

**SAF Tehnika A/S**  
**Consolidated Interim Report**  
**for Q4 and 12 months of financial year 2017/2018**  
**(July 1, 2017 – June 30, 2018)**

## TABLE OF CONTENTS

KEY DATA .....	3
Share and Shareholdings.....	4
Information on Management and Supervisory Board members .....	5
Information on professional and educational background of the management board members .....	5
Information on professional and educational background of the supervisory council members .....	7
Statement of Board's Responsibilities .....	9
Management Report.....	10
Consolidated Statement of Financial Position .....	14
Consolidated Statement of Profit or Loss for 12 month of the financial year 2017/2018.....	16
Consolidated Statement of Profit or Loss for Q4 of the financial year 2017/2018 .....	17
Consolidated cash flow statement for 12 months of the financial year 2017/2018.....	18
Statement of changes in consolidated equity for the 12 month period ended June 30, 2018.....	18
Notes for interim report .....	18
Note 1 Customer receivables .....	19
Note 2 Other current receivables .....	19
Note 3 Inventories.....	19
Note 4 Non-current, intangible assets .....	20
Note 5 Tax liabilities.....	20
Note 6 Salary-related accrued expenses .....	20
Note 7 Segment information.....	21
Note 8 Bad receivables .....	23
Note 9 Salaries, bonuses and social expenses.....	23

## 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 130 countries, covering all relevant market segments worldwide within just a decade.

Currently the Group consists of SAF Tehnika JSC (hereinafter – the Parent) operating from Riga, Latvia, a wholly owned subsidiary “SAF North America” LLC and “SAF Services” LLC. 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 Riga stock exchange.

<b>Legal address:</b>	Ganību dambis 24a Rīga, LV-1005 Latvija
<b>Commercial Registry Nr.:</b>	40003474109
<b>VAT Registry Nr.:</b>	LV40003474109
<b>Beginning of financial year:</b>	01.07.2017
<b>End of financial year:</b>	30.06.2018
<b>Phone:</b>	+371 67046840
<b>E-mail:</b>	<a href="mailto:info@saftehnika.com">info@saftehnika.com</a>

## Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.04.2018.

Shareholder	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
SIA „Koka zirgs”	8.84%
Juris Zieme	8.71%
Vents Lācars	6.08%

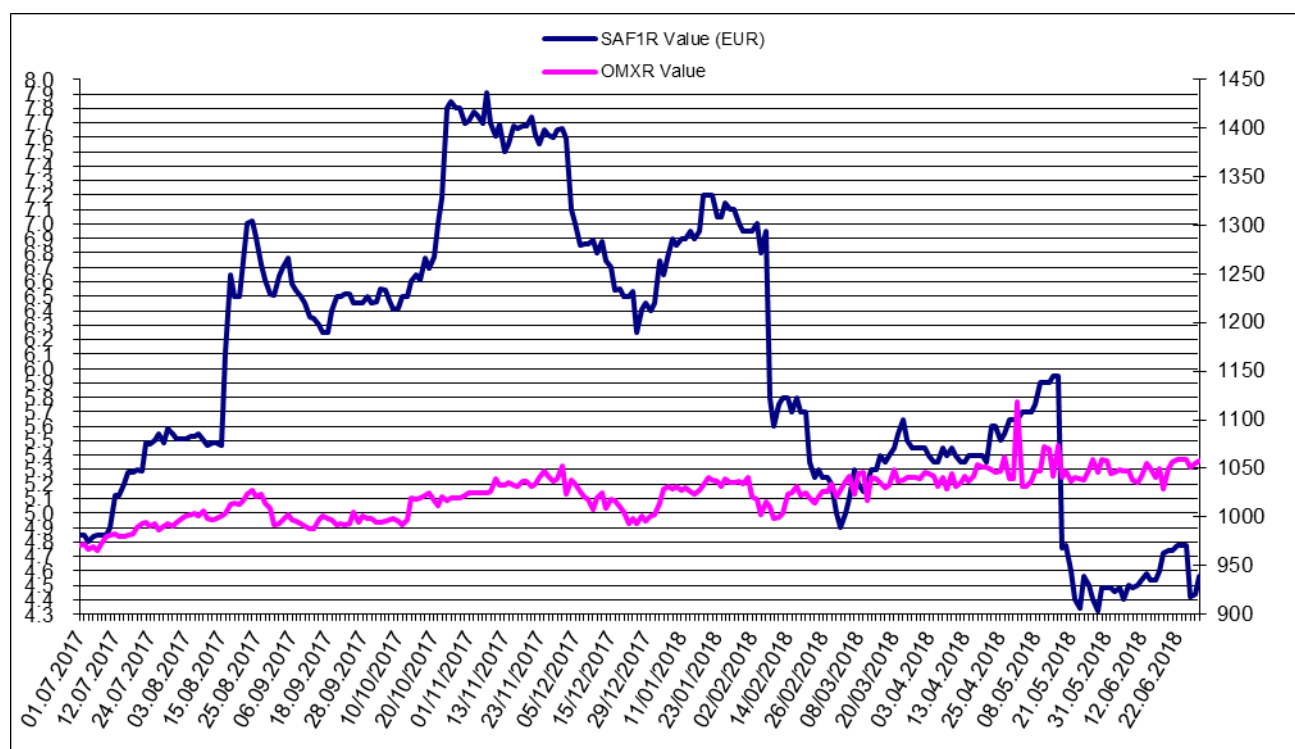
## SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2017 – June 30, 2018

Currency: EUR

Marketplace: Nasdaq Riga



## Information on Management and Supervisory Board members

### SAF Tehnika Management Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Member	owns 17.05% of shares
Zane Jozepa	Member	owns no shares
Janis Bergs	Member	owns no shares

### SAF Tehnika Supervisory Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
Vents Lacars*	Chairman	owns 6.08% of shares
Juris Zieme	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

\*passed away on 10 May 2018

## **Information on professional and educational background of the management board members**

**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**, born in 1962, is Member of the Board and Technical Director of SAF Tehnika. Mr. 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. Mr. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

**Zane Jozepa** (born in 1982) is Member of the Board and Chief Financial Officer. Prior to her employment with SAF Tehnika, Ms. Jozepa has been working in the leading IT and telecommunication services provider in Latvia – SIA Lattelecom, which is a subsidiary company of SIA Citrus Solutions that provides design, construction and maintenance of the engineering and technical systems and infrastructure. Ms. Jozepa has been working as a Business Controller for the first two years. She became Head of Finance in 2008, and a Board Member in 2012. Ms. Jozepa gained her professional experience in finance while working for SIA Coca Cola HBC Latvia during 2001-2006. She has graduated the BA School of Business and Finance (Banku Augstskola) and has a BA degree in finance management.

**Jānis Bergs** (born in 1970) is Member of the Board, Vice President of Sales and Marketing, and the President of "SAF North America". From 2000 till 2006 Mr. Bergs was a Member of the Board and later CEO of AS Microlink. When Microlink was sold to the TeliaSonera group in 2006, Jānis became a shareholder and CEO of SIA FMS, where he worked until January 2015. Mr. Bergs was a Member of AS SAF Tehnika Council from November 2006 till August 2010, and for more than 10

years he has been managing the Latvian IT and Telecommunications Association (LIKTA) and the ICT cluster, as well as giving lectures in business studies in Riga Business School. Mr. Bergs has graduated Riga Technical University as radio engineer and has an MBA degree from Riga Business School.

### **Information on professional and educational background of the supervisory council members**

**Vents Lācars**, born in 1968, **passed away on 10 May 2018** until then was the 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 Mr. Lācars worked as a programmer at state electric utility company Latvenergo. Mr. Lācars has studied in Faculty of Physics and Mathematics, University of Latvia.

**Juris Zieme**, 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 Mr. Liepkalns private enterprise SAF. From 1987 to 1999 Mr. Zieme worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. Mr. Zieme 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. Mr. 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 Mr. 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. Mr. 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. Mr. Šenbergs has graduated Faculty of Law, University of Latvia in 1986.

**Aivis Olšteins**, born in 1968, is Member of the Supervisory Council. He has 20 years of experience in telecommunications. Since April 2015, Mr. Olšteins is the head and co-owner of “Cliff IT Solutions” (Spain). From 2000 till 2015 he was Head of “DataTechLabs”. From 1992 till 1999 he worked in Baltcom TV – at first, as a System Engineer in the cable TV operations unit, and then – from 1994 till June 1996 – as a CTO, and from July 1996 till the end of 1999 as Baltcom CEO Technical Advisor.



## 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 30 June, 2018 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, 2017.

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.



---

Zane Jozepa  
CFO, Member of the Management Board

## Management Report

In the fourth quarter of the financial year 2017/2018, the Group's unaudited consolidated net turnover was 3 million euros, which is down 40% compared with the fourth quarter of the financial year 2016/2017, when the historically largest turnover was achieved over the last ten years. The sales volume for the period is 3% higher than in the third quarter.

The turnover of North/Latin Americas was 58% or 1.75 million euros. Compared with the same quarter last financial year, the region's turnover has decreased by 50%. The high turnover last financial year in this period was due to the implementation of a specific project in the specified region.

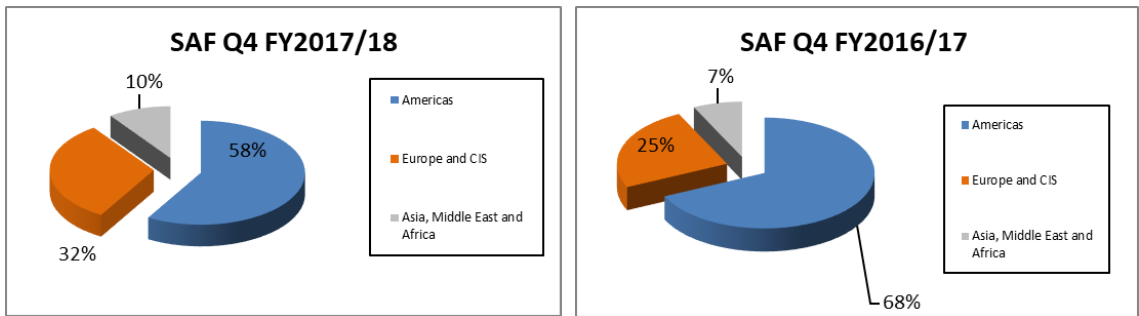
The turnover in the European and CIS region was 32% or 954 thousand euros, which is equivalent to the average regional turnover and is the same as in the third quarter this year, but 25% less than in the previous financial year. The successful result of the reference period was due to the development of a specific custom-tailored data transmission solution.

In the AMEA (Asia, Middle East, Africa) region, the turnover was 10% or 0.3 million euros. Compared with the same quarter of the previous financial year, the region's turnover decreased by 20%. Likewise, this region's great result in the fourth quarter of the previous financial year was related to the implementation of a larger individual project.

In April-June period of the financial year, SAF Tehnika participated in several important trade shows. In North America: ISC West, UTC Telecom & Technology; The Trade Show, Mountain Connect Conference, IMS. Moreover, SAF PhoeniX solutions for video broadcasting were demonstrated at NAB Show, which is the largest trade show for U.S. broadcasters. In Europe: the military exhibition AFCEA (Germany); Tradetech exhibition dedicated to financial solutions (the Netherlands), Critical Communications World (Germany), Eurosatory (France).

In the reference quarter, Aranet brand products were announced in North America, including the presentation of Aranet PT100 Sensor and Aranet Signal Test Sensor. An information campaign on carbon dioxide gas hazards at schools has been implemented. The campaign addressed both local and international schools, local authorities and parent organizations. The project also included a animation that was published both on the Aranet website and Aranet YouTube channel.

**Comparative charts of Q4 sales volumes by regions:**

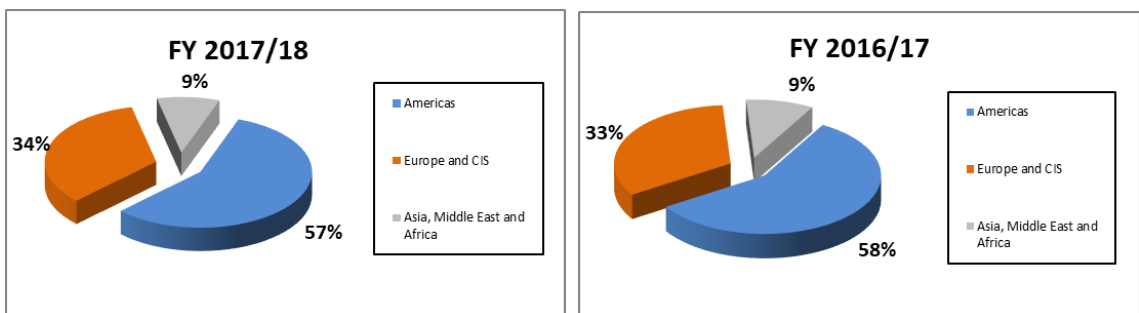


During the reporting quarter, the Group sold its products in 43 countries.

The Group’s unaudited consolidated turnover of the financial year 2017/2018 was 13.4 million euros, which is 21% less compared to the revenues in the same period last financial year. Fluctuations in turnover depend on the growing percentage of projects, replacement of equipment generations and product portfolio auditing, especially in segments of standard equipment.

During the period of 12 months, sales in North/Latin Americas made 57% of the total Group’s turnover, or 7.66 million euros, which is a 22% drop against the results of the previous financial year. 34% of the total turnover was made by profits in the European and CIS region, having decreased by 19%, or 1 million euros, compared with a year earlier. The successful result a year earlier was due to the development of a specific custom-tailored data transmission solution. Revenues from the AMEA (Asia, Middle East, Africa) region decreased by 24%, or 388 thousand euros, thus making 9% of the Group’s total turnover.

**Comparative charts of 12-month sales volumes by regions:**



The Group’s costs did not exceed the planned levels but were generally higher than during the same period a year ago due to investments in the development of new products that are expected to enter the market in the coming financial year.

The Group completed Q4 of the financial year 2017/2018 with a profit of 6 thousand euros (unaudited). The Group’s net results were positively affected by the USD/EUR exchange rate in the

reference period, allowing to cut the annual losses from exchange rate fluctuations by 150 thousand euros.

The unaudited consolidated result of the financial year 2017/2018 is the loss of 214 thousand euros (of which 170 thousand euros is the effect of the USD/EUR exchange rate). In the previous financial year (2016/2017), the Group's result was the profit of 1.7 million euros

The Group had a negative cash flow during the financial year, equaling to (-) 3.3 million euros. In December 2017, dividends were paid in the amount of 0.67 euros (sixty seven cents) per share, or 1.990 million euros in total.

As of the end of the reference period, the Group's net cash balance was 3.13 million euros. In the financial year 2017/2018, 225 thousand euros were invested in acquisition of fixed assets.

### **Market overview**

The microwave radio market has not experienced any rapid changes during the last quarter, and, in our opinion, is not expected to any time soon, however, competition is growing, especially as regards standard equipment.

There is still an increase in demand for radio systems that provide enhanced data transmission rate and can be enhanced and updated in order to improve data usage.

### **Guidance**

SAF Tehnika is the company with the long-term competence in development and production of microwave radios.

The Group continues to explore market requirements and problematic issues in order to be able to provide necessary product modifications.

The goal of the Company is to stabilize sales levels to ensure a positive net result in the long term. The Board of SAF Tehnika maintains caution and cannot provide a sales and performance forecast.

On 30 June 2018, the Group had 187 employees (191 employees on 30 June 2017).

## KEY indicators

	Q4 2017/18	Q4 2016/17	Q4 2015/16
	EUR	EUR	EUR
Net Sales	3,000,693	5,116,774	3,699,208
Earnings before interest, taxes and depreciation (EBITDA)	-49,263	1,094,718	501,438
<i>share of the turnover %</i>	-2%	21%	13.6%
Profit/loss before interest and taxes (EBIT)	-150,520	996,092	410,789
<i>share of the turnover %</i>	-5%	19%	11%
Net Profit	6,810	583,001	572,501
<i>share of the turnover %</i>	0%	11%	15%
Total assets	11,565,987	15,061,775	13,419,342
Total Owners equity	9,881,555	12,076,210	11,358,407
Return on equity (ROE) %	0.06%	4.02%	4.44%
Return on assets (ROA) %	0.07%	4.95%	5.17%
Liquidity ratio			
<i>Quick ratio %</i>	186%	218%	287%
<i>Current ratio %</i>	304%	281%	383%
Earnings per share	0.00	0.20	0.19
Last share price at the end of period	4.56	4.85	3.08
P/E	-65.14	8.36	9.94
Number of employees at the end of reporting period	187	191	185

## Consolidated Statement of Financial Position

	Note	30.06.2018	30.06.2017
<b>CURRENT ASSETS</b>		<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>3 126 535</b>	<b>6 508 388</b>
<b>Customer receivables</b>	<b>1</b>		
Accounts receivable		1 727 346	1 740 766
Allowance for uncollectible receivables		-16 360	-33 852
<b>Total</b>		<b>1 710 986</b>	<b>1 706 914</b>
<b>Other receivables</b>			
Other current receivables	<b>2</b>	70 273	175 046
Short-term loans		214 445	0
<b>Total</b>		<b>284 718</b>	<b>175 046</b>
<b>Prepaid expenses</b>			
Prepaid taxes		184 793	49 884
Other prepaid expenses		196 361	138 350
<b>Total</b>		<b>381 154</b>	<b>188 234</b>
<b>Inventories</b>	<b>3</b>		
Raw materials		1 269 602	1 925 249
Work-in-progress		2 068 567	2 208 377
Finished goods		1 719 708	1 401 901
Prepayments to suppliers		192 977	17 688
<b>Total</b>		<b>5 250 854</b>	<b>5 553 215</b>
<b>TOTAL CURRENT ASSETS</b>		<b>10 754 247</b>	<b>14 131 797</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term financial assets</b>			
Investments in other companies		8 106	2 148
Long-term receivables	<b>1</b>	1 905	2 993
Deffered income tax		0	27 374
<b>Total</b>		<b>10 011</b>	<b>32 515</b>
<b>NON-CURRENT physical assets</b>	<b>4</b>		
Plant and equipment		4 040 907	3 900 609
Other equipment and fixtures		1 958 001	1 958 705
Accumulated depreciation		-5 341 569	-5 126 013
Other long-term assets		1 724	392
<b>Total</b>		<b>659 063</b>	<b>733 693</b>
<b>Intangible assets</b>	<b>4</b>		
Purchased licenses, trademarks etc.		142 665	117 907
Other long-term intangible assets		0	26 776
<b>Total</b>		<b>142 665</b>	<b>144 683</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>811 739</b>	<b>910 891</b>
<b>TOTAL ASSETS</b>		<b>11 565 987</b>	<b>15 042 688</b>

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
<b>CURRENT LIABILITIES</b>		<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>			
Short-term loans from financial institutons		113	10 397
Customer prepayments for goods and services		198 386	706 834
Accounts payable		721 981	782 945
Tax liabilities	<b>5</b>	97 185	258 189
Salary-related accrued expenses	<b>6</b>	547 103	1 137 108
Provisions for guarantees		11 184	6 294
Deffered income		108 478	52 201
<b>TOTAL CURRENT LIABILITIES</b>		<b>1 684 431</b>	<b>2 953 968</b>
<b>OWNERS' EQUITY</b>			
Share capital		4 158 252	4 158 252
Paid in capital over par		2 851 726	2 851 726
Other reserves		8 530	8 530
Retained earnings		3 074 985	3 317 939
Net profit for the financial year		-214 911	1 747 066
Currency translation reserve		2 973	5 207
<b>TOTAL OWNERS' EQUITY</b>		<b>9 881 555</b>	<b>12 088 720</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>11 565 986</b>	<b>15 042 688</b>

## Consolidated Statement of Profit or Loss for 12 month of the financial year 2017/2018

	Note	30.06.2018	30.06.2017
		EUR	EUR
Net sales	7	13 411 295	17 042 574
Other operating income		331 633	402 133
<b>Total income</b>		<b>13 742 928</b>	<b>17 444 707</b>
Direct cost of goods sold or services rendered		-5 590 913	-6 796 787
Marketing, advertising and public relations expenses		-674 577	-660 406
Bad receivables	8	17 621	-28 434
Operating expenses		-1 422 745	-1 424 289
Salaries and social expenses	9	-4 920 144	-4 534 009
Bonuses and social expenses	9	-685 118	-1 326 181
Depreciation expense		-389 273	-366 348
Other expenses		-38 731	-60 834
<b>Operating expenses</b>		<b>-13 703 882</b>	<b>-15 197 288</b>
<b>EBIT</b>		<b>39 046</b>	<b>2 247 419</b>
Financial income (except ForEx rate difference)		21 401	11 247
Financial costs (except ForEx rate difference)		-41	-235
Foreign exchange +gain/(loss)		-191 939	-204 219
<b>Financial items</b>		<b>-170 579</b>	<b>-193 207</b>
<b>EBT</b>		<b>-131 533</b>	<b>2 054 212</b>
Corporate income tax		-83 378	-307 146
<b>Profit after taxes</b>		<b>-214 911</b>	<b>1 747 066</b>
<b>Net profit/(loss)</b>		<b>-214 911</b>	<b>1 747 066</b>

\*Earnings per share

EPS 30.06.2018. = -0.07 EUR

EPS 30.06.2017. = 0.59 EUR



## Consolidated Statement of Profit or Loss for Q4 of the financial year 2017/2018

	30.06.2018	30.06.2017
	EUR	EUR
Net sales	3 000 693	5 111 584
Other operating income	61 714	230 876
<b>Total income</b>	<b>3 062 407</b>	<b>5 342 460</b>
Direct cost of goods sold or services rendered	-1 117 896	-1 710 004
Marketing, advertising and public relations expenses	-195 406	-232 942
Bad receivables	3 562	6 260
Operating expenses	-345 139	-403 944
Salaries and social expenses	-1 225 433	-1 185 707
Bonuses and social expenses	-222 847	-701 698
Depreciation expense	-101 257	-98 626
Other expenses	-8 510	-11 486
<b>Operating expenses</b>	<b>-3 212 926</b>	<b>-4 338 147</b>
<b>EBIT</b>	<b>-150 520</b>	<b>1 004 313</b>
Financial income (except ForEx rate difference)	5 360	4 924
Financial costs (except ForEx rate difference)	-5	9 123
Foreign exchange +gain/(loss)	149 016	-327 620
<b>Financial items</b>	<b>154 370</b>	<b>-313 573</b>
<b>EBT</b>	<b>3 851</b>	<b>690 740</b>
<b>Corporate income tax</b>	<b>2 959</b>	<b>-93 639</b>
<b>Net profit/(loss)</b>	<b>6 810</b>	<b>597 101</b>

\*Earnings per share

EPS 30.06.2018. = 0.00 EUR

EPS 30.06.2017. = 0.20 EUR

## Consolidated cash flow statement for 12 months of the financial year 2017/2018

	30.06.2018	30.06.2017
	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>-1 265 544</b>	<b>1 354 086</b>
Cash received from customers	14 428 725	17 200 915
Cash paid to suppliers and employees	-15 582 158	-16 063 852
Paid/Received VAT, corporate income tax	-112 111	217 023
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>-211 127</b>	<b>-259 217</b>
Cash paid for purchasing shares in subsidiary	-5 958	0
Cash paid for purchasing non-current physical assets	-225 983	-270 427
Interest received	20 814	11 210
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>-1 813 185</b>	<b>-708 107</b>
Short-term loans	-214 445	0
Repayment of short-term loans	-10 284	-1 698
Cash received from EU funds	401 565	303 453
Dividends paid	-1 990 021	-1 009 862
<b>Effects of exchange rate changes</b>	<b>-91 996</b>	<b>210 767</b>
<b>TOTAL CASH FLOW:</b>	<b>-3 381 853</b>	<b>597 529</b>
Cash and cash equivalents as at the beginning of period	6 508 388	5 910 859
Cash and cash equivalents as at the end of period	3 126 535	6 508 388
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-3 381 853</b>	<b>597 529</b>

## Statement of changes in consolidated equity for the 12 month period ended June 30, 2018

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 30 June 2016</b>	<b>4 158 252</b>	<b>2 851 725</b>	<b>8 530</b>	<b>10 496</b>	<b>4 327 801</b>	<b>11 356 804</b>
Dividend relating to 2015/2016	-	-	-	-	-1 009 861	-1 009 861
Currency translation difference	-	-	-	-5 289	-	-5 288
Profit for the year	-	-	-	-	1 747 066	1 747 066
<b>As at 30 June 2017</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>5 207</b>	<b>5 065 006</b>	<b>12 088 721</b>
Dividend relating to 2016/2017	-	-	-	-	-1 990 021	-1 990 021
Currency translation difference	-	-	-	-2 234	-	-2 234
Profit for the period	-	-	-	-	-214 911	-214 911
<b>As at 30 June 2018</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>2 973</b>	<b>2 860 074</b>	<b>9 881 555</b>

## Notes for interim report

### Note 1 Customer receivables

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
Long-term receivables	1 905	2 993
Accounts receivable	1 727 346	1 740 766
Provisions for bad and doubtful accounts receivable	(16 360)	(33 852)
<b>Total short term accounts receivable</b>	<b>1 710 986</b>	<b>1 706 914</b>
<b>Total receivables</b>	<b>1 712 891</b>	<b>1 709 907</b>

As compared to the same balance sheet date of the previous financial year the total receivables have not changed

### Note 2 Other current receivables

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Other current receivables</b>	<b>70 273</b>	<b>175 046</b>

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 3 Inventories

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials	1 749 564	2 422 584
Allowance for slow-moving items	(479 962)	(497 335)
Work-in-progress	2 068 567	2 208 377
Finished goods	1 719 708	1 401 901
Prepayments to suppliers	192 977	17 688
	<b>5 250 854</b>	<b>5 553 215</b>

As compared to 30 June 2017, total inventories decreased by 6%.

The Group maintains the amount of raw materials and auxiliary supplies at the defined level to be able to deliver all products in the Group’s product portfolio within the competitive timeframes.

The Group’s inventories must include previously produced and sold equipment components in order to provide corresponding maintenance service.

**Note 4 Non-current, intangible assets**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
Plant and equipment	4 040 907	3 900 609
Other equipment and fixtures	1 958 001	1 958 705
Accumulated depreciation	(5 341 569)	(5 126 013)
Other long term assets	1 724	392
	<b>659 063</b>	<b>733 693</b>
Purchased licenses, trademarks etc.	142 665	117 907
Other long-term intangible assets	-	26 776
	<b>142 665</b>	<b>144 683</b>
<b>Total non-current, intangible assets</b>	<b>801 728</b>	<b>878 376</b>

During FY 2017/2018, the Group acquired fixed assets and intangible assets in the amount of 226 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

**Note 5 Tax liabilities**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Tax liabilities</b>	<b>97 185</b>	<b>258 189</b>

The decrease is related to CIT (Corporate Income Tax) overpaid (no corporate income tax liabilities)

**Note 6 Salary-related accrued expenses**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Salary-related accrued expenses</b>	<b>547 103</b>	<b>1 137 108</b>

The total balance of salary payments decreased by 52% compared to 30.06.2017. Provision for bonuses was made in the previous period.

## Note 7 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 (Etherent/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 12 month of the financial year 2017/18 and financial year 2016/17.

	CFM; CFIP; FreeMile		Other		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Segment assets</b>	<b>6 969 430</b>	<b>7 086 826</b>	<b>1 295 042</b>	<b>1 234 519</b>	<b>8 264 472</b>	<b>8 321 345</b>
Undivided assets					3 301 515	6 721 343
<b>Total assets</b>					<b>11 565 987</b>	<b>15 042 688</b>
<b>Segment liabilities</b>	<b>1 076 703</b>	<b>1 587 837</b>	<b>65 325</b>	<b>59 881</b>	<b>1 142 028</b>	<b>1 647 718</b>
Undivided liabilities					542 403	1 306 250
<b>Total liabilities</b>					<b>1 684 431</b>	<b>2 953 968</b>
<b>Net sales</b>	<b>12 607 910</b>	<b>15 972 955</b>	<b>803 385</b>	<b>1 069 619</b>	<b>13 411 295</b>	<b>17 042 574</b>
<b>Segment results</b>	<b>4 389 967</b>	<b>6 522 131</b>	<b>457 202</b>	<b>977 021</b>	<b>4 847 169</b>	<b>7 499 152</b>
Undivided expenses					-5 139 756	-5 653 866
<b>Profit from operations</b>					<b>-292 587</b>	<b>1 845 286</b>
Other income					331 633	402 133
Other expenses					21 401	11 247
Financial income/expenses, net					-191 980	-204 454
<b>Profit before taxes</b>					<b>-131 533</b>	<b>2 054 212</b>
Corporate income tax					-83 378	-307 146
<b>Profit after taxes</b>					<b>-214 911</b>	<b>1 747 066</b>
<b>Net profit</b>					<b>-214 911</b>	<b>1 747 066</b>
<b>Other information</b>						
Additions of property plant and equipment and intangible assets	161 388	120 120	0	0	161 388	120 120
Undivided additions					182 891	247 692
<b>Total additions of property plant and equipment and intangible assets</b>					<b>344 279</b>	<b>367 812</b>
Depreciation and amortization	216 257	152 529	0	609	216 257	153 138
Undivided depreciation					173 016	213 202
<b>Total depreciation and amortization</b>					<b>389 273</b>	<b>366 340</b>

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2017/18 compared to the same period of financial year 2016/17.

	Net sales		Assets	
	2017/18	2016/17	30.06.2018	30.06.2017
	EUR	EUR	EUR	EUR
Americas	7 659 267	9 830 112	1 372 016	1 160 660
Europe, CIS	4 532 061	5 605 141	280 376	308 680
Asia, Africa, Middle East	1 219 967	1 607 321	60 499	240 567
	<b>13 411 295</b>	<b>17 042 574</b>	<b>1 712 891</b>	<b>1 709 907</b>
Unallocated assets	-	-	9 853 096	13 332 781
	<b>13 411 295</b>	<b>17 042 574</b>	<b>11 565 987</b>	<b>15 042 688</b>

### Note 8 Bad receivables

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Bad receivables</b>	<b>17 621</b>	<b>(28 434)</b>

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.

### Note 9 Salaries, bonuses and social expenses

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social expenses	4 920 144	4 534 009
Bonuses and social expenses	685 118	1 326 181
	<b>5 605 262</b>	<b>5 860 190</b>

The amount of salaries and social payments has increased compared to the financial year 2016/2017, thus reflecting the increase of fixed remuneration for SAF Tehnika employees with critical competences. The total amount decreased due to cuts in bonuses and social contributions.