

**SAF Tehnika A/S**  
**Consolidated Interim Report**  
**for Q2 and 6 month of financial year 2019/2020**  
**(July 1, 2019 – December 31, 2019)**

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## KEY DATA

SAF Tehnika (hereinafter – the Group) is a manufacturer of wireless data transmission equipment. The company’s activities can be divided into three categories:

- Digital microwave radio equipment for voice and data transmission;
- Microwave spectrum analyzers and signal generators;
- Wireless sensor network solutions for environmental monitoring.

The company’s 20 years of experience and knowledge have enabled it to develop a number of innovations, including the launch of the world’s smallest microwave spectrum analyzers to the market – the Spectrum Compact series, as well as the introduction of wireless sensor network solutions – the Aranet brand.

SAF Tehnika products are found in more than 130 countries worldwide. The company has a total of 200 employees, most of them are considered to be leading experts in their field not only locally, but also globally.

The company’s products are used by both the public and private sectors in areas such as mobile communications, internet service providing, industrial production, finance, horticulture, media and many others.

The company’s activities are based on the concern for the highest quality, customer-focused business philosophy and openness.

Currently, the Group consists of the joint stock company registered in Latvia – AS SAF Tehnika (hereinafter – the Parent company), and subsidiaries “SAF North America” LLC and “SAF Services” LLC wholly owned by the Parent company. Both subsidiaries are established in the US and operate in Denver, Colorado. AS SAF Tehnika is a public joint stock company established under applicable law of the Republic of Latvia. Shares of AS SAF Tehnika are listed 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>	01.07.2019
<b>End of financial year:</b>	30.06.2020
<b>Phone:</b>	+371 67046840
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## Share and Shareholdings

### SAF Tehnika shareholders (over 5%) as of 30.06.2019.

Shareholder	Ownership interest (%)
Didzis Liepkalns	17.05%
SIA „Koka zirgs”	10.75%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%

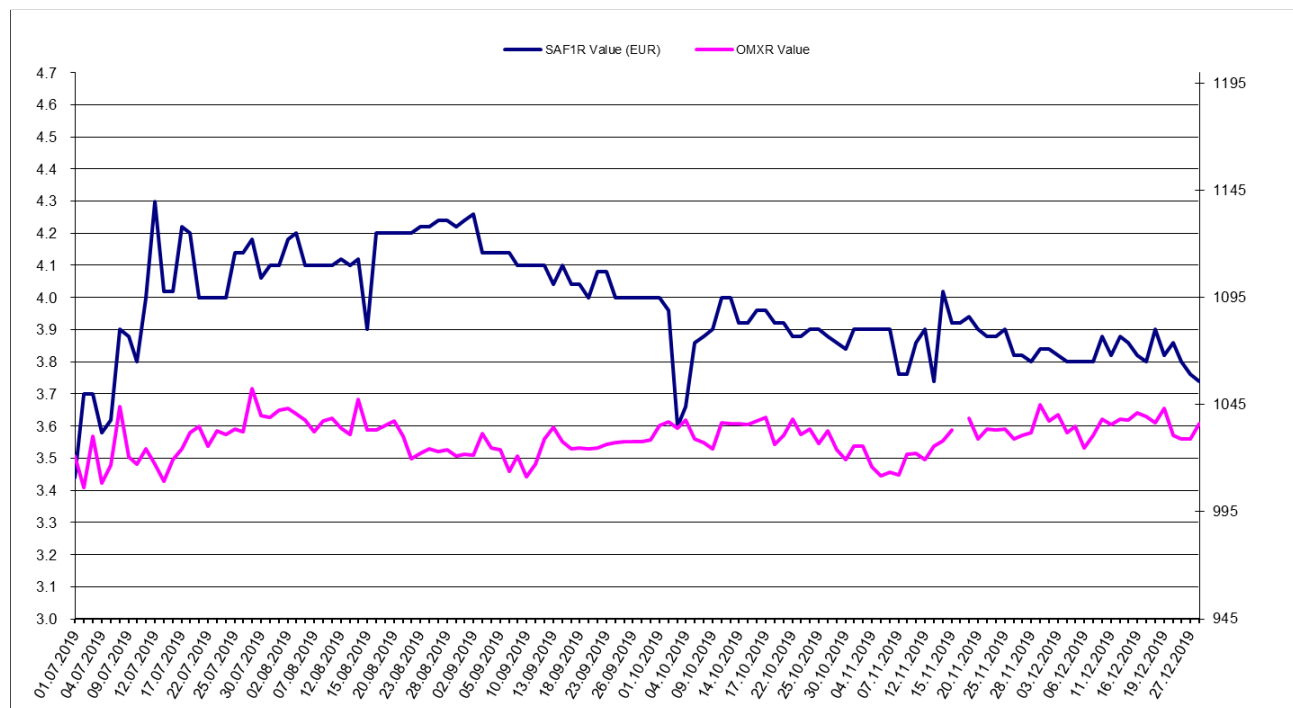
### SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2019 – December 30, 2019

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>
Juris Zieme	Chairman	owns 8.71% of shares
Andrejs Grisans	Vice-Chairman	owns 10.03% of shares
Ivars Senbergs	Member	owns 2 shares
Aira Loite	Member	owns 7700 shares
Sanda Salma	Member	owns no shares

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

**Normunds Bergs**, 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**, 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**, 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**, 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**

**Juris Ziema**, co-founder of the Company, is 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. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. Mr. Ziema has graduated Riga Technical University with a degree in radio engineering in 1987.

**Andrejs Grišāns**, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Manager. 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**, 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.

**Aira Loite**, Member of the Supervisory Council, since 2016 is Chief Financial Officer at Torgy Mek Group's and at the same time (since May 2018) also Director of SIA "Torgy Baltic" Ltd. From 2007 to 2015 she has been the Member of the Board of JSC "SAF Tehnika" and Director of Finance and Administration, and Managing Director since the end of 2011. From 2006 to 2007 she was Director of Business Information and Control Division at Lattelecom. From 2000 to 2006 she was a Member of the Board of Microlink Latvia and Head of Finance and Administration. A. Loite has graduated the University of Latvia in 1988 and holds Bachelor degree in Mathematics and MBA from Salford University, UK, obtained in 2009.

**Sanda Šalma**, Member of the Supervisory Council, employed by Microsoft Latvia, currently Small and Medium Business Lead for Baltic countries. From 2010 to 2012 worked for a developer



company RIX Technologies, participated in the work group of Latvian IT Cluster. From 2008 to 2010 was Citizenship & Education Project Lead at Microsoft Latvia. From 2000 to 2006 she was Sales Account Manager at Baltic Transshipment Center sales in Baltics and St. Petersburg. She has graduated The University of St.Petersburg and holds BSc in Psychology and MBA from RISEBA and Salford University, UK.

## 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, 2019 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, 2019.

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.



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Zane Jozepa  
CFO, Member of the Management Board

## Management Report

The Group's unaudited consolidated net turnover for the second quarter of the financial year 2019/2020 was EUR 4.72 million, which is 21% more than in the second quarter of the financial year 2018/2019.

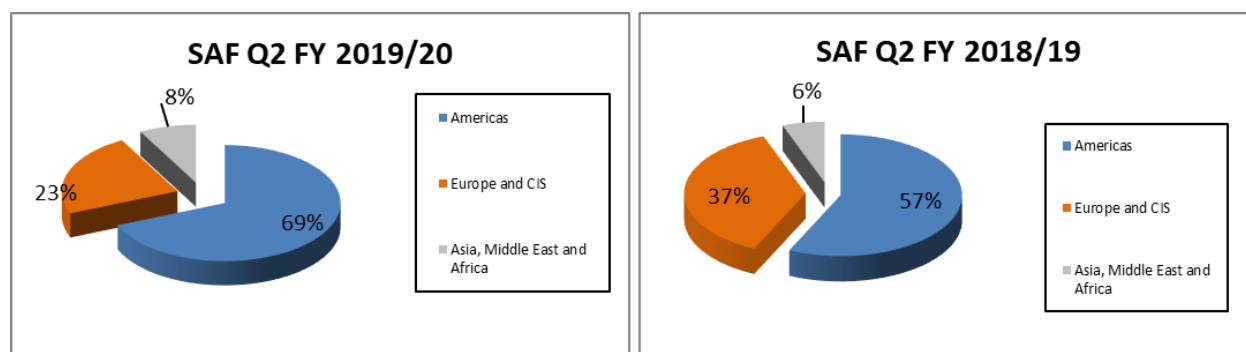
The turnover in North and Latin Americas was 69% or EUR 3.25 million. Compared to the turnover of the same quarter last financial year, the region's turnover has increased by 45%. Also referred to as the region's highest quarterly turnover over the last 2 financial years due to successful sales at the end of the previous quarter.

The turnover in Europe and CIS countries amounts to 23% or EUR 1.1 million, which is 25% less than the volume of the second quarter of the previous financial year. The AMEA (Asia, Middle East, Africa) region had a turnover of 8% or EUR 376 thousand. It is up by 70% compared with the turnover of the same quarter last financial year.

During the quarter, SAF Tehnika participated in several exhibitions, including the largest Middle East Technology Exhibition in Dubai – GITEX (for the fourth time), the Smart building show in the UK, RigaComm exhibition in Riga, WISPAPALOOZA in Las Vegas, FIA Expo in Chicago, as well as in a series of smaller events in Europe, USA and Latin America: Bits Bricks and Behaviour, Acutel, PMRExp, 5G Forums, SCWS Americas, and Comunicaciones.

In the second quarter of the year, sales and marketing activities for Aranet4 HOME continued in the US and Europe. Aranet4.com website design was improved and sales started on Amazon.com. In the period from 28 November to 3 December, the Black Friday/Cyber Monday marketing campaign was implemented in Europe and the US.

### Comparative charts of Q2 sales volumes by regions:

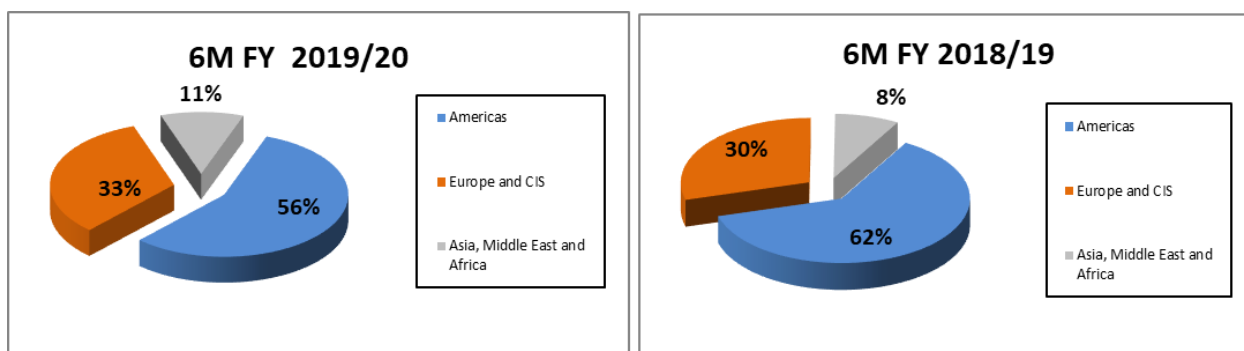


The Group sold its products to 59 countries during the reporting quarter.

The Group's unaudited consolidated turnover for the 6-month period of the financial year 2019/2020 was EUR 8.71 million, which is 25% more than the amount of revenue in the previous financial year.

During the 6-month period, revenues in North and Latin Americas represented 56% of the total Group's turnover and amounted to EUR 4.91 million, thus demonstrating a 13% increase against the results of the first half of the previous financial year. Revenue from the European and CIS countries represented 33% of the total turnover, having increased by 39% against the previous 6 months of the year, and amounted to EUR 2.86 million. Revenue from the AMEA (Asia, Middle East, Africa) region has increased by 67% or EUR 378 thousand, thus making 11% of the Group's total turnover.

**Comparative charts of 6-month sales volumes by regions:**



The Group's expenditures did not exceed the planned volumes, but were generally higher than in the same period a year earlier, due to wage growth, investments to increase sales in existing and new market segments. The Group continues to invest in the development of new products and modification of existing products.

The Group ended the second quarter of the financial year 2019/2020 with a profit of EUR 193 thousand (unaudited). The result of the Q2 of the previous year was a loss of EUR 148 thousand.

The unaudited consolidated result for the 6-month period of the financial year 2019/2020 is profit of EUR 451 thousand. The Group's result of 6 months in the previous financial year 2018/2019 was a loss of EUR 490 thousand.

The Group's net cash flow for the 6-month period of the financial year was positive – EUR 1.05 million. The Group's net cash balance was EUR 3.66 million at the end of the period.

In the second quarter of the financial year 2019/2020, EUR 135 thousand were invested in acquisition of fixed assets.

## **Market Overview**

The microwave radio market has not experienced any rapid changes over the past quarter, and we believe no such changes are expected in the near future, however, competition is increasing, especially in the segment of standard equipment.

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

## **Guidelines**

SAF Tehnika is the company with long-standing experience and expertise in microwave radio development and production.

The Group continues to explore market demand and problematic issues in order to be able to provide necessary product modifications, as well as continues investments in product development.

The Company's goal is to stabilize sales levels to ensure a positive net result in the long term. The Board of SAF Tehnika retains caution and refrains from making certain predictions regarding future sales volumes and financial results.

On 31 December 2019, the Group had 201 employees (there were 195 employees on 31 December 2018).

## KEY indicators

	Q2 2019/20	Q2 2018/19	Q2 2017/18
	EUR	EUR	EUR
Net Sales	4,722,329	3,888,217	3,571,513
Earnings before interest, taxes and depreciation (EBITDA)	458,779	-86,349	-81,992
<i>share of the turnover %</i>	10%	-2%	-2%
Profit/loss before interest and taxes (EBIT)	272,332	-184,559	-179,097
<i>share of the turnover %</i>	6%	-5%	-5%
Net Profit	193,080	-148,599	-258,420
<i>share of the turnover %</i>	4%	-4%	-7%
Total assets	14,239,787	12,478,809	12,839,465
Total Owners equity	9,921,659	9,389,604	10,222,649
Return on equity (ROE) %	1.35%	-1.26%	-1.90%
Return on assets (ROA) %	1.97%	-1.57%	-2.28%
Liquidity ratio			
Quick ratio %	120%	97%	172%
Current ratio %	185%	215%	255%
Earnings per share	0.07	-0.05	-0.09
Last share price at the end of period	3.74	2.32	6.45
P/E	20.78	-8.29	18.43
Number of employees at the end of reporting period	201	195	193

## Consolidated Statement of Financial Position

	Note	31.12.2019	31.12.2018
<b>CURRENT ASSETS</b>		<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>3 664 434</b>	<b>2 983 319</b>
<b>Customer receivables</b>	<b>1</b>		
Accounts receivable		1 902 081	3 465 234
Allowance for uncollectible receivables		-21 757	-20 491
<b>Total</b>		<b>1 880 324</b>	<b>3 444 743</b>
<b>Other receivables</b>			
Other current receivables	<b>2</b>	52 918	32 851
Short-term loans		64 206	174 672
<b>Total</b>		<b>117 124</b>	<b>207 523</b>
<b>Prepaid expenses</b>			
Prepaid taxes		37 500	170 757
Other prepaid expenses		200 945	198 739
<b>Total</b>		<b>238 445</b>	<b>369 496</b>
<b>Inventories</b>	<b>3</b>		
Raw materials		1 418 237	1 136 722
Work-in-progress		2 600 563	1 895 332
Finished goods		2 202 461	1 546 166
Prepayments to suppliers		50 946	161 883
<b>Total</b>		<b>6 272 207</b>	<b>4 740 103</b>
<b>TOTAL CURRENT ASSETS</b>		<b>12 172 533</b>	<b>11 745 184</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term financial assets</b>			
Investments in other companies		8 106	8 106
Long-term receivables	<b>1</b>	1 361	1 633
<b>Total</b>		<b>9 467</b>	<b>9 739</b>
<b>NON-CURRENT physical assets</b>	<b>4</b>		
Plant and equipment		4 269 805	4 110 396
Other equipment and fixtures		2 049 853	1 978 351
Accumulated depreciation		-5 649 662	-5 481 368
Unfinished renovation works		0	2 390
Long-term investment - lease		1 195 286	0
<b>Total</b>		<b>1 865 281</b>	<b>609 768</b>
<b>Intangible assets</b>	<b>4</b>		
Purchased licenses, trademarks etc.		192 506	114 117
<b>Total</b>		<b>192 506</b>	<b>114 117</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2 067 254</b>	<b>733 624</b>
<b>TOTAL ASSETS</b>		<b>14 239 787</b>	<b>12 478 809</b>

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>CURRENT LIABILITIES</b>		<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>			
Short-term loans from financial institutons		623	83
Customer prepayments for goods and services		643 097	220 823
Accounts payable		964 076	1 767 508
Accrued short-term operating lease liabilities	<b>5</b>	313 120	0
Tax liabilities		171 215	146 355
Salary-related accrued expenses	<b>6</b>	827 267	686 915
Provisions for guarantees		7 932	11 184
Deffered income		127 348	60 014
<b>TOTAL CURRENT LIABILITIES</b>		<b>3 054 677</b>	<b>2 892 882</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Long-term liabilities</b>			
Long-term deffered income		381 118	196 323
Accrued long-term operating lease liabilities	<b>5</b>	882 332	0
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>1 263 451</b>	<b>196 323</b>
<b>TOTAL LIABILITIES</b>		<b>4 318 128</b>	<b>3 089 205</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		2 441 356	2 855 657
Net profit for the financial year		451 576	-490 181
Currency translation reserve		10 219	5 620
<b>TOTAL OWNERS' EQUITY</b>		<b>9 921 659</b>	<b>9 389 604</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>14 239 787</b>	<b>12 478 809</b>



## Consolidated Statement of Profit or Loss for 6 month of the financial year 2019/2020

	Note	31.12.2019	31.12.2018
		EUR	EUR
Net sales	7	8 711 395	6 960 374
Other operating income		106 578	25 363
<b>Total income</b>		<b>8 817 973</b>	<b>6 985 737</b>
Direct cost of goods sold or services rendered		-3 744 147	-3 407 064
Marketing, advertising and public relations expenses		-367 227	-373 555
Bad receivables	8	-9 197	-4 064
Operating expenses		-576 946	-654 090
Salaries and social expenses	9	-2 830 932	-2 490 150
Bonuses and social expenses	9	-466 925	-390 865
Depreciation expense		-220 914	-197 433
Amortization of operating lease		-149 681	0
Other expenses		-19 854	-22 736
<b>Operating expenses</b>		<b>-8 385 825</b>	<b>-7 539 956</b>
<b>EBIT</b>		<b>432 148</b>	<b>-554 219</b>
Financial income (except ForEx rate difference)		8 592	12 648
Financial costs (except ForEx rate difference)		-11 049	-2
Foreign exchange +gain/(loss)		23 957	51 392
<b>Financial items</b>		<b>21 499</b>	<b>64 038</b>
<b>EBT</b>		<b>453 647</b>	<b>-490 181</b>
Corporate income tax		-2 071	0
<b>Profit after taxes</b>		<b>451 576</b>	<b>-490 181</b>
<b>Net profit/(loss)</b>		<b>451 576</b>	<b>-490 181</b>

\*Earnings per share

EPS 31.12.2019. = 0.15 EUR

EPS 31.12.2018. = -0.17 EUR

## Consolidated Statement of Profit or Loss for Q2 of the financial year 2019/2020

	31.12.2019	31.12.2018
	EUR	EUR
Net sales	4 722 329	3 888 217
Other operating income	68 863	22 175
<b>Total income</b>	<b>4 791 192</b>	<b>3 910 392</b>
Direct cost of goods sold or services rendered	-2 025 574	-1 890 904
Marketing, advertising and public relations expenses	-200 911	-226 163
Bad receivables	-5 527	685
Operating expenses	-304 743	-347 030
Salaries and social expenses	-1 496 444	-1 303 095
Bonuses and social expenses	-288 776	-217 451
Depreciation expense	-111 582	-98 210
Amortization of operating lease	-74 865	
Other expenses	-10 438	-12 783
<b>Operating expenses</b>	<b>-4 518 860</b>	<b>-4 094 951</b>
<b>EBIT</b>	<b>272 332</b>	<b>-184 559</b>
Financial income (except ForEx rate difference)	4 205	6 149
Financial costs (except ForEx rate difference)	-5 526	
Foreign exchange +gain/(loss)	-76 538	29 811
<b>Financial items</b>	<b>-77 859</b>	<b>35 960</b>
<b>EBT</b>	<b>194 473</b>	<b>-148 599</b>
<b>Corporate income tax</b>	<b>-1 393</b>	<b>0</b>
<b>Net profit/(loss)</b>	<b>193 080</b>	<b>-148 599</b>

\*Earnings per share

EPS 31.12.2019. = 0.07 EUR

EPS 31.12.2018. = -0.05 EUR

## Consolidated cash flow statement for 6 months of the financial year 2019/2020

	31.12.2019	31.12.2018
	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>1 041 526</b>	<b>-132 433</b>
Cash received from customers	9 571 377	7 076 413
Cash paid to suppliers and employees	-8 652 182	-7 331 021
Paid/Received VAT, corporate income tax	122 331	122 175
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>-193 375</b>	<b>-106 538</b>
Cash paid for purchasing non-current physical assets	-200 349	-117 767
Interest received	6 974	11 229
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>155 291</b>	<b>102 066</b>
Short-term loans	38 277	43 668
Repayment of short-term loans	233	-30
Cash received from EU funds	116 781	58 428
<b>Effects of exchange rate changes</b>	<b>44 061</b>	<b>-3 776</b>
<b>TOTAL CASH FLOW:</b>	<b>1 047 503</b>	<b>-140 681</b>
Cash and cash equivalents as at the beginning of period	2 616 931	3 124 000
Cash and cash equivalents as at the end of period	3 664 434	2 983 319
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1 047 503</b>	<b>-140 681</b>

## Statement of changes in consolidated equity for the 6 month period ended December 31, 2019

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 30 June 2018</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>2 012</b>	<b>2 885 657</b>	<b>9 876 177</b>
Currency translation difference	-	-	-	4 333	-	4 333
Loss for the year	-	-	-	-	-414 301	-414 301
<b>As at 30 June 2019</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>6 345</b>	<b>2 471 356</b>	<b>9 466 209</b>
Currency translation difference	-	-	-	3 874	-	3 874
Profit for the year	-	-	-	-	451 576	451 576
<b>As at 31 December 2019</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>10 219</b>	<b>2 922 932</b>	<b>9 921 659</b>

## Notes for interim report

### Note 1 Customer receivables

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Long-term receivables	1 361	1 633
Accounts receivable	1 902 081	3 465 234
Provisions for bad and doubtful accounts receivable	(21 757)	(20 491)
<b>Total short-term accounts receivable</b>	<b>1 880 324</b>	<b>3 444 743</b>
<b>Total receivables</b>	<b>1 881 685</b>	<b>3 446 376</b>

Total receivables have decreased compared to the same balance sheet date of the previous financial year. The end amount of the previous period is related to one transaction.

### Note 2 Other current receivables

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Other current receivables</b>	<b>52 918</b>	<b>32 851</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>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials	2 082 837	1 762 280
Allowance for slow-moving items	(664 600)	(625 558)
Work-in-progress	2 600 563	1 895 332
Finished goods	2 202 461	1 546 166
Prepayments to suppliers	50 946	161 883
	<b>6 272 207</b>	<b>4 740 103</b>

As compared to 31 December 2018, total inventories increased by 32%.

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>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Plant and equipment	4 269 805	4 110 396
Other equipment and fixtures	2 049 853	1 978 351
Accumulated depreciation	(5 649 662)	(5 481 368)
Unfinished renovation works	-	2 390
Long-term investment lease*	1 195 286	-
	<b>1 865 281</b>	<b>609 768</b>
Purchased licenses, trademarks etc.	192 506	114 117
	<b>192 506</b>	<b>114 117</b>
<b>Total non-current, intangible assets</b>	<b>2 057 787</b>	<b>723 885</b>

\*See Note 5 Operating lease liabilities

During Q2, the Group acquired fixed assets and intangible assets in the amount of 135 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

**Note 5 Operating lease liabilities**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Accrued short-term operating lease liabilities	313 120	-
Accrued long-term operating lease liabilities	882 332	-
	<b>1 195 452</b>	<b>-</b>

As a result of implementing IFRS 16 “Leases”, the Group has made estimates in connection with the concluded operating lease contracts, assuming that it will continue to lease the premises the next 5 (five) years in accordance with the concluded contracts on the lease of the premises.

**Note 6 Salary-related accrued expenses**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Salary-related accrued expenses</b>	<b>827 267</b>	<b>686 915</b>

The increase in the balance sheet is due to fluctuations in vacation and bonus savings between periods, and due to the increase in wages.

## Note 7 Segment information

a) The Group's economic activities can be divided into two parts – activities with products developed and manufactured by SAF – as one of the structural entities, which includes Integra, Phoenix, CFIP radio systems, Spectrum Compact analyzers, Signal Generators and Aranet Internet of Things (IoT) product range, and activities related to products purchased from other suppliers, trade in antennas, cables, SAF-branded (OEM-ed) and various additional products – as another structural entity.

The family of the Group's basic products includes:

- Integra – a full outdoor, single-unit radio system, which was supplemented with Inetgra E and Integra X products during the reporting period (FY18/19). Integra is a next generation radio system that uses the latest signal processing components and radio technologies;
- Phoenix – a hybrid radio system of distributed configuration (IDU+ODU) for customers who need additional connection interfaces and functionality;
- CFIP – radio systems that include functional but lower capacity products.
- CFL Sprint Series – radio systems with ultra low latency for custom applications.
- Spectrum Compact and Signal Generator – measuring units designed for field engineers operating in radio networks of such industries as telecommunications, TV/Radio, etc. The product line includes several devices with different functionalities and designed for use in different frequency ranges;
- Aranet – an internet of things (IoT) solution for environmental monitoring.

SAF Tehnika offers its radio systems in many different frequency ranges from 1.4 GHz to 86 GHz, therefore, its products can be used in almost every country in the world.

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 2019/20 and financial year 2018/19.

	CFM; CFIP; FreeMile		Other		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Segment assets</b>	<b>8 264 246</b>	<b>8 195 994</b>	<b>1 237 099</b>	<b>1 369 582</b>	<b>9 501 345</b>	<b>9 565 576</b>
Undivided assets					4 738 442	2 913 233
<b>Total assets</b>					<b>14 239 787</b>	<b>12 478 809</b>
<b>Segment liabilities</b>	<b>1 885 293</b>	<b>2 145 040</b>	<b>111 078</b>	<b>175 782</b>	<b>1 996 371</b>	<b>2 320 822</b>
Undivided liabilities					2 321 757	768 383
<b>Total liabilities</b>					<b>4 318 128</b>	<b>3 089 205</b>
<b>Net sales</b>	<b>8 034 028</b>	<b>6 568 753</b>	<b>677 367</b>	<b>391 621</b>	<b>8 711 395</b>	<b>6 960 374</b>
<b>Segment results</b>	<b>3 033 121</b>	<b>1 874 530</b>	<b>474 584</b>	<b>153 499</b>	<b>3 507 705</b>	<b>2 028 029</b>
Undivided expenses					-3 182 136	-2 607 612
<b>Profit from operations</b>					<b>325 569</b>	<b>-579 583</b>
Other income					106 578	25 363
Financial income (except ForEx rate difference)					8 592	12 648
Financial costs (except ForEx rate difference)					-11 049	-2
Foreign exchange +gain/(loss)					23 957	51 393
<b>Profit before taxes</b>					<b>453 647</b>	<b>-490 181</b>
Corporate income tax					-2 071	0
<b>Profit after taxes</b>					<b>451 576</b>	<b>-490 181</b>
<b>Net profit</b>					<b>451 576</b>	<b>-490 181</b>

#### Other information

Additions of property plant and equipment and intangible assets	29 863	44 032	0	0	29 863	44 032
Undivided additions					184 880	77 247
<b>Total additions of property plant and equipment and intangible assets</b>					<b>214 743</b>	<b>121 279</b>
Depreciation and amortization	204 007	107 500	0	0	204 007	107 500
Undivided depreciation					166 588	89 933
<b>Total depreciation and amortization</b>					<b>370 595</b>	<b>197 433</b>

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 2019/20 compared to the same period of financial year 2018/19.

	Net sales		Assets	
	2019/20	2018/19	31.12.2019	31.12.2018
	EUR	EUR	EUR	EUR
Americas	4 911 853	4 334 198	1 307 278	1 311 775
Europe, CIS	2 855 332	2 060 261	343 393	2 028 355
Asia, Africa, Middle East	944 210	565 915	231 014	106 247
	<b>8 711 395</b>	<b>6 960 374</b>	<b>1 881 685</b>	<b>3 446 376</b>
Unallocated assets	-	-	12 358 102	9 032 433
	<b>8 711 395</b>	<b>6 960 374</b>	<b>14 239 787</b>	<b>12 478 809</b>

## Note 8 Bad receivables

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Bad receivables</b>	<b>(9 197)</b>	<b>(4 064)</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>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social expenses	2 830 932	2 490 150
Bonuses and social expenses	466 925	390 865
	<b>3 297 858</b>	<b>2 881 015</b>

Compared to the 6-month period of the previous financial year 2018/2019, wages and related social contributions increased by 14%, which reflects changes in the staff structure (employees with critical competencies) and changes in remuneration.