUR better result than for the quarter year before. The consolidated non-audited net result of the Group for the 6 months of 2014/15 financial year was profit 188 thousand EUR which is achievement comparing with 227 thousand consolidated loss the Group ended 6 months period of previous financial year 2013/2014.

The Group's net cash flow for the 6 month period of the financial year was positive – 966 thousand EUR. As of December 31, 2014, the Group carried a net cash balance (excluding interest bearing liabilities) of 5.07 million EUR. One must note that the Parent paid dividends of EUR 0.04 (four cents) per share or 119 thousand EUR in December, 2014.

Market overview

From SAF's perspective market conditions were relatively stable during reporting period. We experienced steady demand for both our existing products and services. There is definite interest in SAF's new developments, aiming to address growing demand of channel capacity from a single radio systems.

Guidance

In 2015 there are no changes in the Group's main focus on developing excellent quality microwave data transmission equipment with competitive price and functionality balance, besides the Group is researching new niches to explore its microwave competence. Sales resources will be targeted to regions with highest potential. The Group is financially stable. The goal is to regain sales levels which ensures positive net result in a long-term. Due to intense competitive pressure the Board of the SAF Tehnika cannot provide certain prognosis for sales figures and operational results.

On December 31, 2014 the Group employed 169 people (167 people on December 31, 2013).

KEY indicators

	Q2 2014/15	Q2 2013/14	Q2 2012/13
	EUR	EUR	EUR
Net Sales	3 648 620	2 839 630	3 825 626
Earnings before interest, taxes and depreciation (EBITDA)	91 732	-225 911	-86 597
<i>share of the turnover %</i>	3%	-8%	-2%
Profit/loss before interest and taxes (EBIT)	1 009	-332 464	-187 254
<i>share of the turnover %</i>	0%	-12%	-5%
Net Profit	-96 770	-357 877	-242 595
<i>share of the turnover %</i>	-3%	-13%	-6%
Total assets	13 105 715	11 135 311	11 642 313
Total Owners equity	10 330 385	9 969 105	9 844 735
Return on equity (ROE) %	-0.75%	-3.21%	-2.08%
Return on assets (ROA) %	-0.92%	-3.59%	-2.46%
Liquidity ratio			
Quick ratio %	183%	206%	114%
Current ratio %	253%	456%	335%
Earnings per share	-0.03	-0.12	-0.08
Last share price at the end of period	1.83	2.28	1.94
P/E	-56.17	-18.89	-23.69
Number of employees at the end of reporting period	169	167	166

Consolidated Statement of Financial Position

As of December 31, 2014

	Note	31.12.2014	31.12.2013
CURRENT ASSETS		EUR	EUR
Cash and bank		5 078 671	2 398 886
Short-term investments	1	0	582 537
Customer receivables	2		
Accounts receivable		2 238 311	2 554 575
Due from joint venture		12 959	45 829
Allowance for uncollectible receivables		-424 490	-532 746
Total		1 826 780	2 067 658
Other receivables			
Other current receivables	3	114 889	3 248
Short-term loans	4	0	260 000
Total		114 889	263 248
Prepaid expenses			
Prepaid taxes		92 587	100 852
Other prepaid expenses		106 930	113 827
Total		199 517	214 679
Inventories	5		
Raw materials		1 395 843	1 163 317
Work-in-progress		1 882 278	1 707 002
Finished goods		1 688 386	1 655 671
Prepayments to suppliers		53 025	99 611
Total		5 019 532	4 625 601
TOTAL CURRENT ASSETS		12 239 389	10 152 609
NON-CURRENT ASSETS			
Long-term financial assets			
Equity-accounted investments		8 806	24 315
Investments in other companies		1 188	1 188
Long-term receivables	2	28 938	0
Deferred income tax		98 683	123 194
Total		137 615	148 697
NON-CURRENT physical assets	6		
Plant and equipment		3 323 570	3 270 128
Other equipment and fixtures		1 838 667	1 868 658
Accumulated depreciation		-4 641 862	-4 536 030
Other long-term assets		7 593	184
Total		527 968	602 940
Intangible assets	6		
Purchased licenses, trademarks etc.		200 243	202 369
Other long-term intangible assets		500	28 696
Total		200 743	231 065
TOTAL NON-CURRENT ASSETS		866 326	982 702
TOTAL ASSETS		13 105 715	11 135 311

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2014	31.12.2013
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions		4 547	12 605
Customer prepayments for goods and services		282 866	74 385
Accounts payable		798 743	774 899
Tax liabilities	7	294 071	64 201
Salary-related accrued expenses	8	247 551	200 487
Debt to shareholders due to denomination of shares from LVL to EUR		59 403	0
Provisions for guarantees		14 643	38 233
Deferred income	9	1 073 506	0
Prepaid revenue		0	1 396
TOTAL CURRENT LIABILITIES		2 775 330	1 166 206
OWNERS' EQUITY			
Share capital		4 158 252	4 226 185
Paid in capital over par		2 851 725	2 851 725
Other reserves		8 530	0
Retained earnings		3 133 841	3 125 600
Net profit for the financial year		188 354	-227 920
Currency translation reserve		-10 317	-6 485
TOTAL OWNERS' EQUITY		10 330 385	9 969 105
TOTAL LIABILITIES AND OWNERS' EQUITY		13 105 715	11 135 311

Consolidated Statement of Profit or Loss for 6 month of the financial year 2014/2015

	Note	31.12.2014	31.12.2013
		EUR	EUR
Net sales	10	6 847 631	6 253 530
Other operating income		116 729	11 259
Total income		6 964 360	6 264 789
Direct cost of goods sold or services rendered		-4 073 035	-3 528 798
Marketing, advertising and public relations expenses		-223 006	-267 837
Bad receivables	11	-55 203	-26 157
Operating expenses		-491 236	-607 393
Salaries and social expenses	12	-1 609 533	-1 576 101
Bonuses and social expenses	12	-124 721	-94 146
Depreciation expense		-180 258	-208 316
Other expenses		-19 130	-54 583
Operating expenses		-6 776 122	-6 363 329
EBIT		188 238	-98 540
Financial income (except ForEx rate difference)		560	7 948
Foreign exchange +gain/(loss)		238 641	-128 353
Financial items		239 201	-120 405
Share of profit/(loss) of equity-accounted investees		-1 016	-8 975
EBT		426 423	-227 920
Corporate income tax		-238 069	0
Profit after taxes		188 354	-227 920
Net profit		188 354	-227 920

*Earnings per share

EPS 31.12.2014. = 0.06 EUR

EPS 31.12.2013. = -0.08 EUR

Consolidated Statement of Profit or Loss for Q2 of the financial year 2014/2015

	31.12.2014	31.12.2013
	EUR	EUR
Net sales	3 648 620	2 839 630
Other operating income	111 274	8 073
Total income	3 759 894	2 847 703
Direct cost of goods sold or services rendered	-2 349 351	-1 615 782
Marketing, advertising and public relations expenses	-104 345	-171 374
Bad receivables	-44 194	280
Operating expenses	-250 923	-349 371
Salaries and social expenses	-832 281	-831 845
Bonuses and social expenses	-87 047	-74 189
Depreciation expense	-90 723	-106 553
Other expenses	-21	-31 334
Operating expenses	-3 758 885	-3 180 167
EBIT	1 009	-332 464
Financial income (except ForEx rate difference)	4	3 209
Foreign exchange +gain/(loss)	83 043	-32 093
Financial items	83 047	-28 884
Share of profit/(loss) of equity-accounted investees	-443	-2 383
EBT	83 613	-363 732
Corporate income tax	-180 383	5 857
Net profit	-96 770	-357 875

*Earnings per share

EPS 31.12.2014. = -0.03 EUR

EPS 31.12.2013. = -0.12 EUR

Consolidated cash flow statement for 6 months of the financial year 2014/2015

	31.12.2014	31.12.2013
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	855 909	-492 484
Cash received from customers	7 479 114	6 733 264
Cash paid to suppliers and employees	-6 703 612	-7 410 410
Paid/Received VAT, corporate income tax	80 407	184 662
NET CASH USED IN INVESTING ACTIVITIES (of which)	-156 171	-65 862
Investment in equity-accounted investees	0	-27 588
Cash paid/received for short-term investments	0	247 965
Cash paid for purchasing non-current physical assets	-156 731	-288 534
Interest received	560	2 295
NET CASH USED IN FINANCING ACTIVITIES (of which)	285 397	152 071
Repayment of short-term loans	177 766	104 800
Cash received from EU funds	226 438	47 271
Dividends paid	-118 807	0
Effects of exchange rate changes	10 980	-4 136
TOTAL CASH FLOW:	996 116	-410 411
Cash and cash equivalents as at the beginning of period	4 082 555	2 809 297
Cash and cash equivalents as at the end of period	5 078 671	2 398 886
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	996 116	-410 411

Statement of changes in consolidated equity for the 6 months period ended December 31 2014

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2013	4 226 185	2 851 725	0	-50	3 125 599	10 203 459
Currency translation difference	-	-	-	-512	-	-512
Profit for the year	-	-	-	-	127 049	127 049
As at 30 June 2014	4 226 185	2 851 725	0	-562	3 252 648	10 329 996
Dividend relating to 2013/2014	-	-	-	-	-118 807	-118 807
The denomination of the shares from LVL to EUR	-67 933	-	8 530	-	-	-59 403
Currency translation difference	-	-	-	-9 755	-	-9 755
Profit for the period	-	-	-	-	188 354	188 354
As at 31 December 2014	4 158 252	2 851 725	8 530	-10 317	3 322 195	10 330 385

Notes for interim report

Note 1 Short-term investments

	31.12.2014	31.12.2013
	EUR	EUR
Short-term investments	<u>-</u>	<u>582 537</u>

Short-term investments consist of deposits with a maturity period of more than 90 days. The Group had no deposits on December 31, 2014.

Note 2 Customer receivables

	31.12.2014	31.12.2013
	EUR	EUR
Long-term receivables	28 938	-
Accounts receivable	2 238 311	2 554 575
Due from joint venture	12 959	45 829
Provisions for bad and doubtful accounts receivable	(424 490)	(532 746)
Total short term accounts receivable	<u>1 826 780</u>	<u>2 067 658</u>
Total receivables	<u>1 855 718</u>	<u>2 067 658</u>

Total receivables decreased by 12% comparing with the previous year although sales increased in Q2. The Group managed to agree most favorable payment terms for larger projects, besides positive impact is from intensive day to day endeavors of credit control. Provisions for doubtful accounts receivable decreased by 20% or 108 thousand EUR as part of bad and doubtful debts were regained. Calculations of provisions for bad and doubtful accounts were done according to the Group's provision calculation policy.

Note 3 Other current receivables

	31.12.2014	31.12.2013
	EUR	EUR
Other current receivables	<u>114 889</u>	<u>3 248</u>

Other current receivables include the amounts of calculated co-financing from EU funds for ongoing product development projects. Co-financing is assigned via competence center "LEO pētījumu centrs" (LEO) and will be received when project documentation and results are reviewed and accepted by project sponsor.

Note 4 Loans

	31.12.2014	31.12.2013
	EUR	EUR
Short-term loans	<u>-</u>	<u>260 000</u>

The Parent granted a loan to related party "SIA Namīpašumu pārvalde" based on a loan agreement. The loan was repaid in full on maturity on July 31, 2014.

Note 5 Inventories

	31.12.2014	31.12.2013
	EUR	EUR
Raw materials	1 910 321	1 752 977
Allowance for slow-moving items	(514 478)	(589 659)
Work-in- progress	1 882 278	1 707 002
Finished goods	1 688 386	1 655 671
Prepayments to suppliers	53 025	99 611
	5 019 532	4 625 601

Inventories in comparison with December 31, 2013 increased by 8.52%. The main increase is in raw materials stock. The stock was supplemented as the Group has to keep inventory reserves to be able to provide competitive lead times for all products currently being in the Group's portfolio.

Group also keeps components for previously produced and sold product types for repair and maintenance purpose.

Note 6 Non-current assets

	31.12.2014	31.12.2013
	EUR	EUR
Plant and equipment	3 323 570	3 270 128
Other equipment and fixtures	1 838 667	1 868 658
Accumulated depreciation	(4 641 862)	(4 536 030)
Other long term assets	7 593	184
	527 968	602 940
Purchased licenses, trademarks etc.	200 243	202 369
Other long term intangible assets	500	28 696
	200 743	231 065

The Group invested 159 thousand EUR in 6 months of FY 2014/2015 in production and testing equipment and SW, product development SW.

Note 7 Tax liabilities

	31.12.2014	31.12.2013
	EUR	EUR
Tax liabilities	294 071	64 201

As the Group's financial result was profit the respective Corporate Income tax liability was accrued. Tax liability includes accrued Income tax for deferred income from internal Group sales according to Latvia tax legislation.

Note 8 Salary-related accrued expenses

	31.12.2014	31.12.2013
	EUR	EUR
Salary-related accrued expenses	<u>247 551</u>	<u>200 487</u>

Salary related accrued expenses increased by 23% or 47 thousand EUR comparing year-on-year.

Note 9 Deferred income

	31.12.2014	31.12.2013
	EUR	EUR
Deferred income	<u>1 073 506</u>	<u>-</u>

Main part of deferred income includes 1 million EUR resulting from not earned profit from not sold Group's products kept in "SAF North America" stock. As of October 1, 2014 the Group has started to sell its products to North America market from its 100% owned subsidiary "SAF North America". Sales were done solely from headquarters before.

Note 10 Segment information

a) The Group's operations are divided into two major structural units – SAF branded equipment designed and produced in-house - CFIP and Freemile (Ethernet/Hybrid/ superPDH systems), *Integra* (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers) as the first structural unit and 3rd party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

CFIP –product line is represented by:

- a split mount PhoeniX hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
- Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- CFIP-108 entry level radio - perfect for upgrade of E1 networks into packet data networks;
- Marathon FIDU low frequency low capacity system for industrial applications and rural telecom use.

Freemile 17/24, an all outdoor hybrid radio system to be used in 17 and 24 GHz unlicensed frequency bands and providing Ethernet/E1 interfaces for user traffic

All CFIP radios are offered in most widely used frequency bands from 300MHz to 38 GHz, thus enabling the use of CFIP radios all across the globe. Phoenix radio represents the type of microwave radio which is still dominating market share point of view.

Integra – is a next generation radio system employing latest modem technology on the market as well as radio technology in an innovative packaging.

Spectrum Compact is the latest product line in SAF's portfolio, it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 6 month of the financial year 2014/15 and financial year 2013/14.

	CFM; CFIP; FreeMile		Other		Total	
	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR
Segment assets	6 134 550	5 441 338	1 560 729	2 115 455	7 695 279	7 556 792
Undivided assets					5 410 436	3 578 519
Total assets					13 105 715	11 135 311
Segment liabilities	994 751	729 462	263 864	281 660	1 258 615	1 011 123
Undivided liabilities					1 516 715	155 083
Total liabilities					2 775 330	1 166 206
Net sales	5 143 649	4 872 804	1 703 982	1 380 726	6 847 631	6 253 530
Segment results	966 473	1 443 735	835 763	274 859	1 802 236	1 718 594
Undivided expenses					-1 613 998	-1 817 133
Profit from operations					188 238	-98 540
Other income					560	7 948
Financial income/expenses, net					238 641	-128 353
Share of profit/(loss) of equity-accounted investees					-1 016	-8 975
Profit before taxes					426 423	-227 920
Corporate income tax					-238 069	0
Profit after taxes					188 354	-227 920
Net profit					188 354	-227 920
Other information						
Additions of property plant and equipment and intangible assets	52 654	46 958	0	0	52 654	46 958
Undivided additions					109 808	78 099
Total additions of property plant and equipment and intangible assets					162 462	125 057
Depreciation and amortization	76 326	81 108	93	559	76 419	81 667
Undivided depreciation					103 839	126 649
Total depreciation and amortization					180 258	208 316

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 6 month of the financial year 2014/15 and financial year 2013/14.

	Net sales		Assets	
	2014/15	2013/14	31.12.2014	31.12.2013
	EUR	EUR	EUR	EUR
Americas	3 467 468	2 483 668	893 054	977 759
Europe, CIS	2 703 486	2 292 161	813 507	607 829
Asia, Africa, Middle East	676 677	1 477 701	149 157	482 070
	6 847 631	6 253 530	1 855 718	2 067 658
Unallocated assets	-	-	11 249 997	9 067 653
	6 847 631	6 253 530	13 105 715	11 135 311

Note 11 Bad receivables

	31.12.2014	31.12.2013
	EUR	EUR
Bad receivables	55 203	26 157

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy. The Group starts to calculate provisions for customers who delays payment terms more than 3 months. Additional provisions were calculated for debts where probability not to receive payment is high, although agreed payment term has not come yet. The Group has managed to regain customer's debts who were substantially delayed thus decreasing calculated provisions.

Note 12 Salaries, bonuses and social expenses

	31.12.2014	31.12.2013
	EUR	EUR
Salaries and social expenses	1 609 533	1 576 101
Bonuses and social expenses	124 721	94 146
	1 734 254	1 670 247

Salaries and social expenses, in comparison with the 6 months period of the previous financial year increased by 2% reflecting increase in fixed salaries for key specialists. Bonuses were paid as specific financial and development targets were reached.